

Call for input

Proposal to introduce the Future Regulation Sandbox

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We¹ are seeking input on our proposal to introduce the Future Regulation Sandbox (FRS), an innovative policy instrument, to test and trial changes to the energy rulebook that need to happen to enable or respond to innovation that supports our journey to a smarter, decarbonised energy system. We particularly welcome responses from those innovating in the energy sector, whether licensed by us or not, parties interested in driving innovation in the energy sector, consumer representatives, and rule owners such as Code Administrators in the energy system. We would also welcome responses from other stakeholders and the public, including those working in the field of agile regulation.

This document outlines the scope, purpose, and questions of the call for input and how you can get involved. Once the call for input is closed, we will consider all responses. We may publish non-confidential responses we receive on our website. If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

¹ The terms 'we', 'us', 'our' refer to the Gas and Electricity Markets Authority (the Authority). Ofgem operates under the direction and governance of the Authority.

Call for input

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Executive Summary

Regulators in all sectors are facing the question of how to keep their rulebook up to date, responding to market trends and innovations in a timely fashion. Now more than ever, it is important that the rules governing the energy sector are enabling and responding to innovation, because of its crucial role in achieving the UK's net zero targets. We recognise that there is a need for innovation *in regulation itself* to better support the exploration and deployment of innovation, as well as its proportionate regulation, for the ultimate benefit of consumers.

To meet this challenge head-on, we're proposing to introduce the Future Regulation Sandbox (FRS), a new policy instrument to test and trial changes to the energy rulebook before making them. Regulatory experimentation was promoted in Sir Patrick Vallance's recent review on pro-innovation regulation, and regulators in the UK and abroad have had good experiences with similar approaches.

Our proposal builds on, and would be offered in addition to, our current [Energy Regulation Sandbox](#) (ERS) which has been running since 2016 and provides innovators who apply with regulatory relief to launch into the market or conduct a time-limited trial. In its current form the ERS is explicitly not a means to change regulation on a permanent basis, though after a trial, participants can raise a code modification or seek to influence Ofgem to change the rules.

FRS trials would be set up with the explicit purpose of delivering evidence needed to make difficult policy decisions, bringing together market participants and rule owners (Ofgem, and Code Administrators where relevant) to do so. Similar to the current ERS, trials would operate within the live market while providing a contained environment to conduct controlled testing of potential future regulation. An FRS environment — rules and conditions in place for the time-limited duration of the trial — would limit risk to consumers, systems and markets, whilst providing a rich evidence base to inform decisions about how the rulebook should evolve.

Practically, the initiative for and design of any given FRS trial would be led by Ofgem informed by stakeholder appetite and input. Ideas for trial topics could come from any stakeholder, or they may emerge from existing policy workstreams. We envisage that Ofgem would publicly announce the details of an FRS trial, inviting industry to input on the design of the trial, its aims and methodology. Innovators would be invited to apply to take part in a given trial, with participation being voluntary.

As trials are underway, relevant policy teams in Ofgem and any code bodies involved, would observe and learn about the impacts, risks and benefits of potential rule changes

and their effects on innovation, consumers, markets and systems. It's our aim that these learnings, alongside our usual open consultation with wider industry, inform timely decisions on the necessity for and details of any regulatory reform.

We believe the FRS could be a powerful tool to unlock and drive innovation. We are publishing this call for input to understand from stakeholders whether they too see value in our proposal for an FRS. Feedback will be used to inform the design and implementation of the FRS. This document outlines our vision for an FRS, its purpose, potential use-cases and how they could be implemented. It then reflects on the benefits and risks that could arise from running FRS and how to mitigate these. It finally invites readers to put forward proposals for specific topics and questions that would be suitable to be explored through FRS.

1. Introduction

- 1.1 Regulators in every sector face an inherent challenge of keeping the rulebook they preside over fit for purpose and in step with market developments, particularly innovation. Many of the rules governing the energy sector today are reflective of a time when business models were more predictable, digitalisation limited and market actors less diverse. We as the regulator must strike the right balance between rules not getting in the way of innovation, whilst ensuring that the rules that are in place protect consumers, energy systems and efficient market functioning. An additional challenge is making sure that regulatory change happens in a timely fashion; not too early so as to stifle innovation, nor too late so as to leave consumers exposed to risks that can arise from unregulated market activity.
- 1.2 Ofgem has taken different approaches over the years to address these challenges, including re-openers in price controls,² principles-based regulation in the supplier licence,³ and fundamental changes such as the Electricity Settlement Reform.⁴ In 2016, we were one of the first UK regulators to set up an advice service and a regulatory Sandbox for innovators.⁵
- 1.3 Now more than ever, it is important that the rules governing the energy sector are in step with innovation because of its crucial role in achieving our net zero targets. The International Energy Agency estimates that 35% of the emissions reductions needed in 2050 depend on technologies that are still in development.⁶ A report for the Climate Change Committee suggests that 60% of emissions reductions will require some societal or behavioural changes.⁷ For existing and future technologies, we need innovation in the products, services, business models and methodologies that mean they can be rapidly deployed in ways that work for consumers. The potential for innovation to drive clean economic growth

² Re-openers are used as a RIIO uncertainty mechanism: [Re-opener Guidance and Application Requirements Document: Version 3 | Ofgem](#)

³ Principles-based regulation in the supplier licence, for example: [Supplier Licensing Review: Ongoing requirements and exit arrangements - Decision \(ofgem.gov.uk\)](#).

⁴ Electricity Settlement Reform: [Electricity settlement reform | Ofgem](#)

⁵ For more about our Fast Frank Feedback and current Regulatory Sandbox see our website. [Innovation Link | Ofgem](#)

⁶ [Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach – Analysis - IEA](#)

⁷ [Behaviour change, public engagement and Net Zero \(Imperial College London\) - Climate Change Committee \(theccc.org.uk\)](#)

and create jobs underpins government strategies including Build Back Better⁸ and Net Zero Growth Plan⁹.

