



# Consultation

## AI Technical Sandbox

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## Foreword

Great Britain's energy system is transforming, with the use of AI rapidly increasing and evolving. Digitalisation and artificial intelligence (AI) have huge potential and already help us plan, build and operate critical energy infrastructure more efficiently. If we get this right, AI can help lower household bills, improve reliability, support decarbonisation, and strengthen the nation's energy security. Our role is to enable responsible innovation so that energy consumers ultimately benefit.

This consultation sets out our proposal for a 12-month pilot of an AI Technical Sandbox: a safe regulatory environment with oversight that enables energy sector participants to design, test and evaluate AI uses, and understand the associated risks and regulatory implications. The pilot focuses on proportionate mitigation of direct harms, building evidence on what works, and clarifying compliance with the existing energy regulatory framework or whether the framework may require adjustment as AI advances.

Lead applicants will be licensees, market participants and operators of essential services. We encourage partnerships with technology providers, academia and other innovators to bring in additional expertise and perspectives. Participation will be free of charge during the pilot and will be subject to a legal agreement designed to ensure no unfair commercial advantage is gained from taking part. We will publish sector learning (with appropriate intellectual property and confidentiality safeguards) to help ensure there's no unfair commercial advantage from taking part.

The proposed AI Technical Sandbox complements other Ofgem initiatives, namely the AI Regulatory Laboratory (AI Reg Lab), the Energy Regulation Sandbox, and the Future Regulation Sandbox. Technical findings from this initiative can inform our broader regulatory approach while keeping the sandbox squarely focused on energy-sector needs.

We invite you to review the proposals and share your views. Your insights will help us target the highest-value use cases to ensure innovation can flourish while consumers remain protected.

**Akshay Kaul**

**Director General for Infrastructure Group**

## Executive summary

### **Purpose**

We are consulting on a 12-month pilot of the AI Technical Sandbox, a safe regulatory environment with proportionate oversight to test AI uses in the energy sector and generate practical evidence that supports responsible innovation, consumer protection, market integrity, energy security and progress towards net zero.

The AI Technical Sandbox will be a safe, controlled environment where energy sector participants (such as licensees, market participants, and operators of essential services) can test and evaluate AI systems using representative data and realistic scenarios, with proportionate regulatory oversight before any live deployment. Participation in the sandbox does not constitute regulatory approval or endorsement.

### **Proposal at a glance**

- Provide a controlled space to design, test and evaluate AI against real operational needs.
- Focus on mitigation of direct harms and transparent, risk-based oversight.
- Produce published learning (with intellectual property (IP)/confidentiality safeguards) to inform guidance and, where appropriate, regulatory development.

### **Eligibility and participation**

- Lead applicants: licensees, market participants and operators of essential services.
- Partnerships encouraged: technology providers, academia and other innovators.
- Commercial neutrality: participation is free of charge during the pilot; findings will be shared to avoid unfair advantage.

### **Use case selection core criteria**

- Commercial neutrality (no unfair market advantage).
- Innovation (not currently possible in the live market).
- Sector impact (clear consumer/system value).
- Regulatory uncertainty (tests where rules are unclear).
- Testability and governance (clear metrics, representative data and evaluation plan).

### **Governance and transparency**

- A representative Steering Group will oversee selection and delivery.
- Regular public updates on progress, risks and insights.
- Robust safeguards for data protection, IP and confidentiality.

### **Alignment**

- Complementary to Ofgem's AI Regulatory Laboratory, Energy Regulation Sandbox and Future Regulation Sandbox.

## **Consultation AI Technical Sandbox**

- We will stay linked to relevant cross-economy activity while keeping the sandbox energy sector-specific in this phase.

### **Timelines and how to respond**

- Publication: 26 January 2026
- Response deadline: 11:59 pm, 20 March 2026
- Email: [AIPolicy@ofgem.gov.uk](mailto:AIPolicy@ofgem.gov.uk) (subject: “AI Technical Sandbox consultation”).
- After review, Ofgem will publish a summary of feedback and a consultation outcome (decision) outlining any adjustments to the proposed pilot approach. Following this, we will develop and issue detailed participation guidance, and then open applications and run the pilot for 12 months with regular reporting.

