

# Guidance

## Energy Regulation Sandbox: Guidance for Innovators

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This Guidance is for innovators who want to know how to access support from the Energy Regulation Sandbox. It explains what the Sandbox is, what it can and can't do, what kind of support is on offer and how innovators can apply. It sets out the desirability and eligibility criteria, and explains how we will assess requests.

The Sandbox can enable innovations in products, services, methodologies and business models related to activities in the regulated gas and electricity markets.

It's available to start-ups, new entrants, established sector players, public or third sector bodies. It can help innovators with delivering trials or entering the market.

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  - a) Do you have any comments about the overall quality of this Guidance?
  - b) Do you have any comments about its tone and content?
  - c) Was it easy to read and understand? Or could it have been better written?
  - d) Any further comments?
2. Please send any feedback to [sandbox@ofgem.gov.uk](mailto:sandbox@ofgem.gov.uk).



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## Foreword

A year ago, we published our Strategic Narrative for 2019-2023, looking ahead to how we intend to fulfil our role of protecting energy consumers. Clearly, the world has since changed, and in the last few months we and industry have been responding to the urgency of the pandemic, ensuring that consumers' immediate needs are met. We're now returning to more steady-state arrangements, where we expect industry to build on its performance during the pandemic to further reset its relationship with consumers.

This experience shows us all that regulation has to be able to respond and adapt to changing circumstances, sometimes to events which are unexpected both in their origin, and the scale of their disruption. While climate change is playing-out against different timeframes, it too demands adaptive and responsive regulation, the urgency for which is established in the Government target to be net-zero by 2050.

That's why in our Strategic Narrative and Decarbonisation Action Plan, we emphasise the themes of agile, adaptive and responsive regulation. Although their advocates will exalt their unique features, what unites them is recognition that to remain relevant in the face of rapid system change, regulators need to adopt new perspectives and tools: regulating for uncertainty means relying more on principles and learning.

The Sandbox is part of Ofgem's response. Where we're persuaded there's some prospect of consumer benefit, the Sandbox can help innovators trial or launch new products or services without some of the usual rules applying. Plainly, the rules are in place for good reason, but not all rules can be written with foresight of new technologies or consumer needs. Principles fair better, but where prescription is needed, some rules may become inadvertent barriers.

The Sandbox is about taking a more permissive approach to innovation, adapting regulation so today's innovators are better able to bring forward the products and services tomorrow's energy system and consumers need. At its essence, the Sandbox is both a series of tools and a process of enquiry. We hope it will help innovators experiment and take managed risks. For Ofgem, it will allow us to interrogate the rulebooks through different lenses, identify where regulations may be redundant, in need of future-proofing or where new ones are needed.

We will, of course, monitor and evaluate the usefulness of the Sandbox for its users (innovators and policy-makers alike), and in keeping with adaptive principles, will not hesitate to change or abandon it in the interests of better meeting consumers' needs.

Martin Cave  
Chair, Ofgem

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## Executive summary

### The Sandbox in a nutshell

We all know that we're standing at the edge of a system transformation and that innovation will have a central role in remaking our energy landscape. Over time, as the system transitions, the rules that govern it will evolve too. But, where an innovator wants to trial something novel, or launch a new business now, some rules might be 'barriers' to making this happen. Make no mistake, the rulebook rightly sets the high standards we expect of an essential service, but that's not to say that the rules are perfect or should be static, or that they will always be capable of delivering the outcomes we want.

To remain relevant in the face of rapid, technology-driven system change, regulators need to harness new perspectives and tools. We need to complement strategic reforms with approaches which allow us to keep pace with innovation. That's why we developed the Sandbox: to allow innovators to experiment and bring propositions to market, while continuing to protect consumers. It lets us work with innovators and gather evidence to inform permanent reform.

### Who's this guidance for?

It's for innovators who intend to (or already) operate in a regulated energy market, want to offer something different but are facing a 'rule-based' barrier. It's available to start-ups, new entrants, established sector players, public or third sector bodies. It's not only for licence holders, or members of the various industry codes. We're happy to work with innovators at an R&D stage, through to those close to launch. So long as the innovator can set-out the issues they need assistance with, the sandbox may be suitable.

This Guidance replaces previous Ofgem Sandbox guidance. This document is much fuller than what we've published previously. This responds to innovators' requests for greater clarity and direction about what's in scope and allowable. Although innovators are the primary user, this Guidance can also help industry, innovation funders and supporters, policy makers and other stakeholders understand what the Energy Regulation Sandbox is, and how it works.