- 1.4 In recent years, policy makers around the globe have been developing new ways of regulating in a fast-changing world. Agile regulation¹⁰ and regulatory experimentation¹¹ have emerged as good practice. The UK is a founding member of the 2020 Agile Nations Charter,¹² committing to promoting good practice in rulemaking and “creating a regulatory environment in which new innovations can thrive.” The Charter advocates “enabling businesses to pilot and test innovations” and, crucially, to “gather learning from these tests on how rules need to adapt.” Regulatory experimentation was promoted in Sir Patrick Vallance’s recent review on pro-innovation regulation.¹³ The Alternative Energy Market run by the Department for Energy Security and Net Zero is an example of how experimental approaches to innovation can be used to inform future policy and regulation.
- 1.5 We’ve learnt from these examples and have explored how we can improve our own regulatory practices for the energy sector. We recognise that there is a need for innovation in *regulation itself* to better support the exploration and deployment of innovation at the pace and scale necessary to reach net zero targets. But to do so, we need tools which help us understand the sometimes complex impacts that result from changes to regulation.
- 1.6 We are therefore considering introducing the Future Regulation Sandbox (FRS), an innovative policy instrument to test and trial changes to the energy rulebook. FRS trials would operate within live markets but provide a contained environment to conduct controlled testing of potential future regulation and its impact on innovation. The trial environment would limit risk to consumers, systems and markets, whilst providing a rich evidence base to inform decisions about how the rulebook should evolve. We believe this can be a powerful tool to unlock and drive innovation, as shown in the examples in Box 1 on page 13.
- 1.7 This proposal builds on our current [Energy Regulation Sandbox](#) (ERS) which helps innovators bring their proposals to market or trial them in a controlled environment. We commissioned an external evaluation of our support services in

⁸ [Powering Up Britain - The Net Zero Growth Plan \(publishing.service.gov.uk\)](#)

⁹ [Build Back Better: our plan for growth \(HTML\) - GOV.UK \(www.gov.uk\)](#)

¹⁰ Agile Regulation for the Fourth Industrial Revolution: [Agile Regulation for the Fourth Industrial Revolution: A Toolkit for Regulators | World Economic Forum \(weforum.org\)](#)

¹¹ ISGAN casebook [Casebook on Innovative Regulatory Approaches with Focus on Experimental Sandboxes 2.0 | ISGAN \(www.iea-isgan.org\)](#)

¹² [Agile Nations Charter \(accessible webpage version\) - GOV.UK \(www.gov.uk\)](#)

¹³ [Pro-innovation Regulation of Technologies Review: Green Industries - GOV.UK \(www.gov.uk\)](#)

2021¹⁴ which confirmed that innovators value the regulatory guidance and ability to trial propositions through our services. Through a request for feedback at the time, we explored how our services could evolve to best meet the needs of the sector. This call for input is our response to the request for feedback.

- 1.8 We are seeking views from stakeholders on whether they too see value in our proposal for the FRS, what topics it could be used for, and how the FRS could best be implemented to maximise benefits to the market.
- 1.9 This publication is aimed at anyone interested in innovation in the energy sector, whether licensed by us or not, other parties interested in driving innovation in the sector, consumer representatives, and rule owners such as industry Code Administrators.
- 1.10 The document first paints a vision for the FRS, its purpose, potential use-cases and how it could be implemented. It then reflects on the benefits and risks arising from running FRS trials and how to mitigate these. It finally invites readers to think of specific topics and questions that would be suitable to be explored through FRS trials.
- 1.11 We ask for your input and feedback throughout the document. All questions are summarised in Appendix 1. See Appendix 2 for how to respond to this document.

2. Our vision for the Future Regulation Sandbox

Section summary

This section sets out our vision for the Future Regulation Sandbox (FRS): what issues it could help address, how it could work in practice, and inform decisions about potential changes to the rulebook governing the energy sector.

- 2.1 The relationship between innovation and regulation is a complex one. At worst, regulation can restrain or prevent innovative thoughts and proposals, at best it can foster, guide and accelerate the diffusion of innovative activity, coordinate efforts and share learning.
- 2.2 There is a vast amount of innovative activity in our energy sector today, solving problems and increasing opportunities for consumers, market participants and

¹⁴ CEPA report on the evaluation of the Innovation Link and Call for Input: [Innovation Link evaluation and evolution – request for feedback | Ofgem](#)

delivering on our net zero targets. On the other hand, there are rules in place that are crucial to facilitate the safe, reliable and competitive energy system that we all rely upon, and which should remain unchanged.

2.3 From our interactions with innovators big and small from across the energy sector, we're hearing that there are instances of friction in that relationship between innovation and regulation, where the rulebook needs to evolve to keep pace with and better enable innovation. Rules written in the past may not have foreseen a particular technology, business model or market activity, with the effect that:

- innovators may operate in grey areas or with workarounds, making their operation more difficult and costly than it needs to be,
- consumer protections may need updating in line with new risks arising from innovation, or
- problems faced by the sector can be solved in a new way, and rules need to be updated to allow for new methods.

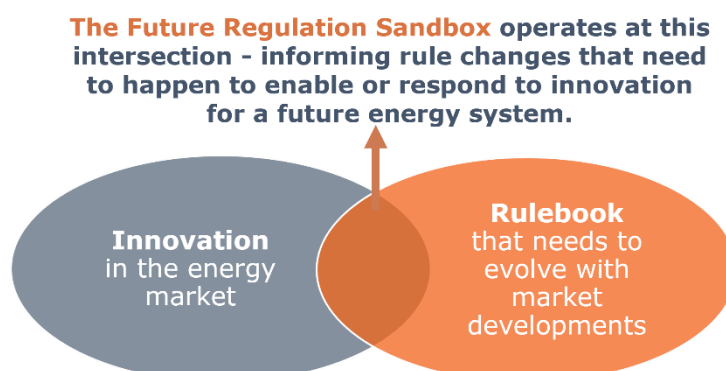


Figure 1: Diagram illustrating our proposed focus of the Future Regulation Sandbox

2.4 It's at this intersection of innovation and regulation where we believe the FRS can add value by unlocking and driving innovation. The increasing complexity of the energy sector and the urgency with which we need innovation to support our transition to net zero calls for a new approach to how we resolve the frictions in this relationship.

Key features of the Future Regulation Sandbox

- 2.5 In designing the FRS, we learnt from the strengths and weaknesses of our current [Energy Regulation Sandbox](#) (ERS) which operates by individual innovators applying to Ofgem for one or more of our Sandbox tools – guidance, derogations, letters of comfort or confirmation – to support their launch into the market, or a time-limited trial. We’ve been clear that, though insights from a particular Sandbox can inform regulatory reform options, in its current form the ERS is not a means to change regulation on a permanent basis.
- 2.6 There are two key features that differentiate the FRS from our current offer.
- The explicit aim of the FRS is to inform decisions about how energy regulation should change.
 - The initiative for and design of any given FRS will be led by Ofgem (informed by stakeholder appetite and input).
- 2.7 Rather than designing a Sandbox around a particular innovator’s proposal, a given FRS will design a trial specifically to deliver the evidence needed to inform a potential rule change that’s needed to enable or respond to an innovation.
- 2.8 That’s not to say that industry members and other organisations are excluded from the development of an FRS trial – quite the opposite. We encourage and welcome stakeholder views on what issues the FRS should focus on, with this call for input being a vehicle to collate initial ideas (see Section 4). We further intend to consult widely and regularly on the design and outcomes of any given FRS (see Sections 2 and 3).
- 2.9 The key strength of our current ERS that we’re carrying into the FRS proposal is the simple idea of trialling new ideas in a live market environment, in a contained, controlled space, to ensure consumer protection, market integrity and continued system functioning. We envisage that multiple innovators would participate in an FRS, trialling innovations and associated new or altered rules. We consider that the FRS would deliver valuable evidence that will help us understand the benefits, costs and risks of any change to the rulebook.

