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Wales & West Utilities (WWU) response to consultation on AI Technical Sandbox

Dear Jonathan,

Thank you for the opportunity to respond to this consultation. WWU is a gas transporter and a regional gas distribution network ("GDN"), serving 2.6 million supply points in Wales and south-west England. This response is not confidential and may be published.

We have only listed the questions to which we have a response.

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.

We agree with the principle of licensees and operators of essential services being eligible but believe market participants should be limited to 'by invitation only' of a licensee or operator of essential services. We believe that the rules for participation should be consistent across all lead applicant types to ensure parity and fairness.

A potential downside to this approach is that applicant partners that may have innovative test cases are dependent on gaining agreement with a lead applicant to engage in the process. This may limit the effectiveness of the pilot, though it is right that lead applicants retain the right not to participate.

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We note that sandbox use is free of charge, and we agree with this approach to encourage engagement, particularly amongst smaller organisations, however the trade-off of free entry may be a higher volume of poorly thought-out applications and therefore strong governance is required at the application and assessment stage. We think that supporting partners should be responsible for covering the cost of their involvement, such as resource costs, and that these costs should not fall to the lead applicant.

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?

The use case selection criteria as currently drafted are relatively unclear and not particularly helpful for applicants though we appreciate that further context will be provided in the supporting guidance. It is also not clear whether an application needs to meet all of the criteria to be deemed successful or just some. For example, “sector impact” gives the impression that the applicant should aim for the application to produce a potential benefit in one sector without regard for other sectors within energy. We believe a broader view is needed to assess if the positives outweigh the negative impacts to other areas of the industry.

Additionally, it is unclear how innovation potential will be accurately assessed. A highly innovative solution could have a low likelihood of successful implementation and therefore may not be a good use of resource. Given the limited bandwidth anticipated, the use cases criteria should be weighted to ensure the most likely, effective, and cost benefitting solutions are accepted and tested. In general, there appears to be no consideration given to the potential cost of a solution.

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?

We agree that the AI sandbox is distinct from other initiatives and we support the approach to use the AI sandbox outputs to inform Ofgem guidance and code changes. It can be complex to engage with the volume of initiatives and operators of essential services may not be able to engage with them all. It does favour the larger organisation with a more scalable workforce and does disadvantage the smaller OES’s where arguably efficiency through AI could be more applicable.

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?

It is unclear whether the steering group will have powers to act as the decision making body or whether they will they assess applications and make recommendations to Ofgem who will make the final decision. The steering group should be made up of a broad range of industry participants with equal voting powers.

We agree with the need to ensure safeguards are in place with regards to IP and data confidentiality, however this should be balanced with providing effective outputs for the wider industry. Transparency and explainability are key considerations for AI solutions and heavy redaction may impact the value of the outputs.

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?

Generally, yes, however what is not clear is whether the applications will be time bound, or will all accepted applications run for the approximately 12-month pilot period?

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?

WWU agrees with the ethical safeguards aligned to previous Ofgem AI Guidance and an open data sharing approach within confidential safeguards.

Stakeholder support

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

What resources could be made available from Ofgem to support smaller organisations with less expertise in this area to pursue a use case?

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.

WWU broadly agrees with the objectives and governance structures proposed. Our only significant concern is capacity and resource for entry level into the sandbox. With such a wide reaching and open opportunity to organisations beyond Licensees and Operators of Essential Services, capacity and resource to participate will favour larger organisations. This disadvantages the smaller operators, and we would like to see provision for light touch use cases and a fast-track route opened up for more agile opportunities.

Yours sincerely



Tom Stuart
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Wales & West Utilities