

Commission Regulation (EU) 2016/1388 of 17 August 2016 establishing
a Network Code on Demand Connection (Text with EEA relevance)

TITLE V

APPLICATIONS AND DEROGATIONS

CHAPTER 1

Cost-benefit analysis

Article 48

Identification of costs and benefits of application of requirements to existing transmission-connected demand facilities, existing transmission-connected distribution facilities, existing distribution systems and existing demand units

1 Prior to the application of any requirement set out in this Regulation to existing transmission-connected demand facilities, existing transmission-connected distribution facilities, existing distribution systems and existing demand units in accordance with Article 4(3), the relevant TSO shall undertake a qualitative comparison of costs and benefits related to the requirement under consideration. This comparison shall take into account available network-based or market-based alternatives. The relevant TSO may only proceed to undertake a quantitative cost-benefit analysis in accordance with paragraphs 2 to 5, if the qualitative comparison indicates that the likely benefits exceed the likely costs. If, however, the cost is deemed high or the benefit is deemed low, then the relevant TSO shall not proceed further.

2 Following a preparatory stage undertaken in accordance with paragraph 1, the relevant TSO shall carry out a quantitative cost-benefit analysis of any requirement under consideration for application to existing transmission-connected demand facilities, existing transmission-connected distribution facilities, existing distribution systems and existing demand units that have demonstrated potential benefits as a result of the preparatory stage according to paragraph 1.

3 Within three months of concluding the cost-benefit analysis, the relevant TSO shall summarise the findings in a report which shall:

- a include the cost-benefit analysis and a recommendation on how to proceed;
- b include a proposal for a transitional period for applying the requirement to existing transmission-connected demand facilities, existing transmission-connected distribution facilities, existing distribution systems and existing demand units. That transitional period shall not be more than two years from the date of the decision of the regulatory authority or where applicable the Member State on the requirement's applicability;
- c be subject to public consultation in accordance with Article 9.

4 No later than six months after the end of the public consultation, the relevant TSO shall prepare a report explaining the outcome of the consultation and making a proposal on the applicability of the requirement under consideration to existing transmission-connected demand facilities, existing transmission-connected distribution facilities, existing distribution systems and existing demand units. The report and proposal shall be notified to the regulatory authority

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or, where applicable, the Member State, and the demand facility owner, DSO, CDSO or, where applicable, third party shall be informed on its content.

5 The proposal made by the relevant TSO to the regulatory authority or, where applicable, the Member State pursuant to paragraph 4 shall include the following:

- a an operational notification procedure for demonstrating the implementation of the requirements by the existing transmission-connected demand facilities, existing transmission-connected distribution facilities, existing distribution systems and existing demand units used by a demand facility or a closed distribution system to provide demand response services to relevant system operators and relevant TSOs;
- b a transitional period for implementing the requirements which shall take into account the classes of transmission-connected demand facilities, transmission-connected distribution facilities, distribution systems and demand units used by a demand facility or a closed distribution system to provide demand response services to relevant system operators and relevant TSOs and any underlying obstacles to the efficient implementation of the equipment modification/refitting.

Article 49

Principles of cost-benefit analysis

1 Demand facility owners, DSOs and CDSOs shall assist and contribute to the cost-benefit analysis undertaken according to Articles 48 and 53 and provide the necessary data as requested by the relevant system operator or relevant TSO within three months of receiving a request, unless agreed otherwise by the relevant TSO. For the preparation of a cost-benefit-analysis by a demand facility owner or prospective owner, or by a DSO/CDSO or prospective operator, assessing a potential derogation pursuant to Article 52, the relevant TSO and DSO shall assist and contribute to the cost-benefit analysis and provide the necessary data as requested by the demand facility owner or prospective owner, or by the DSO/CDSO or prospective operator, within three months of receiving a request, unless agreed otherwise by the demand facility owner or prospective owner, or by the DSO/CDSO or prospective operator.

2 A cost-benefit analysis shall be in line with the following principles:

- a the relevant TSO, demand facility owner or prospective owner, DSO/CDSO or prospective operator, shall base its cost-benefit analysis on one or more of the following calculating principles:
 - (i) the net present value;
 - (ii) the return on investment;
 - (iii) the rate of return;
 - (iv) the time needed to break even;
- b the relevant TSO, demand facility owner or prospective owner, DSO/CDSO or prospective operator, shall also quantify socioeconomic benefits in terms of improvement in security of supply and shall include at least:
 - (i) the associated reduction in probability of loss of supply over the lifetime of the modification;
 - (ii) the probable extent and duration of such loss of supply;
 - (iii) the societal cost per hour of such loss of supply;

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- c the relevant TSO, demand facility owner or prospective owner, DSO/CDSO or prospective operator, shall quantify the benefits to the internal market in electricity, cross-border trade and integration of renewable energies, including at least:
 - (i) the active power frequency response;
 - (ii) the balancing reserves;
 - (iii) the reactive power provision;
 - (iv) congestion management;
 - (v) defence measures;
- d the relevant TSO shall quantify the costs of applying the necessary rules to existing transmission-connected demand facilities, existing transmission-connected distribution facilities, existing distribution systems, or existing demand units, including at least:
 - (i) the direct costs incurred in implementing a requirement;
 - (ii) the costs associated with attributable loss of opportunity;
 - (iii) the costs associated with resulting changes in maintenance and operation.

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