# 1. Introduction

## Purpose of this consultation

- 1.1** The energy sector is undergoing rapid transformation, driven by digitalisation, the adoption of artificial intelligence (AI), and the UK’s commitment to reaching net zero by 2050 (including supporting the [Clean Power 2030](#) ambition<sup>1</sup>). Ofgem is committed to enabling innovation while ensuring proportionate, risk-based regulatory oversight and consumer protection. As part of this commitment, we are developing an AI Technical Sandbox, a safe, regulatory environment focussed on the mitigation of direct harms where licensees, market participants, and operators of essential services<sup>2</sup> (hereafter ‘Participants’) can test and trial AI solutions under regulatory oversight.
- 1.2** This consultation marks the next step in our journey to support responsible AI adoption in the energy sector. It builds directly on our [call for input \(CFI\) on the AI Technical Sandbox](#), which sought views from stakeholders across the energy sector including Participants, technology developers and providers, academia, and consumer groups. The CFI explored key questions around eligibility, use case selection, governance, and the role of the AI Technical Sandbox in enabling innovation and regulatory learning.
- 1.3** We are grateful for the breadth and depth of responses received. Stakeholder input has been valuable in shaping our proposed approach, ensuring it is ambitious but grounded in practical realities. This consultation sets out our plan for an initial 12-month pilot of the AI Technical Sandbox, including clear eligibility criteria for participation (only licensees, market participants, and operators of essential services may apply as lead Participants), how use cases will be selected, and the governance arrangements that will underpin the pilot.
- 1.4** The consultation also explains how the AI Technical Sandbox will align with Ofgem’s wider AI and innovation initiatives, including the AI Regulatory Laboratory (AI Reg Lab), the [Energy Regulation Sandbox](#), and Ofgem’s proposals for a [Future Regulation Sandbox](#) which is intended to enable time-bound trials of potential rule changes before formal adoption. We reference relevant developments in other sectors, including the Financial Conduct Authority’s (FCA) work on AI sandboxes and note that Ofgem is a stakeholder in the Department for Science,

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<sup>1</sup> Clean Power 2030 is the UK government’s ambition for Great Britain to achieve a fully clean electricity system by 2030, with at least 95% of power generated from low-carbon sources. The Clean Power 2030 Action Plan sets out the pathway to this goal, supporting net zero by 2050, energy security, and lower costs for consumers.

<sup>2</sup> Operators of essential services refers to organisations designated as such under the Network and Information Systems Regulations 2018 (NIS Regulations), and therefore subject to the NIS regime. For more information, see: [The NIS Regulations 2018 - GOV.UK](#)

## Consultation AI Technical Sandbox

Innovation and Technology's (DSIT) [AI Growth Lab](#) and will continue to be actively involved as it develops.

- 1.5** We invite all interested parties to review our proposals and provide feedback. Your insights will help ensure the AI Technical Sandbox delivers meaningful benefits for the energy sector, consumers, and wider society.

## Consultation stages

**Stage 1** Consultation open: Monday 26 January 2026

**Stage 2** Consultation closes (awaiting decision). Deadline for responses: 11.59pm on Friday 20 March 2026

**Stage 3** Responses reviewed and finalise pilot approach: Spring 2026

**Stage 4** Consultation outcome (decision): Spring 2026

## How to respond

We want to hear from anyone interested in this consultation. Stakeholders can submit responses to [AIPolicy@ofgem.gov.uk](mailto:AIPolicy@ofgem.gov.uk) with subject line “**AI Technical Sandbox consultation**”. Please ensure your response is submitted by **11.59pm, Friday 20 March 2026**.

We have asked for your feedback on the questions in Section 6 below. Please respond to each one as fully as you can.

We will publish non-confidential responses on our website.

## Further engagement

Ofgem will continue to engage with stakeholders through workshops, working groups, and open forums during the pilot and beyond. Updates and opportunities for involvement will be communicated directly to interested parties.

## Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to legal 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. 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 will



contact 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.

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 ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of UK GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 2.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not 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.