Questions

- Q1. Do you agree with the problem we’ve identified in the potential for friction in the relationship between innovation and regulation? Do you have examples of where this friction arises and its consequences?

Q2. What are your views on the fundamental idea of using trials of innovations and regulation to inform decisions about rule changes, particularly our proposal for these trials to be regulator-led rather than innovator-led?

2.10 Practically, any FRS would have two components which we explain in further detail below:

- the sandbox environment, ie. the rules and conditions that apply for the time-limited period of a trial, and
- trials of innovation and future regulation that operate within the sandbox environment.

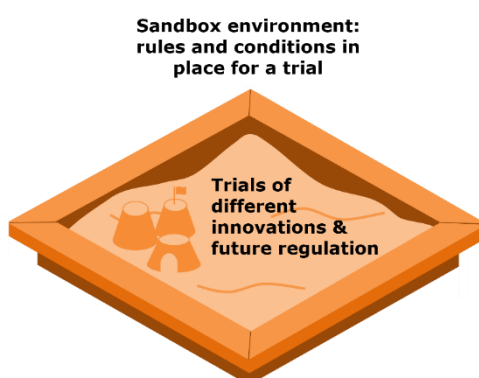


Figure 2: The two components of a Future Regulation Sandbox trial are the sandbox environment, made up of rules and conditions, and the trials occurring within the environment.

The Future Regulation Sandbox environment

2.11 The FRS environment would allow innovators and rule owners to trial ideas in the live energy markets under different rules and conditions for the time-limited period of a trial. It's a flexible space which would be designed depending on the innovation it seeks to enable or potential rule change under consideration, and may entail:

- removing existing rules,
- putting in place new or altered rules,
- conditions to limit the scale of trials and ensure consumer protection (eg. limits on the number of meter points or consumers involved, or limiting geographical locations or energy volume).

2.12 We envisage an FRS trial environment to be designed so that it's appropriate to most of the innovation projects taking place within it. However, for some FRS

topics, individual projects may require tailored support and would be able to request their individual derogations, letters of comfort, confirmation and guidance, just as they would for our current ERS.

- 2.13 Given our aim for the FRS to be an agile learning tool to inform decisions about rule changes, where possible and necessary, we may look to alter the FRS environment or what's being trialled during the course of a trial. For example, a new rule could transpire to be inappropriate, or conditions to insufficiently protect consumers. Such alterations would be agreed with the innovators operating inside the FRS.
- 2.14 It's important to remember that the sandbox environment (whether ERS or FRS) is not one in which any rules can be altered any way we wish. Ofgem is endowed with certain powers and oversees a set of rules which we have sought to summarise in Section 4. There are also several [industry Code Administrators](#) that preside over the technical rules that sit behind many energy sector processes. Four of these, namely, the [Balancing and Settlement Code](#) (BSC), [Distribution Connection and Use of System Agreement](#) (DCUSA), [Retail Energy Code](#) (REC) and the [Uniform Network Code](#) (UNC) offer temporary derogations to innovators. The sandbox environment can only deliver the flexibility that is afforded to these various rule owners within the legal and regulatory framework. See paragraph 2.27 for which rules we consider to be in scope of at least the initial version of the FRS.

Inside the Future Regulation Sandbox

- 2.15 Which exact innovations and rules are trialled within the FRS environment would vary hugely depending on the topic a given FRS trial may focus on. As already mentioned, we believe there is value in having multiple participants in a Sandbox environment as they can either trial the same innovation but in different contexts, or trial different innovations to reveal which one solves a problem better.
- 2.16 To help illustrate what an FRS trial could entail, we've provided three examples in Box 1 below. However, they are stylised categories, and we don't wish to limit respondents' imagination in how we could design a particular FRS trial.
- 2.17 In some cases, we could invite interested parties to come forward with proposals for what they would like to trial in a Sandbox environment to solve a given problem (see Example 1). In other cases, we could invite interested parties to

trial specific innovations or rules that have been developed in consultation with industry (see Example 2 and 3).

- 2.18 In all cases, the trials would be used to gather evidence of the effectiveness, risks, costs and benefits of the innovations and rule changes being trialled. Where evidence from trial and other sources was sufficient and clear, permanent rule changes could be progressed.

Box 1. Examples of the type of trials that could be run through the FRS

Example 1: Open innovation challenge

Where there is no firm evidence as to the innovation or rule change that best solves a given problem, we could set a challenge to industry to submit proposals for innovation trials.

Example: We could invite innovators to propose solutions for how to best increase low-carbon technology uptake amongst low-income consumers. Multiple solutions would then be trialled alongside each other, together with the rule changes required to facilitate them. The trial would inform decisions on whether rule changes to enable certain business models, products and services are required and what they should look like.

Example 2: Innovation trial

We could trial one or more innovations to find out whether they solve a given problem.

Example: The Italian energy regulator ARERA invited the transmission system operator (TSO) to trial two solutions to reduce wind curtailment in constrained areas of their network: operating utility-scale storage and Dynamic Thermal Rating. They found the latter was more effective, informing the decision not to allow the TSO to own and operate storage (see Box 2 for a case study on ARERA).

Example 3: Regulation trial

We could trial one or more updated rules/methodologies to find out if they are fit for purpose.

Example: If hydrogen blending into the GB gas network was taken forward, we could work with industry to develop options for how Ofgem licence rules and code rules would have to change. We would then invite network companies to trial different methodologies in different locations, to understand their impacts. The learnings would inform decisions on the final methodologies.

Box 2. Case study of the use of trials to inform regulatory decisions in Italy

The Italian Regulatory Authority for Energy, Networks and Environment (ARERA) has used a policy-driven sandboxing approach since 2010. Trial topics are defined by public consultation, participants chosen through a public and competitive process, with trials lasting 3-4 years. In making decisions on permanent rule changes, the regulator considers the trial findings, as well as responses to public consultations which serve to share trial findings in a transparent manner. This is shown by the examples below^{15,16}.