### What kind of things will the Sandbox support?

It can support activities that interact with the regulated gas and electricity markets. To be eligible, we have to be persuaded that the innovation's desirable and there's the prospect of consumer benefit. It can enable trials (or pilots or demonstrators), and help innovators enter the market with a new product, service, business model or methodology. It's for trials that have to be done in a live energy environment, involving consumers or interacting with market rules or the physical system. For trials, we can provide bespoke guidance, comfort (shared risk) and

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time-limited derogations (relief) from specific rules. For market entry, we can confirm (not an endorsement) that an activity is permissible, and, where a rule is blocking an innovation, potentially remove this by way of a derogation. Not all energy regulations are in scope. Ofgem must have responsibility for the rules in question, and we must have the power to offer the requested relief. Ownership of many of the rules that affect what happens in the gas and electricity markets reside with BEIS and other bodies.

## How does the sandbox protect consumers?

Our principal duty is to protect the interests of existing and future consumers, and this defines our whole approach to regulation. While we think consumers have inherent interest in the potential benefits of innovation, that's not to say that all innovations will succeed, or be universally beneficial to all consumers. We want the sandbox to enable new products and services that future consumers will need, but not at the risk of consumer harm or poor outcomes. In considering what to support, we'll assess the benefits and risks to different groups, how the innovator plans to involve consumers, identify and manage risk.

## Applying for support

Innovators complete an application form. We're the single point of entry for all requests and will coordinate involvement from the relevant Code Administrators. Unlike the previous Sandbox, applications can be submitted at any time, rather than meeting strict windows-based deadlines.

## Protecting confidentiality

To run the Sandbox, innovators have to share with us personal, and sometimes commercially sensitive information. They need to be certain that what they give us is secure, and processed only as agreed. Innovators have to consent to us sharing information with third parties for the purpose of assessing their application.

## Navigating this guidance

- ❖ **Introduction** provides the context for the Sandbox and what we want to achieve.
- ❖ **Section 2** explains what the Sandbox is and what's on offer.
- ❖ **Section 3** explains how to make an application.
- ❖ **Section 4** sets-out how we'll assess applications and make decisions.
- ❖ **Section 5** covers innovator's monitoring and evaluation obligations.
- ❖ **Section 6** sets-out the confidentiality and broadcast arrangements.
- ❖ **Section 7** innovation examples, the basis on which we provide the sandbox,
- ❖ **Appendices** confidentiality, derogations and BSC / DCUSA sandbox tools.



# 1. Introduction

## 1.1 The strategic context we operate in

1. We're standing at the edge of a deep and wide-ranging transformation in the energy system. Ofgem's principal duty throughout this is to protect the interests of consumers, existing and future, including their interests in greenhouse gas reductions. Making the move from a largely centralised, carbon-intensive energy system to one which will be net-zero, smart, flexible, digital and decentralised is, of course, a momentous undertaking.
2. When we talk about our principal duty to protect the interests of existing and future consumers we mean consumers of all types, including: households, micro, small and medium sized businesses, public and third sector bodies, and industrial and commercial companies. The bargaining position of these groups varies and may be particularly weak for vulnerable household consumers. All groups are affected by what happens across the energy value chain. The principal duty permeates our whole approach to regulation: it obliges us to evaluate almost any situation or proposed change in the first instance, through the lens of energy consumers.
3. Like industry, Ofgem operates within a strategic and policy framework created by the government. While we cannot make changes to overall policy in the sector ourselves, we can determine how best to carry out our duties through the decisions we make. Our role is to regulate the gas and electricity markets in ways we best calculate will protect the interests of consumers.
4. While we do not have explicit innovation duties, we think that consumers have an inherent interest in the benefits that innovation can bring. In this context, we think that encouraging and enabling innovation will drive down prices and result in new products and services of benefit to consumers. This cuts across how we regulate the monopoly network companies, and those businesses operating in the competitive wholesale, flexibility and retail markets.

