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By email to: AIPolicy@ofgem.gov.uk

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Response to AI Technical Sandbox Consultation

Thank you for the opportunity to respond to the above consultation.¹ as a continuation of Ofgem's Call for Input in September 2025.

SGN manages the network which distributes natural gas and biomethane to 6 million homes and more than 189,000 industrial and commercial (I&C) customers across Scotland and the south of England, providing heat to over 14 million customers. Our 4,600 colleagues keep gas flowing safely and reliably to our customers, 24 hours a day, seven days a week.

The adoption of AI within the energy sector is accelerating, presenting significant opportunities to enhance operational efficiency, customer service, and safety. However, this growth also introduces challenges and risks that must be carefully managed to safeguard both customers and employees. SGN is committed to actively participating in the development and responsible implementation of AI, ensuring that it is deployed in a manner that prioritises protection and trust. We are keen to participate in the AI technical sandbox, as it provides a controlled environment to thoroughly assess the technical aspects and potential capabilities of emerging solutions before widespread adoption. However, it is crucial that the sandbox is carried out in a way that is fair and does not provide advantage commercially.

We have answered the specific consultation questions where appropriate to SGN and to the best of our knowledge. We are keen to maintain constructive engagement with Ofgem as this area develops. Should you have any questions regarding our response, or wish to discuss further, please do not hesitate to contact me at Alexandria.graham@sgn.co.uk.

Kind Regards,

Alexandria Warren,

**Regulatory Reporting Manager,
SGN**

¹ [AI Technical Sandbox | Ofgem](#)

Consultation 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.

SGN agrees with the proposed eligibility criteria for lead participants and partnerships to provide a collaborative environment for industry to test AI innovation in a controlled environment and to help inform industry participants and Ofgem's digital and AI strategy through RIIO-3 and beyond. However, it is important that any potential commercial interests or conflicts of interests should be noted and remain transparent to all parties.

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?

It is too early to determine whether the use-case examples provided are appropriate and sufficient, certainly for the medium to long term. The use cases suggested are certainly of merit and relevant to the immediate challenges faced by UK energy sector, however in order to encourage and encapsulate innovation and flexible regulation the use-cases and themes ought to allow for rapid learning and discovery of the "unknown unknowns" which are likely to inform the continued evolution of use-cases and themes.

Notwithstanding, it is essential to have the right safeguards in place to balance potential benefits with associated risks. Clarity and transparency of roles, responsibilities and clear entry/exit criteria to inform AI trajectory in UK energy between Ofgem and participants. Balancing space to innovate with ensuring that initiatives don't lead to solutions potentially by-passing UK regulations leading to unintended consequences or misuse of the AI sandbox capability.

There is also the oversight and resources needed for operating a sandbox environment to ensure the right hygiene factors are brought into play such as: DMZ approach for any multi-tenancy situations to avoid cross-contamination; time-box tenancy; data incorporated into AI solutions can and ought to be used for that purpose and finally a clear pathway to operationalisation to ensure only appropriate (regulated) use cases and solutions are productionised.

Consumer confidence that UK energy is "doing the right thing" will need to be earned through visibility, transparency and understandability in a rapidly developing market.

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?

SGN welcomes Ofgem’s initiative at this stage to establish an AI Technical Sandbox aimed at advancing the use, adoption, and regulation of AI within the UK energy sector. However, as the sandbox is not yet operational, it is premature to offer further commentary at this time.

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?

SGN agrees in principle with the proposed governance structure, however as above, it is hard to provide further comment at this early stage of development.

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?

The proposed next steps for the pilot are clear, however SGN would recommend providing potential participants with a longer lead time to ensure they can prepare their submissions in line with Ofgem’s requirements and align to the technical requirements for using the Sandbox environment. Ofgem may also wish to consider extending the initial pilot timeline beyond 12 months to allow for “bedding in” of the technologies and data being used.

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?

The consultation document indicates only that the sandbox will follow published Ofgem AI guidance, however as the development of AI within the energy sector is still in its infancy it has not been tested enough to propose amendments at this time. It is important that the guidance remains under review as the process continues to develop.



Stakeholder support

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

It would be useful if Ofgem can clarify the technical aspects of support that Ofgem will provide to stakeholders throughout the pilot.

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.

SGN has no further comments.