1) *Smart grids (2010-2016)*: ARERA ran an initiative aimed at improving the integration of smart grids, specifically to help connect large amounts of distributed generation to the grid and improve the quality of service in critical mid-voltage network zones.

Following an open call for proposals, seven trials led by distribution system operators (DSOs), which involved the testing of smart grid solutions, were selected for demonstration. As a financial incentive, DSOs were given an extra remuneration on their capital investment. Out of the six solutions tested, two were identified as having the most potential to deliver a smarter grid. As a result, new regulatory incentives were enforced in 2016 to enable their large-scale roll-out.

2) *Utility-scale storage (2012-2017)*: ARERA wanted to test effective solutions to maximise the dispatch of wind-based generation on congested parts of the energy network. It allowed the TSO (TERNA) to own and operate storage units for the duration of the trials¹⁷.

Trials were run by TERNA in partnership with battery storage manufacturers. In several congested parts of their network, the TSO installed Dynamic Thermal Rating (DTR) technology to three energy intensive storage units, as well as other units with utility-scale Energy Storage Systems (ESS). A financial incentive was granted on the condition that a given target of wind curtailment was avoided. In 2017 ARERA assessed experiment results and found that DTR technology was more efficient than ESS at reducing wind curtailment, leading to the decision not to continue allowing the TSO to own or operate storage.

¹⁵ [ISGAN - Casebook on Innovative Regulatory Approaches with Focus on Experimental Sandboxes \(iea-isgan.org\)](https://www.iea.org/casebooks/casebook-on-innovative-regulatory-approaches-with-focus-on-experimental-sandboxes)

¹⁶ [Making energy regulation fit for purpose - Publications Office of the EU \(europa.eu\)](https://ec.europa.eu/euipo/publications/publication-detail/-/publication/11111111-1111-1111-1111-111111111111)

¹⁷ This trial took place before the Recast Electricity Directive (2019), which prohibits TSOs, as a general principle, from owning, developing, managing or operating energy storage facilities.

Questions

Q3. Do you have any other ideas for what types of trials could be run in an FRS?
Please note Questions Q21–Q26 focus on the actual issues that FRS trials could address.

Informing decisions about energy regulation

- 2.19 The FRS environment and what is trialled within it would be carefully designed so as to deliver evidence required to make informed decisions on whether and how rules should permanently change. That’s not to say that we see the FRS as the only source of information to make such decisions. Rather, the FRS is an additional tool that will be integrated into our existing policy-making process.
- 2.20 As described in Box 3 below, we envisage that the exploration of policy options, their assessment, and associated consultations would run in parallel with an FRS trial. The FRS environment could act as a testing ground to test hypotheses and gather data for policy decisions. That’s why we believe it’s important to allow for changes to the FRS environment over time where possible, as initial assumptions may turn out to be untrue, or methodologies may not work as intended. Operating in an agile manner, we want to identify issues, improve solutions and learn over time.
- 2.21 To enable this cycle of learning and timely informing of policy decisions, each FRS trial would put in place appropriate monitoring and reporting mechanisms for participating innovators and, where relevant, Code Administrators. Our intention is that we would share data and insights from FRS projects in line with Data Best Practice principles, whilst having due regard to commercially sensitive information from participants.
- 2.22 We’re very aware that FRS participants would be concerned about trial conditions coming to an end where their business model relies on rules in the FRS environment. Whilst we may aim to take regulatory decisions in a timely fashion at the end of an FRS trial — and running our policy development processes in parallel as far as possible should support this aim — we could not guarantee any particular decision timeline. Furthermore, we cannot fetter our discretion as to what action we would take at the end of a trial. Rules could remain the same, we could choose to regulate what’s been trialled more heavily, or rules could be removed or altered.

- 2.23 What we could commit to is explaining at the start of a trial, what would be involved in making the trial conditions permanent. For example, if the FRS environment relied on a change to a licence condition, we could set out the process we'd have to go through to change the licence permanently and how long that may take, if taken forward. We would also look to publish all the findings of an FRS trial, subject to commercial confidentiality and other regulatory needs, in a timely manner, and give our view of what they mean for the need for regulatory reform.
- 2.24 We would further consider appropriate transition arrangements for FRS participants on a case-by-case basis. In some cases, it could be appropriate for innovators to continue to operate under conditions we allowed for the trial period, for example where we intend to move the whole market to the same conditions in the near future. Were an FRS trial to prove that changes to industry codes are necessary, some of the participating Code Administrators already have options for transition periods built into their Sandboxes. We will review with the relevant Code Administrators what might be done to speed up the code modification process for FRS related trials.

High-level process to deliver the Future Regulation Sandbox

- 2.25 We see the FRS as an approach to exploring potential changes to the rulebook rather than a set process. The process for designing and running a given FRS may vary, however, we've set out below the key components that will likely form part of most FRS trials. Some steps may not apply in some cases.

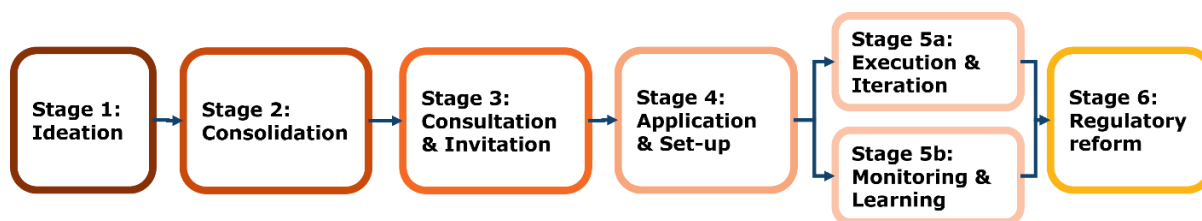


Figure 3: Process diagram summarising the likely stages involved in an FRS trial.

Box 3. Stages involved in an FRS trial

Stage 1: Ideation

- Phase of open engagement to identify problems, innovations or areas of the rulebook that would benefit from being informed by an FRS trial. As with Ofgem’s current policy development process, this may involve call for inputs, workshops, working groups, etc. Any market participant or code body could bring forward ideas for a trial.
- The scale and length of this stage would depend on the extent to which the issue and policy options have been explored already by industry and Ofgem. Where policy issues and options have been sufficiently explored, the FRS journey may begin at Stage 2.

Stage 2: Consolidation

- Ofgem consolidate information to develop an FRS trial, exploring legal possibilities, collaborating with other rule-owners such as code bodies if required.