## 1.2 Why are we providing a Sandbox service?

5. A successful transition means innovation will need to reach all corners of the energy landscape, affecting the technologies, processes, products, services, relationships and behaviours that make up our energy ecosystem. Innovation's roles in this transformation likely means that some facets of the energy system of 2050 will be as unfamiliar to us, as today's information technologies would be to the early internet pioneers.
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6. It's impossible to be certain about what the future holds, meaning that our role cannot be to attempt to predetermine what innovations should emerge or be successful, but rather adapt the regulatory regime to ensure an environment more permissive of, and suited to innovation.
  7. Our approach to the regulation of energy markets needs to remain relevant and responsive in the face of rapid system change. Regulating for uncertainty means we need to rely more on principles, on learning and being flexible in our approach. Flexibility is one of the strengths of market-based solutions. But, to function effectively, energy markets need a robust and responsive regulatory and policy framework that protects and empowers consumers and encourages beneficial innovation.
  8. Between them, our [Strategic Narrative for 2019-23](#), [Decarbonisation Action Plan](#) and [annual Forward Work Programme](#) set-out our priorities in the short to medium term to deliver our strategic objectives. The Narrative recognises the critical role innovation will play in delivering new products and services that better respond to consumers' needs in a decarbonising energy system. To enable this, we commit to removing barriers to new business models from the regulatory framework.
  9. Our intention, therefore, is to take a more proactive approach to innovation, to challenge ourselves, to ask whether current arrangements can always deliver the right outcomes; and, explore where we can adapt our approach to regulation so that today's innovators are better able to bring forward the products and services that tomorrow's energy system and consumers need.
  10. At the same time, we start from the knowledge that the energy sector rulebook rightly sets the high standards we expect of an essential service. The rules are in place for good reason, ensuring that our homes and businesses receive the services they need, that all the players are clear about their responsibilities and how to interact and, above all, that consumers are protected. Over time, and as the system transitions, the rules that govern it will evolve too. But, where an innovator wants to trial something novel, or launch a new business now, some rules might be 'barriers' to making this happen.
  11. We developed the Sandbox to allow innovators to experiment, and launch new propositions, while making sure the right consumer protection parameters are set. It allows us to work closely with innovators on specific issues, and to gather evidence that can inform where regulation should change permanently.
  12. The Sandbox is run by our [Innovation Link](#). We set the Link up 3½ years ago, in response to the increasing number of [Non-Traditional Business Models](#) we were encountering:
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entities that didn't fit the familiar moulds of energy sector actors. The Link's mission is to support innovations that benefit current and future consumers by helping innovators navigate the sector, understand what regulation means for them and feed the insights they glean from innovators into regulatory policy-making. The Sandbox sits alongside the Link's [Fast Frank Feedback service](#) which helps innovators understand the regulatory implications of their propositions.

13. The energy transition requires a fundamental re-think of energy regulation in Great Britain. The Sandbox is part of Ofgem's reply to this, an agile, responsive and adaptive way of working with innovators to realise opportunities now, while in parallel redesigning markets and rewriting rulebooks to bring about major reform.

### **1.3 What do we expect the Sandbox to achieve?**

14. While we think consumers have an inherent interest in innovation, this doesn't mean we expect all innovations to be successful, nor does it mean that all innovations will be universally beneficial to all consumers, to the system, to markets and to industry participants. The implications of different innovations for energy policy, regulation and practices will ultimately require trade-offs and decisions about the preferred features of tomorrow's energy system.
15. We want the Sandbox to be part of a successful transition. This could be through helping innovators test their propositions in a live market environment before deciding whether they have something that is viable, that consumers want, and the system values. Unlike its predecessor, this Sandbox has a more explicit focus on facilitating new products and services to enter the market, not just running trials.
16. While we think enabling greater product and service diversity would be a good result, an innovator deciding that they or their proposition isn't suited for the energy markets is an equally good outcome, and shows that innovators are able to make informed, confident, risk-based judgements that are more aligned with the interests of consumers. Showing that something doesn't work is also a win for consumers, as innovators don't then roll-out a product or service that might potentially be ineffective.
17. Facilitating new offerings might involve us confirming to innovators that what they want to do is permissible within today's regime. This may be a 'small' intervention, but could have bigger impacts, building understanding and confidence among innovators, their advisors and supporters, investors, consumers and industry players. We think the Sandbox has a role to play in revealing what types of products and services consumers

will need, and what arrangements will be required to allow new business models to respond to these needs.

18. Supporting trials or new businesses might involve granting derogations. Our starting point in assessing derogation requests is always to accept that today's rules are here for good reason. But, interrogating the rules through the lens of a different product, service or use-case, can help us identify where regulations may be redundant, or present undue barriers, or are in need of use-case future-proofing.
19. None of us can fail to see that technology is rapidly remaking the energy landscape, affecting all aspects of the energy supply and value chains. These technologies make energy in different ways, used more intelligently, sustainably and efficiently. They allow for energy to be stored in times of plenty and used in times of need. They let gas and electricity systems interact and collaborate more efficiently and effectively. Alongside this, the traditional roles of suppliers, generators, transmitters, distributors and consumers are morphing and we're seeing new actors emerging such as 'prosumers', aggregators, platforms and other third party intermediaries.
20. All of which means that the regulatory regime needs to evolve to accommodate fundamentally different use-cases. A decarbonising energy system is one that demands behavioural step-changes from consumers and their providers. While the prosumer was a notable first step, the smart-homers and the flexsumers will likely play more fundamental roles in the future.
21. The Sandbox gives us the opportunity to keep abreast of innovations that are looking to come to market, to understand the issues affecting innovators, to learn more about consumers and their experiences, to provide flexible enabling support, and to capture insights which can be used to permanently reshape regulation.