### **How to track the progress of a consultation**

1. Find the web page for the consultation you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: 'Open', 'Closed (awaiting decision)', and 'Closed (with decision)'.

## 2. Summary of call for input (CFI) responses

### Overview of engagement

**2.1** Ofgem's CFI on the AI Technical Sandbox was published on 24 July 2025 and closed on 18 September 2025. We received 35 responses from a broad range of stakeholders, including licensees, market participants, operators of essential services, technology developers, integrators, providers, academic institutions, consumer groups, energy companies, data providers, digital infrastructure specialists, and think tanks.

### What we asked

**2.2** The CFI invited feedback on:

- The need for an AI Technical Sandbox and its potential value
- Who should be eligible to participate
- Criteria for selecting use cases
- Governance and oversight arrangements
- How the sandbox should align with other Ofgem and cross-sector initiatives
- Opportunities, risks, and challenges associated with AI in the energy sector.

### What stakeholders told us

**2.3 Need and value:** The vast majority of respondents supported the creation of an AI Technical Sandbox, recognising its potential to support innovation, decarbonisation, and consumer protection. Some questioned whether a sandbox was necessary, suggesting that existing mechanisms might suffice, and emphasised the importance of a clear value proposition.

**2.4 Eligibility:** There was a range of views on eligibility. Some stakeholders advocated for limiting participation to licensed energy market participants, while others encouraged broader eligibility, including technology providers and academic partners. The importance of ensuring regulatory accountability and sector-wide learning was highlighted.

**2.5 Use case selection:** Respondents emphasised the need for use cases that are innovative, address genuine regulatory uncertainty, and deliver clear value to participants and the energy sector. There was broad agreement that use cases should not result in any unfair commercial advantage and should be practical to test in a controlled environment.

**2.6 Governance and oversight:** Many responses called for robust governance arrangements, including the establishment of a Steering Group or equivalent multi-stakeholder governance body, to provide transparent oversight and sector-wide representation.

### 2.7 Risk and challenges: Stakeholders identified two categories of risk:

- Risks that the sandbox can help explore and address such as algorithmic bias and intellectual property concerns.
- Risks that the sandbox itself could introduce such as data leakage, misuse of test environments, or unintended consequences from sandbox activities.

There was a strong emphasis on the need for clear communication, publication of findings, and appropriate safeguards to manage both types of risks.

### 2.8 Alignment with other initiatives: Respondents welcomed Ofgem's intention to align the AI Technical Sandbox with other initiatives, such as the AI Reg Lab, Energy Regulation Sandbox, and Future Regulation Sandbox. There was support for learning from other regulators, notably the FCA, but also a call to ensure the sandbox is tailored to the specific needs of the energy sector.

## How this input will be used

### 2.9 The feedback received through the CFI provides a foundation for Ofgem's next steps. Stakeholder views have informed the development of the proposed pilot approach, which is set out in the following section.

### 3. Proposed approach for the pilot

#### Objectives

An AI Technical Sandbox is a safe, controlled environment where energy-sector participants (such as licensees, market participants, and operators of essential services) can test and evaluate AI systems using representative data and realistic scenarios, with proportionate regulatory oversight before any live deployment. Participation in the sandbox does not constitute regulatory approval or endorsement.

#### 3.1 The pilot phase of the AI Technical Sandbox aims to:

- Enable ethical experimentation with AI in the energy sector, in line with [Ofgem's guidance on ethical AI use](#).
- Generate practical insights to inform future AI regulation and guidance.
- Support innovation that delivers tangible benefits for consumers, market participants, and the energy sector as a whole.
- Build sector-wide confidence in the safe, ethical and effective deployment of AI in the energy sector, ensuring fairness, transparency, responsible use, and consumer trust.
- Integrate ethical assurance alongside technical safety, ensuring that trials include pre- and post-test reviews of fairness, transparency, and risk mitigation.