Stage 3: Consultation and invitation

Ofgem would publish a consultation which would incorporate an invitation for interested parties to apply to participate in the FRS trial. The publication would include:

- Purpose of the FRS trial, questions it seeks to answer, hypotheses about benefits, risks and costs.
- Detailed description of the proposed Sandbox environment, eg. any derogations, letters of comfort or conditions which will likely form part of the trial.
- Consultation questions to invite feedback on the above.
- Indication of intentions for policy reform.
- Application forms, assessment criteria and anticipated timelines.
- Where relevant to the FRS topic, we will explore how we can support partnership formation between licensed and non-licensed entities prior to the submission of applications.

Stage 4: Application and set-up

- Assessment of applications including individual projects’ requests for derogations, letters of comfort, guidance and confirmations.
- Agree final Sandbox environment with successful applicants and publish details of the trial.

Stage 5a: Execution and iteration (running in parallel with Stage 5b)

- Trial operates for agreed duration, with possibility to shorten or extend as required to inform policy decisions.
- Rules and conditions may be altered and improved upon, where possible and necessary, during the trial with the agreement of participating innovators.
- Reporting and knowledge sharing occurs throughout.

Stage 5b: Monitoring and learning

Policy teams/code bodies

- learn about impacts, risks and benefits throughout, feeding into policy development, and
- may use call for inputs, policy and statutory consultations etc. in parallel, to inform policy options and decisions.

Stage 6: Regulatory reform

- Findings from the FRS trial as well as wider engagement and policy work inform timely decisions on whether to remove, amend or introduce rules or guidance as appropriate.

Questions

- Q4. What should we consider as we design the processes that would deliver the FRS? Are there any learnings we can take from our existing Energy Regulation Sandbox, or the derogation frameworks of the BSC, DCUSA, REC and UNC, or other similar programmes?
- Q5. In relation to stage 1: How should we gather ideas for FRS topics from across the sector on an ongoing basis?
- Q6. In relation to stage 2: How should we prioritise the ideas that are brought forward?
- Q7. In relation to stage 3: What information should we publish at this stage a) to enable innovators to decide whether they wish to apply to participate in an FRS trial, and b) to enable a wider pool of stakeholders to feed into the design of a given FRS trial?
- Q8. In relation to stage 4: What should we consider for the application and set-up stage?
- Q9. In relation to stage 5a: What are your views on the possible designs of Sandbox environments? What else should be part of Sandbox environments to ensure we maximise consumer protection, and our learning about innovation and potential rule changes? In particular, do you have any views on our suggestion that the FRS environment may change over the course of a given trial?

- Q10. In relation to stage 5a: What monitoring and data/information sharing requirements should be in place for participating innovators to ensure we gather the right information to inform regulatory decision-making, and ensure that the wider sector benefits from the trial findings?
- Q11. In relation to stage 5b: How should we ensure that market participants and stakeholders not taking part in the FRS trials themselves have sufficient voice in the design of the FRS and any rule changes which are proposed following a trial?
- Q12. In relation to stage 6: What should we consider when thinking about transition arrangements after a trial has come to an end, and before making decisions about permanent rule changes?
- Q13. In relation to stage 6: Recognising that we cannot promise a particular outcome, how should we communicate our thinking and intentions around implementing rule changes after an FRS trial?

Further FAQs about the Future Regulation Sandbox proposal

What innovations are in scope?

2.26 When we talk about supporting innovation in the energy market, we have a broad definition which may include new products, services, technologies, business models, or methodologies. Where relevant to the particular FRS topic, we could include a requirement of Technology Readiness Levels¹⁸, which we would make clear in our call for applications. We don't necessarily expect that the FRS would drive the development of brand-new innovations. Other tools and programmes, such as those run by Innovate UK, are better placed in this regard. That's why, as well as proposals for new trials, we are open to including existing projects and innovations in FRS trials where these could contribute to the regulatory learning of a given topic and where timelines would make this possible.

What regulation is in scope?

2.27 In the first instance, specific rules owned by Ofgem and the [BSC](#), [DCUSA](#), and [REC](#) industry codes would be within scope (see Section 4 for an overview). These codes already offer temporary derogations to innovators, the application processes for which are integrated with our current ERS. We are engaging with the relevant Code Administrators to determine whether their processes would

¹⁸ Technology Readiness Levels are a way of describing the technical maturity of a particular technology.

need to be updated to enable our vision for the FRS. We are also discussing with the Joint Governance Arrangements Committee (JGAC) the option of bringing the [UNC](#) rules within scope¹⁹.

- 2.28 In terms of trialling changes to Ofgem rules, the route to providing the necessary regulatory relief and the degree of flexibility that can be afforded will need to be assessed for each rule in question. For example, trialling changes to rules set out in licences would be more complex than rules set out in guidance documents.
- 2.29 We are open to exploring how we could expand the scope of the FRS over time to include rules owned by government and other regulators.

Is there funding attached?

- 2.30 At this stage, funding is not an inherent part of the FRS proposal. Innovators would need to be prepared to secure funding for their proposed activity if required. We are open to exploring opportunities to align the FRS with future funding calls from funders such as government or Innovate UK.
- 2.31 Depending on the topic, it may be possible to use existing Ofgem funding mechanisms to fund trial activities. For example, as with our current ERS, an FRS trial may be able to accept projects that are funded (or are seeking funding) through the Network Innovation Allowance and [Strategic Innovation Fund](#) (SIF), provided they meet eligibility criteria of those funding mechanisms. We also believe there's the possibility of fully integrating an FRS within a SIF Innovation Challenge, ie. posing a SIF challenge, the outcomes of which aim to inform a particular rule change.
- 2.32 We believe that there would be substantive non-financial benefits for participating innovators.

What are the benefits of taking part?

- 2.33 We see the benefits of
- *Trialling innovative ideas that are currently not possible.* As with our current Sandbox offering, participants in a given FRS trial would be able to operate in an environment without some of the usual rules applying. This would allow

¹⁹ [Code modification UNC 0800](#) introduced the concept of a derogation framework into the UNC in 2022. The Joint Office of Gas Transporters ('the JO') is the Code Administrator for the UNC. The JO is funded and overseen, as required in the Licences of the large gas transporters, by the Joint Governance Arrangements Committee (JGAC).

them to trial innovations in the live market that may otherwise have not been possible, gathering valuable operational and business insights.