## 2. About the Sandbox

### Section summary

The Sandbox can help innovators trial and bring to market new products, services, methodologies and business models. This section covers everything you need to know about what the sandbox is, and isn't, who it's for, what kind of activities it can support, the different tools that are available, the criteria we'll apply, and explains how this Sandbox has evolved from the previous version.

### 2.1 What is (and isn't) the Sandbox?

22. The regulatory Sandbox allows innovators to trial or launch new products, services, methodologies and business models without some of the usual rules applying. These can be rules that Ofgem controls (usually in licences), or in some circumstances, from the rulebooks owned by industry (the codes), which underpin the day-to-day operations of the system.
23. The concept derives from the world of software development where new programming code can be tested in a ring-fenced setting; unlike its digital counterpart, the Energy Regulation Sandbox (ERS or Sandbox) operates in real world live energy markets, with real consumers.
24. This means that the Sandbox is not capable of providing for a fundamentally different regulatory environment, where rules can be turned-off, adapted or substituted as desired. Ultimately, innovations supported through the Sandbox have to be able to operate within existing, albeit tweaked, sector and regulatory frameworks.
25. Insights from sandbox activities can also inform regulatory reform options, but a Sandbox isn't a means to change regulation on a permanent basis. In some circumstances, we may be able to relieve an innovator from a specific rule (provide a derogation), but the rule still remains in place for everyone else. To make lasting reforms, we follow established processes leading to market-wide changes available to all market participants.
26. Sandbox support is not an endorsement from Ofgem for a specific business model, product or service. We may confirm to innovators and the market that a particular type of activity is permissible, but this is not validation of a specific company's business plan.

27. Sandbox support does not bring with it any funding from Ofgem. Innovators have to secure the necessary investment to allow them to undertake a trial (or pilot or demonstrator) or deploy their product or service.

## 2.2 Who's it for?

28. The Sandbox is for innovators who already (or intend to) operate in a regulated energy market. It's available to start-ups, new entrants, established sector players, businesses transferring in from other sectors, public or third sector bodies.
29. This doesn't mean that only licensees (generally speaking, holders of generation, distribution and supply licences) can benefit, but in most cases an innovator wanting to run a live trial either has to be a licensee, work with a licensee or be a party to industry codes that allow them to participate in the live system. Similarly, for innovators seeking to deliver a new product or service, they too may already be licensed, exempted from the requirement to hold a licence, or are undertaking activities that don't require licences.
30. The vast majority of the 350 engagements in the 3½ years since the Link was established relate to developments in electricity markets. This demand is reflected in some of the new sandbox tools, which focus on industry rulebooks for the electricity system. But, that's not to say that innovators operating in gas markets can't also seek support. It also might be that innovator's activities in other related areas (such as heat or transport) interact with the gas and electricity systems, and sandbox support might be required.
31. While many of the innovations we've seen are directly consumer-facing, the customers of other innovators are energy sector players themselves: suppliers, generators, storage providers, network companies, etc. The Sandbox doesn't require that an innovator has a direct relationship with the end-consumer, but it does require that their activities interact with a regulated energy market, and there is the prospect of end-consumer benefit.
32. For illustration, appendix 2 provides pen-pictures of the nine principal innovation types we've encountered. However, it shouldn't be inferred that this is exhaustive and representative of all innovations in the sector, nor precedent for what we'll likely see in the future.
33. The type of sandbox support available and who can access it, will ultimately depend on who the innovator is, what market they're operating in and what they want to do.