#### Eligibility to participate

#### 3.2 Eligibility to participate:

For the initial 12-month pilot:

- **Lead applicants:** Lead applicants will be licensees, market participants<sup>3</sup>, and operators of essential services (hereafter 'Participants').
- **Partnerships:** We encourage partnerships with technology developers, integrators, providers, academia, and other innovators to bring in additional expertise and perspectives. The lead applicant is the primary Participant responsible for the application, compliance, and delivery of the pilot project. Partners may support the lead applicant by providing expertise, technology, or resources, but are not considered lead Participants and will not have the same direct responsibilities or regulatory obligations within the sandbox.

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<sup>3</sup> Market participants may include entities active in the energy market who are not regulated licensees or designated operators of essential services (OES) under the NIS Regulations. While not all market participants are directly subject to Ofgem's full regulatory framework, all participants in the sandbox must comply with the terms and conditions of the pilot, and relevant laws and regulations. Ofgem's regulatory assurance, oversight, and enforcement reach will apply to the extent permitted by law and the scope of the sandbox agreement. For market participants who are not regulated licensees or OES, Ofgem's oversight and enforcement in the sandbox will be defined by the terms of participation and the nature of their activities, rather than by direct statutory regulation.

- **Participation terms:** Participation will be free of charge during the pilot and will be subject to a legal agreement designed to ensure no unfair commercial advantage is gained from taking part. We will publish sector learning (with appropriate intellectual property and confidentiality safeguards) to support transparency and sector-wide benefit.
- **Rationale:** This approach ensures regulatory assurance, consumer protection, market integrity, access to operational data, robust governance, effective risk management, and sector-wide learning. Participation by licensees and operators of essential services enables direct regulatory oversight and enforceability, while other market participants are subject to Ofgem's oversight and enforcement as defined by the sandbox agreement and relevant laws.

### 3.3 Application and Selection Process

- Ofgem will publish detailed participation guidance and open the application process for the AI Technical Sandbox pilot following the consultation. Prospective Participants will be invited to submit an application outlining their eligibility, proposed use case, and intended partnerships.
- Applications will be assessed against published eligibility and selection criteria (see Section Eligibility to participate 3.2), including regulatory status, innovation potential, sector impact, and alignment with sandbox objectives. Ofgem will make the final decision on participation, with input from the Steering Group as appropriate.

Further details on the application process, timelines, and decision-making arrangements will be provided in the decision document and associated guidance.

### 3.4 Cost and access

- **Cost of usage:** Ofgem will not charge Participants for access to the AI Technical Sandbox during the pilot phase. This approach ensures that participation remains commercially neutral, consistent with Ofgem's statutory role and commitment to maintaining a level playing field. To further mitigate any potential commercial advantage for Participants, the outcomes and key learnings from sandbox trials will be placed in the public domain, subject to appropriate safeguards for intellectual property (IP) and confidentiality. We recognise that some respondents to Ofgem's CFI suggested tiered cost models or raised questions about funding. However, introducing fees could create barriers to entry and undermine the principle of equitable access for all eligible Participants and partners.

- **Access and participation:** While participation in the pilot will be free of charge, this does mean that capacity within the sandbox will be limited. To manage demand fairly and transparently, we will operate a representative governance process for selecting use cases. The AI Technical Sandbox Steering Group will oversee this process, applying published criteria to ensure that selected projects deliver sector-wide learning, address genuine regulatory uncertainty, and align with the sandbox's objectives.

### 3.5 Rationale for this approach:

- **Regulatory assurance:** Licensees and operators of essential services are directly subject to Ofgem's regulatory framework, enabling clear oversight and enforceability. For other market participants, Ofgem's oversight and enforcement will be defined by the sandbox agreement and the nature of their activities.
- **Consumer protection:** Participants have established obligations<sup>4</sup> to safeguard consumers and maintain service standards.
- **Market integrity:** Limiting lead applicants to Participants (i.e., entities already active and regulated in the energy sector), helps prevent distortion of competition by ensuring that only those subject to Ofgem's oversight can lead projects. In addition, the nil cost of participation and the requirement that all outcomes and key learnings from the pilot are published (with appropriate intellectual property and confidentiality safeguards) are designed to ensure commercial neutrality and a level playing field, so no participant gains an unfair market advantage.
- **Access to operational data:** Participants have access to real-world operational data and infrastructure, which is essential for meaningful sandbox testing and representative results.
- **Governance and risk management:** Participants are familiar with regulatory reporting and governance processes, enabling effective integration with oversight arrangements.
- **Sector-wide learning:** Participants represent core parts of the energy system, ensuring that insights from the pilot have broad relevance across generation, networks, markets, and system operations.