- *The chance to shape future regulation.* The focus of an FRS would be to inform regulatory decisions that help us improve our rulebook and make it fit for a net zero energy system that works in consumers' best interests. Participation in trials would give innovators the opportunity to shape these decisions, ensuring that insights and evidence from innovators and innovation activities are given appropriate attention.
- *Bringing innovators together to maximise impact.* Where relevant, we will explore how we can support partnership formation between innovators, for example between a licensed and non-licensed entity, prior to the submission of applications. This would benefit non-licensed entities, who may otherwise be unable to participate (see more below on who can take part), as well as licensed actors who want to explore new areas of innovation.
- *Access to Ofgem and Code Administrator Subject Matter Experts (SMEs).* Ofgem SMEs and, where applicable, Code Administrator SMEs, would be closely involved throughout the FRS process. Participants would benefit from SME advice and guidance for example for the design and issues arising during the execution of their projects.

Who can take part?

- 2.34 Our ambition is for the FRS to be a versatile tool that could be used by any actor who is innovating in the energy sector. We therefore do not propose restricting who can participate in a trial, although depending on the topic of a given FRS, it may only be relevant to specific sections of the market, in which case we would set out which market participants are invited to apply.
- 2.35 Given the extent of Ofgem and Code Administrators' regulatory remit, we expect that companies undertaking regulated activities (eg. generation, transmission, distribution, supply, gas shipping, interconnectors, licence exempt undertakings) would be interested in participating in FRS trials. But innovation also happens in unregulated parts of the energy sector, driven for example by load controllers, energy service companies, community energy groups, and others, and it's these actors that current regulation in many cases did not foresee. We recognise the importance of including their innovative voices and ideas. Given the nature of our regulatory powers, for trials involving amendments to Ofgem rules, we expect that unregulated entities would likely need to partner with licensed ones to be able to participate, to ensure we have the necessary powers to govern activities

in the FRS environment. Where trials involve amendments to code rules, as per the current Sandbox arrangements, it's necessary for a code party who is involved in the trial to request the derogation, though they don't have to be the lead party of the trial. We will explore how we can support partnership formation between interested FRS participants, prior to the submission of applications.

How can you take part in the Future Regulation Sandbox?

- 2.36 As per our proposed FRS process in Box 3 above, Ofgem would publish the details of how to apply, eligibility and assessment criteria, and anticipated timelines for trials.
- 2.37 Operating in the FRS environment would not be the only way stakeholders could contribute. We believe it is important to hear from a wider pool of innovators to ensure we get a broad and balanced view on a given topic. We would use our existing policy instruments to gather views, for example on the design of a Sandbox environment as well as data and insights coming out of trials.

How long does a Future Regulation Sandbox trial last?

- 2.38 The length of a trial would be dependent on what is required to answer the question at hand. Looking at examples of similar Sandboxes in other countries, trials may take 1 year, others 10 years. We want to maintain a flexible approach and are open to the possibility of trials being extended where more evidence is required, or shortened if learnings are generated quicker than expected. Any decision to make changes to an FRS trial would be informed by close engagement with participants and other stakeholders.

How will topics be chosen?

- 2.39 We are using this call for input as an initial way to generate ideas for what topics FRS should focus on (see Section 4 for more information). We would like to engage with industry on an ongoing basis to gather ideas for topics and are open to feedback on the best ways to facilitate this. Which topics ultimately become an FRS trial would be determined by factors such as the strength of industry feedback on a particular topic, how well a given topic lends itself to be trialled through an FRS, and Ofgem's internal priorities.

Questions

- Q14. If you are an innovator, based on what's been set out, would you consider taking part in the FRS? Please explain why yes or no. If you're unsure, what further information would you need?

- Q15. Do you agree with the benefits that we think participants get from taking part in an FRS trial? Do you see other benefits we haven't mentioned?
- Q16. Do you have any views on the regulation that we consider to be in scope for the FRS, in particular whether the scope is sufficient to tackle key frictions between innovation and the energy system rule book? (see Box 4 on page 26 for an overview of the rules in scope)
- Q17. What should we consider when thinking about enabling innovators/ innovations to take part in the FRS that are funded through other programmes and funds? What would good alignment with these programmes look like to make participation easier?
- Q18. How can we ensure a diverse range of market actors can participate in an FRS trial? What, if any, support would be useful to enable non-licensed entities/ those not party to an industry code forming partnerships with those licensed/ party to a code?

3. Benefits and risks

Section summary

This section sets out the benefits for consumers and market participants of the Future Regulation Sandbox (FRS), as well as associated risks and mitigating measures we aim to take.

Benefits

- 3.1 We envisage that the FRS would play a crucial role at a time of fast-moving innovation. Innovation is key in supporting a low-cost energy transition, enhancing competition, and delivering quality products and services for consumers. In order to make it work in consumers' best interests, regulation needs to become dynamic and adaptive to innovation. To this end, the FRS would bring together market participants and rule owners to identify how our rulebooks need to evolve.
- 3.2 FRS trial results would help us assess the risks and benefits of new innovations in real time, as well as to test potential rule changes ahead of implementation. The data and findings generated during trials would be invaluable in helping us identify real-world impacts, which may otherwise be difficult to model or predict. Working with innovators on future regulation should also support the

development of rules that are agile enough to stand the test of time, as further change in the energy sector is inevitable.

Potential risks and mitigation

- 3.3 Several risks may arise from running the FRS. Front of mind for us is the risk that consumers may be disadvantaged or somehow negatively affected by trials. However, it's a risk that we're already successfully managing with our existing Energy Regulation Sandbox (ERS). We would seek to mitigate any risk to consumers by putting conditions on participating projects to ensure that they give due care and attention to the impact on consumers, particularly domestic and vulnerable consumers. As part of any application process, we would review their plans for consumer engagement.
- 3.4 It could be argued that those innovators operating within the FRS environment may gain a short-lived competitive advantage, by operating in an environment which may resemble a future regulatory regime. We acknowledge, however, that these innovators would have to make additional commitments, such as funding trials and complying with reporting obligations. They would also take the risk of participating in a trial which may not lead to the regulatory change they desire. To mitigate the risks of competitive advantage, we would aim to put in place knowledge sharing requirements, as well as carefully considering the length of time that innovators spend operating within the FRS environment.
- 3.5 We are also aware of the potential risk of those participating in an FRS trial influencing the regulator and Code Administrators to shape rules in their favour. This is a concern not least because, as much as we may encourage and support applications from a wide range of innovators, participants may never represent the full spectrum of innovators in the market. Here it is important to reiterate that we see the FRS as an additional tool that would be integrated into our existing policy making processes. To guard against this risk of undue influence, we would ensure as much transparency as possible around trial design and selection, as well as monitoring and results. If the trial were to lead to any rule changes, these would be consulted on as per our usual open, industry-wide change processes.

