

Non-confidential

20 March 2025

Response to AI Technical Sandbox consultation

Thank you for the opportunity to respond to this consultation. We welcome Ofgem taking a forward-looking and collaborative approach to artificial intelligence (AI), given its transformative potential in the energy sector and its role in enabling a cheaper, greener energy system.

We are supportive of the proposed AI Technical Sandbox pilot and the objective of creating a structured environment in which energy sector participants can design, test and evaluate AI applications using representative data and realistic operational scenarios before live deployment. Given the pilot nature of the proposed sandbox, we limit our comments to a small number of practical considerations that we believe will be important to its success.

In particular, we see value in measures to enable participants to work effectively with sandbox datasets. Providing shared reference resources - such as a glossary of sector terminology - could help ensure AI models interpret this data consistently and support more reliable and comparable testing outcomes.

Response to consultation questions

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?

No response

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

No response

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

No response

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

No response

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

No response

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?

No response

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

The energy sector contains a large number of specialised terms, which are defined across industry codes, licences and regulatory documents. When AI models, particularly large language models (LLMs), are used to analyse this data, inconsistent or unclear terminology can inhibit reliable interpretation.

To support participants working with sandbox datasets, Ofgem could provide a shared, LLM-ready glossary of energy-sector terminology. This would set out key regulated and industry terms with clear definitions and commonly used alternative descriptions. Providing this shared reference point would help participants work with data more consistently and ensure AI models interpret sector terminology in a consistent way across different sandbox projects, thus improving the reliability and comparability of results. This could also support Ofgem's other workstreams like the AI Reg Lab.

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.

Overall, we are supportive of the proposed AI Technical Sandbox and the role it could play in helping the sector safely test and better understand AI applications in the energy system.

Ensuring that sandbox participants have access to clear reference materials, such as a glossary of sector terminology, could help maximise the value of experimentation within the pilot and improve the consistency of results across different projects.