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<sup>4</sup> Participants' obligations to safeguard consumers and maintain service standards are set out in statutory and regulatory requirements, including the Electricity Act 1989, Gas Act 1986, Standard Licence Conditions, REMIT, Competition Act 1998, and relevant energy industry codes. For further details, see: <https://www.ofgem.gov.uk/publications/consumer-protection-guidance> and <https://www.ofgem.gov.uk/energy-policy-and-regulation/competition-policy>.

### 3.6 Use case selection criteria

Use cases for the pilot will be selected based on the following proposed criteria:

- **Commercial neutrality:** Any benefits from taking part in the sandbox should not give Participants an unfair market advantage. Appropriate IP and confidentiality safeguards will be in place.
- **Innovation:** The proposal should address something not currently possible in the live market and represent a novel approach or emerging technology.
- **Sector impact:** The use case should be non-trivial, sufficiently challenging, and capable of delivering clear value to Participants and the energy sector (for example, improved consumer outcomes, system efficiency, resilience, or support for net zero).
- **Regulatory uncertainty:** The use case should involve unknown or unclear regulatory implications, with the intention of testing whether existing regulatory frameworks are suitable.
- **Testability:** The proposal must be practical to test in a controlled sandbox environment, with clear success metrics and evaluation criteria. Submissions must demonstrate that they have access to, or a clear plan for obtaining, the representative data and simulation tools required for meaningful testing in the sandbox.
- **Governance:** All use cases will be approved and overseen by an AI Technical Sandbox Steering Group representing sector stakeholders, including licensees, market participants, operators of essential services, consumer groups, and independent experts, to support broad and balanced oversight.

### 3.7 Governance and Steering Group

All use cases will be approved and overseen by an AI Technical Sandbox Steering Group representing sector stakeholders, including licensees, market participants, operators of essential services, consumer groups, and independent experts, to support broad and balanced oversight.

The Steering Group will be appointed by Ofgem, with members selected to ensure broad representation and expertise across the energy sector. Selection will be based on nominations from sector organisations, Ofgem, and potentially an open call for expressions of interest.

Ofgem will chair the Steering Group and provide ongoing oversight, ensuring alignment with strategic objectives and regulatory requirements.

Use case selection criteria will be agreed and published by Ofgem, informed by consultation feedback and advice from the Steering Group.

The Steering Group will review applications, monitor pilot progress, and provide recommendations to Ofgem. It will report regularly to Ofgem on activities and

outcomes, and summary findings will be published to support transparency and sector-wide learning.

### 3.8 Expected outcomes:

The pilot is expected to deliver:

- **Sector learning:** Practical insights and lessons learned for sector-wide learning and knowledge sharing.
- **Regulatory validation:** Evidence to inform updates to, or identify potential gaps in, the current regulatory framework and guidance.
- **Defining the art of the possible:** A clearer understanding of what is achievable with AI in the energy sector.
- **Identifying R&D needs:** Highlighting areas where further research and development are required.
- **Guidance gaps:** Identification of specific areas where new or updated regulatory guidance is needed to support future AI deployment in the energy sector.



## 4. Alignment with other initiatives

### Overview of alignment

**4.1** The AI Technical Sandbox will act as a technical testbed that feeds evidence into Ofgem’s regulatory processes. It is distinct from, but complementary to, Ofgem’s Energy Regulation Sandbox and Future Regulation Sandbox, which are not AI-specific and instead provide regulatory flexibilities and rule-testing respectively. We will join up activity with system-operator and innovation programmes such as:

- National Energy System Operator (NESO) (for example, Volta, REVEAL)
- UK Research and Innovation (UKRI) funded initiatives
- Ofgem’s Strategic Innovation Fund (SIF)
- Network Innovation Allowance (NIA)
- Energy Systems Catapult.

This will allow technical findings, dataset standards, ethics and safety evidence, and risk insights to be translated into regulatory guidance or code change efficiently.