Questions

- Q19. Do you agree with the benefits we've identified here and elsewhere in the call for input? Do you see any additional benefits of the FRS proposal to consumers, innovators, Ofgem or the sector as a whole?
- Q20. Do you have comments on the risks we've identified and how we're proposing to mitigate them? Do you think there are additional risks or mitigations we should consider?

4. Call for Future Regulation Sandbox topics

Section summary

This section invites suggestions for topics for the Future Regulation Sandbox (FRS). It sets out the scope of the FRS including what we believe are the characteristics of a good FRS topic, the rules and the limitations of this tool.

- 4.1 A successful FRS trial starts with the right choice of topic or issue to explore. As outlined above, we believe a successful FRS topic would be one that seeks to inform a rule change that needs to happen to enable or respond to innovation for a future energy system. This may be where current rules are causing innovators to use inefficient workarounds to operate in the market, or where consumer protections may need updating in line with emerging market offers, or where new technologies or ways of doing things are being prevented from being deployed because they were not foreseen by past regulation. The FRS topic should also be complex enough that it would benefit from being trialled in a live environment to understand its full impacts, benefits, and risks.
- 4.2 We are keen to hear from a broad range of stakeholders which areas of innovation and the energy market rulebook they believe could most usefully be addressed using the FRS. It is, however, important to note that the FRS cannot be used to solve all barriers to innovation. As set out above, it is not intended to be a mechanism to fund, accelerate or advise innovative companies. Other programmes and organisations in the energy sector already offer such support.

- 4.3 Similarly, the FRS is not an appropriate tool to address all regulatory issues. In a recent consultation on retail market innovation,²⁰ DESNZ asked about the funding and testbed landscape for innovation while setting out clearly that they are not considering a fundamental overhaul of the regulatory framework in the short to medium term. In line with this, the FRS would not facilitate comprehensive reforms that would require a change in our areas of responsibility or powers. What the FRS would do is address the need to strengthen the link between testbeds and actual regulatory change, raised by respondents to the consultation as a way to improve the innovation support landscape. Relevant responses have been shared with Ofgem, and we will continue working closely with government as our work on FRS progresses, noting the important role for both Ofgem and government in shaping an effective innovation landscape.
- 4.4 In the first instance, rules that sit within Ofgem’s remit, as well as the [BSC](#), [DCUSA](#), and [REC](#) would be within scope (see Box 4 below). If the Joint Governance Arrangements Committee (JGAC) expresses support in principle, we would explore how to bring the derogation arrangements in the UNC within scope. We recognise, though, that many innovation activities will be impacted by rules which are owned by government or other regulators. In time, we are open to exploring how we could expand the scope of the FRS.

Box 4. Overview of Ofgem’s remit and industry codes

Overview of Ofgem’s remit and powers, which include but are not limited to:

Licences: Assessing applications for and issuing licences for licensable activities, including the generation, shipping/ transportation, distribution, transmission, and supply of electricity and gas. Ofgem has the statutory powers to amend some licence conditions.

Licence exempt activities: If certain conditions are met, companies may be exempt from needing a licence. There are pre-defined Classes of exemption for both gas and electricity; if a party meets the requirements they do not need approval from DESNZ or Ofgem. In addition, the Secretary of State can award individual exemptions to parties that don’t fit within the Classes. Both DESNZ and Ofgem have prosecution and enforcement powers in respect of such companies. Ofgem also has price setting powers which include setting the [Maximum Resale Price](#) at which gas and electricity may be

²⁰ [Towards a more innovative energy retail market: a call for evidence - GOV.UK \(www.gov.uk\)](#)

resold to for domestic consumers, and the Maximum Retail Price for domestic consumers in specific exempt supply arrangements (though we have not set a price for the latter to date).

Licence Lite: A way for suppliers to enter and operate in the electricity supply market by partnering with an existing licensed supplier to deliver some of the more costly and technically challenging supply functions associated with complying with industry codes.

Price cap: Setting the methodology for and updating the energy price cap - the maximum amount energy suppliers can charge for each unit of energy for consumers on a standard variable tariff.

Smart metering: While DESNZ is responsible for setting smart meter installation targets, roles & responsibilities, and tech standards, Ofgem leads on supplier compliance with smart meter rollout obligations. Ofgem also licenses and sets the price control of the Data Communications Company (DCC).

Guaranteed Standards: Ofgem sets minimum standards for service quality that must be met by energy distribution companies and suppliers. Failure to meet the guaranteed service levels will result in the customer receiving a payment from the relevant company.

Network price controls: Ofgem sets price controls for GB gas and electricity network companies to balance the relationship between investment in the network, company returns and the amount that they charge for operating their respective networks. The price controls define deliverables, targets and allowances for network companies over a 5-year period.

Interconnectors: Ofgem issues licences which authorise companies to operate interconnectors and regulate their activities. Ofgem invites and assesses bids to build electricity interconnectors, of which interconnector investment follow two routes: A regulated route under our 'cap and floor' regime, or an exemption route from regulatory requirements.

Offshore Electricity Transmission (OFTOs): Ofgem is responsible for managing the competitive tender process through which offshore transmission assets are sold and licences are granted.

Schemes: Delivery of environmental and social schemes on behalf of government.

Overview of Industry Codes

In addition to rules owned by Ofgem, licensees are required to maintain, become party to, or comply with the relevant industry codes in accordance with the conditions of their

licence. Delivering FRS trials may require derogations from code rules. Some codes already have derogation capabilities, including (but not limited to):

Balancing and Settlement Code (BSC): Administered by Elexon, the BSC is a legal document which defines the rules and governance for the balancing mechanism and imbalance settlement processes of electricity in Great Britain.

Distribution Connection and Use of System Agreement (DCUSA): Administered by Electralink, the DCUSA is a multi-party contract between licensed electricity distributors, suppliers and generators in Great Britain concerned with the use of the electricity distribution system.

Retail Energy Code (REC): Administered by the Retail Energy Code Company, the REC is a set of obligations governing market participants operating in the retail energy market within Great Britain.

4.5 The questions below may help stimulate ideas for FRS topics, however we invite readers suggest ideas in a format that works for them. FRS trials are inherently about trialling alternative regulation, we'd invite stakeholders to be as specific as they can be about the rules they suggest need evolving.

