



The Innovation Link

Open letter

4th July 2017

To all energy innovators and other interested parties

Update on Regulatory Sandbox

In February, the Innovation Link asked for expressions of interest for an energy regulatory sandbox to allow innovators to trial business propositions that will benefit consumers without incurring all of the usual regulatory requirements.

We are pleased to have entered into sandbox discussions with:

- A consortium led by EDF Energy R&D UK and including Electron, PassivSystems, Repowering London and University College London – trialling a peer-to-peer local energy trading platform. The platform aims to allow residents in urban areas to source their energy from local renewables and trade that energy with their neighbours, increasing self-consumption of low carbon energy and reducing overall energy costs.
- Origami Energy – trialling a platform that enables commercial consumers to buy directly from independent generators and manage their own imbalance position.
- OVO Energy – in partnership with VCharge, trialling an innovative tariff supported by smart home technology. The trial product is designed to enable lower bills and warmer homes for customers with storage heaters who are currently limited to economy 7 / economy 10 tariff options, whilst also enabling grid balancing capabilities.
- Empowered – trialling a local peer-to-peer energy trading scheme. The trial is aimed at enabling consumers to trade electricity directly with each other and yield benefits for the local community and the wider electricity system.
- One further party who wishes to remain anonymous at this point.

The support is likely to be in the form of bespoke advice upon which the innovator can rely for the duration of the trial (up to 24 months). The outcomes of the discussions will depend upon us agreeing the regulatory arrangements for the duration of the trial, including protection for consumers and in some cases agreement with third parties.

There are a further three projects that can go ahead without sandbox support. These include parties who wished to apply for supply licences under the licence lite process and whose business model works with the current arrangements.

We received 30 expressions of interest in the regulatory sandbox. We assessed all the expressions of interest against our published criteria.

We found that the majority of proposed trials were innovative and had a realistic prospect of benefitting consumers but failed to identify a specific regulatory barrier. It is likely that many of these can operate within the current regulatory framework. We are offering these companies our fast, frank feedback service and should we identify regulatory barriers we will consider sandbox support in a future round.

There were a small number of unsuitable expressions of interest, primarily because they were not asking for a trial of a new product or service but a permanent change in regulation, which is not appropriate for the short-term nature of the sandbox. We also received expressions of interest in trialling new regulation and policies in existing projects; these related to trialling new network charging arrangements. We welcome the offers to support policy development and have recommended that the companies engage with the relevant policy team.

We will open a second window for sandbox applications this autumn. The application window will be open during October and November 2017 – we will publish guidance on how to apply by the end of September 2017. We will then engage with applicants to undertake an initial assessment of suitability for a sandbox by February 2018. Those that are suitable will then need to provide further information and we will progress detailed sandbox discussions.

If you would like to discuss this then please contact the team at innovationlink@ofgem.gov.uk

Yours faithfully,

Pamela Taylor, Partner, Innovation Link, Ofgem