### Ofgem initiatives

**4.2 Ofgem AI Reg Lab – regulatory and ethics interface:** The AI Reg Lab explores regulatory and ethical questions around AI (for example, fairness, explainability, transparency). The AI Technical Sandbox will embed ethical assurance throughout its design, testing, and evaluation phases ensuring that every trial addresses fairness, transparency, and responsible use and consumer trust in line with [Ofgem’s AI guidance](#). Evidence from sandbox trials including metrics, red-teaming results<sup>5</sup>, and design guardrails and ethics reviews will be considered by the AI Reg Lab to inform advisory notes, good practice guidance, and, where appropriate, consultations and other consultative activities such as transparency and explainability workshops. The AI Reg Lab will also coordinate the publication of high-level findings, with appropriate confidentiality safeguards, to support sector-wide learning.

**4.3 Energy Regulation sandbox (not AI-specific) – live flexibilities:** The Energy Regulation Sandbox allows time-limited regulatory flexibilities for innovative services in market conditions. Where the AI Technical Sandbox surfaces a use case that is ready to trial with consumers, we will signpost applicants to the Energy Regulation Sandbox only if flexibilities are required for a live test, ensuring consumer safeguards and reporting are in place.

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<sup>5</sup> Red-teaming refers to a structured process of adversarial testing, where independent reviewers attempt to identify vulnerabilities, biases, or failure modes in AI systems under realistic conditions.

- 4.4 Ofgem Future Regulation Sandbox (not AI-specific) – rulebook testbed:** Ofgem has consulted on proposals for a Future Regulation Sandbox which is intended as a policy instrument for trialling changes to the rulebook before formal adoption. If AI Technical Sandbox evidence indicates that current rules impede safe, beneficial AI deployment, we may route the findings to the Future Regulation Sandbox for time-bounded regulatory experiments may subsequently take place, subject to Ofgem’s discretion and prioritisation.

## Innovation and sector initiatives

- 4.5 UKRI-funded and Ofgem Strategic Innovation Fund (SIF) and Network Innovation Allowance (NIA) initiatives:** We propose to explore opportunities to join up with UKRI-funded projects and Ofgem’s SIF and NIA portfolios so innovators can reuse datasets, metrics and tooling and ethics benchmarks to avoid duplication. Where AI Technical Sandbox outcomes demonstrate consumer benefit and regulatory viability, UKRI/SIF/NIA projects could potentially scale technical delivery; conversely, UKRI/SIF/NIA projects could contribute curated datasets and evaluation frameworks into the AI Technical Sandbox to de-risk testing and to standardise privacy and fairness benchmarks. These proposals are subject to further discussion and agreement with UKRI and Ofgem’s Innovation Hub.

## Regulatory alignment and external models

- 4.6 Alignment with FCA regulatory sandbox experience:** Ofgem recognises the Financial Conduct Authority (FCA) as a leader in regulatory sandboxes and digital innovation. The AI Technical Sandbox will draw on relevant aspects of the FCA’s experience such as robust governance, transparent evaluation, and clear participant guidance while ensuring that alignment is focused on the most applicable models for the energy sector. Not all FCA sandboxes are directly relevant, so Ofgem will tailor its approach to sector-specific needs.
- 4.7 DSIT AI Growth Lab:** The Department for Science, Innovation and Technology (DSIT) has announced the [AI Growth Lab](#) as an economy-wide sandbox. Ofgem is a stakeholder in DSIT’s AI Growth Lab and will continue to be actively involved in as it develops. However, this is not the focus of the current consultation, and the AI Technical Sandbox will remain bounded to use cases within the energy sector.

## 5. Engagement and governance

### Stakeholder involvement

**5.1 Steering Group:** The pilot will be overseen by a Steering Group comprising of representatives from across the energy sector. Ofgem will chair the group and provide oversight to ensure alignment with strategic objectives. The Steering Group will advise on governance and sector engagement, review applications, and monitor progress. Members will be expected to act independently of participants and must have no conflicts of interest with the use cases under consideration. Detailed requirements and recusal provisions will be set out in the Steering Group Terms of Reference and participation agreements.