Questions:

- Q21. What innovations and market trends are challenging the current state of the energy sector rulebook (particularly rules in Ofgem's and Code Administrators' remit)?
- Q22. Which rules, or areas of the rulebook, need modifying to enable or respond to a particular innovation or trend? Why do you think they need evolving? Do you have ideas for how they should change?
- Q23. What are the challenges in the energy sector that may benefit from us putting out an open innovation challenge to convene innovators and solutions around a problem (see example 1 in Box 1, page 13)?
- Q24. Are there particular innovative solutions that could be enabled and tested through an innovation trial (see example 2 in Box 1)?
- Q25. Are there options for how Ofgem or Code Administrators could change their rules that would benefit from being tested through a regulation trial (see example 3 in Box 1)?
- Q26. There are activities and actors in the energy market that are not regulated by Ofgem but may be in the future. Do you think the FRS could be used to trial future

regulatory regimes? Do you think unregulated entities would be interested in taking part in an FRS that trials potential future rules?

5. Conclusion and next steps

- 5.1 We want to continue to adapt our decision-making tools and approaches to ensure our rulebook remains fit for purpose for a rapidly changing society and energy sector. This document has set out our proposal to introduce the Future Regulation Sandbox (FRS) as a tool to trial changes to the energy rulebook in an agile way so that we can unlock or respond to innovation that aligns with net zero in the interest of consumers.
- 5.2 The introduction of this new FRS would be in addition to our current Energy Regulation Sandbox (ERS). We see value in running both the innovator-led ERS, which helps innovators to trial and bring their ideas to market, and the regulator-led FRS, which would inform changes to the rules governing the energy sector.
- 5.3 This call for input asks for stakeholders' feedback on our proposal. We are interested in whether they see value in introducing the FRS, and views on how it could be implemented in a way that maximises benefits for the sector, and suggestions on what topics it could explore.
- 5.4 The call for input will remain open until mid-January to allow sufficient time to think about the details and application of this idea. In the interim, we will continue to engage with industry.

Appendices

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Appendix 1 – Summary of call for input questions

Section 2

- Q1. Do you agree with the problem we've identified in the potential for friction in the relationship between innovation and regulation? Do you have examples of where this friction arises and its consequences?
- Q2. What are your views on the fundamental idea of using trials of innovations and regulation to inform decisions about rule changes, particularly our proposal for these trials to be regulator-led rather than innovator-led?
- Q3. Do you have any other ideas for what types of trials could be run in an FRS? Please note Questions Q21–Q26 focus on the actual issues that FRS trials could address.
- Q4. What should we consider as we design the processes that would deliver the FRS? Are there any learnings we can take from our existing Energy Regulation Sandbox, or the derogation frameworks of the BSC, DCUSA, REC and UNC, or other similar programmes?
- Q5. In relation to stage 1: How should we gather ideas for FRS topics from across the sector on an ongoing basis?
- Q6. In relation to stage 2: How should we prioritise the ideas that are brought forward?
- Q7. In relation to stage 3: What information should we publish at this stage a) to enable innovators to decide whether they wish to apply to participate in an FRS trial, and b) to enable a wider pool of stakeholders to feed into the design of a given FRS trial?
- Q8. In relation to stage 4: What should we consider for the application and set-up stage?
- Q9. In relation to stage 5a: What are your views on the possible designs of Sandbox environments? What else should be part of Sandbox environments to ensure we maximise consumer protection, and our learning about innovation and potential rule changes? In particular, do you have any views on our suggestion that the FRS environment may change over the course of a given trial?
- Q10. In relation to stage 5a: What monitoring and data/information sharing requirements should be in place for participating innovators to ensure we gather the right information to inform regulatory decision-making, and ensure that the wider sector benefits from the trial findings?
- Q11. In relation to stage 5b: How should we ensure that market participants and stakeholders not taking part in the FRS trials themselves have sufficient voice in the design of the FRS and any rule changes which are proposed following a trial?

- Q12. In relation to stage 6: What should we consider when thinking about transition arrangements after a trial has come to an end, and before making decisions about permanent rule changes?
- Q13. In relation to stage 6: Recognising that we cannot promise a particular outcome, how should we communicate our thinking and intentions around implementing rule changes after an FRS trial?
- Q14. If you are an innovator, based on what's been set out, would you consider taking part in the FRS? Please explain why yes or no. If you're unsure, what further information would you need?
- Q15. Do you agree with the benefits that we think participants get from taking part in an FRS trial? Do you see other benefits we haven't mentioned?
- Q16. Do you have any views on the regulation that we consider to be in scope for the FRS, in particular whether the scope is sufficient to tackle key frictions between innovation and the energy system rule book? (see Box 4 on page 26 for an overview of the rules in scope)
- Q17. What should we consider when thinking about enabling innovators/ innovations to take part in the FRS that are funded through other programmes and funds? What would good alignment with these programmes look like to make participation easier?
- Q18. How can we ensure a diverse range of market actors can participate in an FRS trial? What, if any, support would be useful to enable non-licensed entities/ those not party to an industry code forming partnerships with those licensed/ party to a code?

Section 3

- Q19. Do you agree with the benefits we've identified here and elsewhere in the call for input? Do you see any additional benefits of the FRS proposal to consumers, innovators, Ofgem or the sector as a whole?
- Q20. Do you have comments on the risks we've identified and how we're proposing to mitigate them? Do you think there are additional risks or mitigations we should consider?

Section 4

- Q21. What innovations and market trends are challenging the current state of the energy sector rulebook (particularly rules in Ofgem's and Code Administrators' remit)?

- Q22. Which rules, or areas of the rulebook, need modifying to enable or respond to a particular innovation or trend? Why do you think they need evolving? Do you have ideas for how they should change?
- Q23. What are the challenges in the energy sector that may benefit from us putting out an open innovation challenge to convene innovators and solutions around a problem (see example 1 in Box 1, page 13)?
- Q24. Are there particular innovative solutions that could be enabled and tested through an innovation trial (see example 2 in Box 1)?
- Q25. Are there options for how Ofgem or Code Administrators could change their rules that would benefit from being tested through a regulation trial (see example 3 in Box 1)?
- Q26. There are activities and actors in the energy market that are not regulated by Ofgem but may be in the future. Do you think the FRS could be used to trial future regulatory regimes? Do you think unregulated entities would be interested in taking part in an FRS that trials potential future rules?

Appendix 2 – Responding to this call for input

How to respond

- A2.1 We want to hear from anyone interested in this call for input. Please send your response to the person or team named on this document's front page.
- A2.2 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- A2.3 We may publish non-confidential responses on our website at <https://www.ofgem.gov.uk/energy-policy-and-regulation/engagement/calls-input>.

Your response, data and confidentiality

- A2.4 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- A2.5 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.
- A2.6 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000.
- A2.7 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of

confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.