Further details on appointment, selection, responsibilities, and reporting are provided in Section 3.7.

**5.2 Working groups and open forums:** Ofgem will establish working groups and open forums to enable wider stakeholder participation. These groups will provide opportunities for technical, operational, and regulatory input throughout the pilot, and will help surface emerging issues and share learning.

**5.3 Ongoing engagement:** Stakeholders will be invited to participate in regular engagement sessions, workshops, and feedback opportunities. Ofgem will ensure that interested parties have the chance to contribute to the pilot's development and evaluation.

### Oversight, transparency, and reporting

**5.4 Transparent processes:** All key decisions, including use case selection and pilot evaluation, will be made through transparent processes, with clear criteria and published outcomes.

**5.5 Regular reporting:** The Steering Group will report regularly to Ofgem on its activities, progress, and recommendations. Ofgem will chair the Steering Group and provide oversight to ensure alignment with strategic objectives and regulatory requirements. Summary findings from the Steering Group's work will be published to support transparency and sector-wide learning, subject to appropriate confidentiality and intellectual property safeguards.

**5.6 Knowledge sharing:** Findings from the pilot will be shared openly to maximise sector-wide learning and inform future regulatory development.

**5.7 Publication (public domain):** To mitigate any potential commercial advantage from participation, Ofgem will publish high-level summary findings from trials, respecting confidentiality and intellectual property. Participants agree that non-confidential outcomes and learning will be placed in the public domain to support sector wide benefits. This may include aggregated or anonymised material,

subject to appropriate property and confidentiality protections.<sup>6</sup> Further detail on publication, confidentiality, and intellectual property provisions will be included in the decision document, participation agreements, and associated guidance.

**5.8 Legal position and disclaimers:** Participation in the AI Technical Sandbox is not an approval, endorsement, or authorisation by Ofgem. Feedback and findings provided through the sandbox:

- do not represent the views, policies or regulatory positions of Ofgem;
- do not constitute or imply legal, technical, or commercial advice or authorisation, nor do they constitute endorsement of any specific AI systems, technologies or use cases;
- is provided without prejudice to any future Ofgem decision or action;
- may evolve over time as evidence and regulatory positions develop; and
- acceptance into the sandbox does not prevent or prejudice future enforcement action by Ofgem.

Participants retain ownership of their rights, title, and interest in their use case; they are not obliged to follow sandbox views and remain responsible for compliance with applicable rules and regulatory requirements.

Note: Detailed disclaimers and terms relating to ownership, compliance, and Ofgem's regulatory position will be included in subsequent documents such as participation agreements, Steering Group terms of reference, and application forms.

**5.9 IP and confidentiality:** we will work with Participants to ensure that Participants' IP and confidential information will be protected. Ofgem will only publish high-level learnings and non-confidential summaries. Any publication will follow agreed confidentiality provisions and be reviewed with Participants before release.

**5.10 Ethics & safety checkpoints:** Each trial will complete pre and post-test ethics and safety reviews covering fairness, transparency, data protection, security, and consumer outcomes, with proportionate mitigations.

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<sup>6</sup> Ofgem is subject to legal obligations relating to the protection and disclosure of information (e.g. data protection legislation, Freedom of Information and Environmental Information legislation, and section 105 of the Utilities Act 2000). In some circumstances, Ofgem can be asked to disclose information that we hold. We will work to ensure that information collected, held, and published is in accordance with legal obligations and relevant Ofgem privacy policies. If we are asked to share information that relates to the AI Technical Sandbox, use cases, or your organisation, we will work with Participants/Steering Group and apply relevant exemptions from disclosure where appropriate.

## 6. Consultation questions

We welcome your views on the proposed pilot for the AI Technical Sandbox. Please consider the following questions when preparing your response. Where possible, provide an explanation for your answers, including evidence, examples, or reasoning to support your views.

### Questions

#### **Eligibility and participation**

- Q1. Do you agree with the proposed eligibility criteria for lead Participants (licensees, market participants, and operators of essential services) and the encouragement of partnerships with technology providers, academia, and other innovators? Please explain your reasoning.

#### **Use case selection**

- Q2. Are the proposed use case selection criteria (including commercial neutrality, innovation, sector impact, regulatory uncertainty, testability, governance, and data access) appropriate and sufficient to ensure a fair and transparent process? Are there other criteria, safeguards, or considerations we should include?

#### **Alignment with other initiatives**

- Q3. Is the proposed approach for the AI Technical Sandbox clearly distinct and complementary to other initiatives such as Ofgem's AI Reg Lab, Energy Regulation Sandbox, Future Regulation Sandbox, UKRI-funded and SIF/NIA initiatives, NESO, FCA regulatory sandbox experience, and DSIT AI Growth Lab? Are there other relevant initiatives or examples of best practice that Ofgem should consider, and if so, which ones?

#### **Engagement and governance**

- Q4. Does the proposed governance structure (steering group, working groups, open forums) provide sufficient oversight, transparency, and opportunities for stakeholder engagement? Are there other mechanisms or safeguards that should be included to ensure effective governance and knowledge sharing?

#### **Timelines and next steps**

- Q5. Are the proposed next steps for developing and launching the pilot clear, and is there anything further we should consider as we refine the timeline?

#### **Ethics and responsible AI**

- Q6. Does the consultation and proposed pilot sufficiently address ethical considerations (fairness, transparency, responsible use, consumer trust) in line

with [Ofgem's AI guidance](#)? Are there further steps we should take to embed ethics and safety in the sandbox?

**Stakeholder support**

Q7. Do you have suggestions for how Ofgem can best support stakeholders throughout the pilot and beyond?

**General feedback**

Q8. Do you have any other comments, suggestions, or concerns regarding the proposed pilot, the consultation process, or the expected outcomes? Please provide evidence, examples, or reasoning to support your responses wherever possible.

## 7. Timelines and next steps

### Key milestones

- 7.1 Consultation period:** The consultation will be open for responses for eight weeks from publication and close at 11.59pm on 20 March 2026. All stakeholders are encouraged to provide feedback within this period.
- 7.2 Review and analysis:** Ofgem will review all consultation responses and publish a summary of feedback, along with any adjustments to the proposed pilot approach.
- 7.3 Pilot launch:** Following the consultation and finalisation of the pilot design, Ofgem will publish detailed participation guidance and open the application process for the AI Technical Sandbox pilot (see Section 3.3 for more information on the proposed application process and eligibility criteria). Subject to the completion of design and procurement processes, we anticipate the pilot will be up and running by Autumn 2026. This timeline is indicative and may be refined as the pilot design progresses.
- 7.4 Pilot implementation:** The pilot phase is expected to run for 12 months, with regular reporting and engagement points throughout.
- 7.5 Evaluation and future phases:** At the end of the pilot, Ofgem will evaluate outcomes, share lessons learned, and consult on next steps, including potential expansion or adaptation of the sandbox.

### Send us your feedback

We believe that consultation is at the heart of good regulatory development. We are keen to receive your comments about this consultation. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk).

## Appendix 1 Privacy policy

### Personal data

The following explains your rights and gives you the information you are entitled to under the UK General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name, address and anything that could be used to identify you personally) not the content of your response to the consultation.

#### 1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at [dpo@ofgem.gov.uk](mailto:dpo@ofgem.gov.uk)

#### 2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

#### 3. Our legal basis for processing your personal data

As a public authority, the UK GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

#### 4. With whom we will be sharing your personal data

We will not share your personal data with third parties. See [Your response, data, and confidentiality](#) for further information on how we publish responses.

#### 5. For how long we will keep your personal data, or criteria used to determine the retention period.

We will retain consultation responses for 12 months after work on the subject is complete, after which we will destroy or anonymise data.

#### 6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services



## **Consultation AI Technical Sandbox**

- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3<sup>rd</sup> parties
- tell us your preferred frequency, content and format of our communications with you
- lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

**7. Your personal data will not be sent overseas.**

**8. Your personal data will not be used for any automated decision making.**

**9. Your personal data will be stored in a secure government IT system.**

**10. More information**

For more information on how Ofgem processes your data, read our [Ofgem privacy promise](#).