## 2.3 What markets and regulations are in scope?

34. The scope of the Sandbox is limited to activities that interact with the regulated energy markets, broadly speaking those related to the generation, trading, transmission, distribution, shipping and supply of energy to domestic and non-domestic consumers, and associated tasks related to system management and data communications.
35. This can also include the activities of entities that we do not have direct sectoral powers over, but which provide intermediary services between consumers and energy sector service providers: Third Party Intermediaries (TPIs) typically, but not exclusively, help consumers with energy procurement, efficiency and management.
36. The Sandbox could potentially support projects seeking funding through the RIIO-1 network price control [Network Innovation Allowance](#) (NIA) and [Network Innovation Competition](#) (NIC). However, potential applicants should be aware that accessing sandbox support in advance of a NIC application does not mean a NIC application will be successful. Similarly, we may decline to provide sandbox support where we judge it might provide an unfair advantage to a project or conflict with our responsibilities within the RIIO price control.
37. The functions and relationships that characterise the sector are governed by a layered regime with regulatory components that reside in legislation, in licences and in codes, many of which stem from compliance with overarching European laws. While Ofgem is the regulator for the gas and electricity markets, 'ownership' of many of the rules that affect what happens in these markets reside with BEIS and other regulators. By way of illustration (not intended to be exhaustive):
  - ❖ BEIS' [Office for Product Safety and Standards](#) is responsible for all consumer products (except vehicles) and is the national regulator for all measuring instruments, including energy metering.
  - ❖ The [Health and Safety Executive](#) is responsible for gas and electricity safety regulations.
  - ❖ The [Department for Transport](#) is responsible for electric vehicle regulations.
  - ❖ Responsibility for building standards and energy efficiency requirements reside with Whitehall departments (BEIS and the [Ministry of Housing, Communities and Local Government](#)) and devolved administrations, with varied compliance and enforcement mechanisms.

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- ❖ Planning policy is equally layered, with national (UK, England, Scotland and Wales), sub-national / regional, and local authorities with respective duties and powers.
38. In some areas, BEIS and Ofgem have different / complementary responsibilities for activities in the gas and electricity markets. It is not always obvious to innovators, and even experts in the sector, where the demarcation line resides. Examples of blurred responsibilities are:
- ❖ **Environmental programmes:** BEIS is responsible for the policy, design and rules that govern its environmental programmes, such as the Feed-in-Tariff, Renewable Obligation, Renewable Heat Incentive, Warm Home Discount, and Electricity Market Reform (Contracts for Difference and Capacity Market). Ofgem has a number of prescribed delivery and compliance functions in relation to these programmes, but we have limited flexibility in how the regulations are applied.
  - ❖ **Smart metering:** responsibility for smart metering strategic priorities and policies rest with BEIS. It determines the roll-out timetable and, as necessary, makes changes to legislation, licences and industry codes to realise programme objectives. Ofgem's role is to support implementation by regulating licensed suppliers and the Data Communications Company (DCC), and responding to BEIS consultations and providing our views on areas relevant to our role.
  - ❖ **Exemptions regime:** the Electricity Act 1989 allows companies, who meet certain criteria, to be exempt from having an electricity generation, distribution or supply licence. These arrangements are set-out in the [Electricity \(Class Exemptions from the Requirement for a Licence\) Order 2001](#). BEIS own the regulations, and both BEIS and Ofgem can bring a prosecution for unlicensed activities. Ofgem has a proportionate enforcement function in relation to exempt undertakings and, in relation to exempt supply, powers to set maximum electricity retail and resale prices.
39. Industry codes and standards establish rules that govern market operation, the terms for connection and access to networks that underpin the gas and electricity wholesale and retail markets. Our experience of the first two sandbox windows was that many of the rules that innovators were seeking relief from resided in the codes, rather than licences.
40. While Ofgem can relieve parties (licensees and non-licensees) of some code obligations, we are not able to offer relief from many of the detailed code provisions. These codes are owned by industry and their users, with industry and sometimes Ofgem approving
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changes. Some industry electricity codes (currently the BSC and DCUSA; see section 2.5) have developed sandbox capabilities, which are now in scope of the Sandbox.

41. Successfully navigating the energy sector and regulatory regime is no simple undertaking. It might be that an innovator has already worked with us and benefited from our [Fast, Frank Feedback](#) service, has in-house expertise, secured peer or external support and has a better understanding of the sector and its rules, and what it means for their innovation.
42. Whatever the enquiry route, we expect that any innovator that is ready to ask for sandbox support will have a well-developed understanding of what is blocking their progress and how this can be unblocked.

## 2.4 What activities will the Sandbox support?

43. The purpose of the Sandbox is to give innovators the confidence to progress to their next stage. What this support entails will be shaped by what the innovator is doing and needs, and whether this relates to research and development, demonstration, or deployment. At a very high-level, the Sandbox can support innovators in delivering trials, or entering the market with a new product, service, business model or methodology.
44. Where we say trial we also mean a pilot or demonstrator. Common to all, is an innovator doing a time-limited project, the insights from which will inform the development and / or deployment of a technology or methodology manifesting as a product or service. The usefulness of sandbox support is where the trial **has** to be undertaken in a live energy environment, and the trial activities may not fit with current physical, transactional or consumer protection rules.

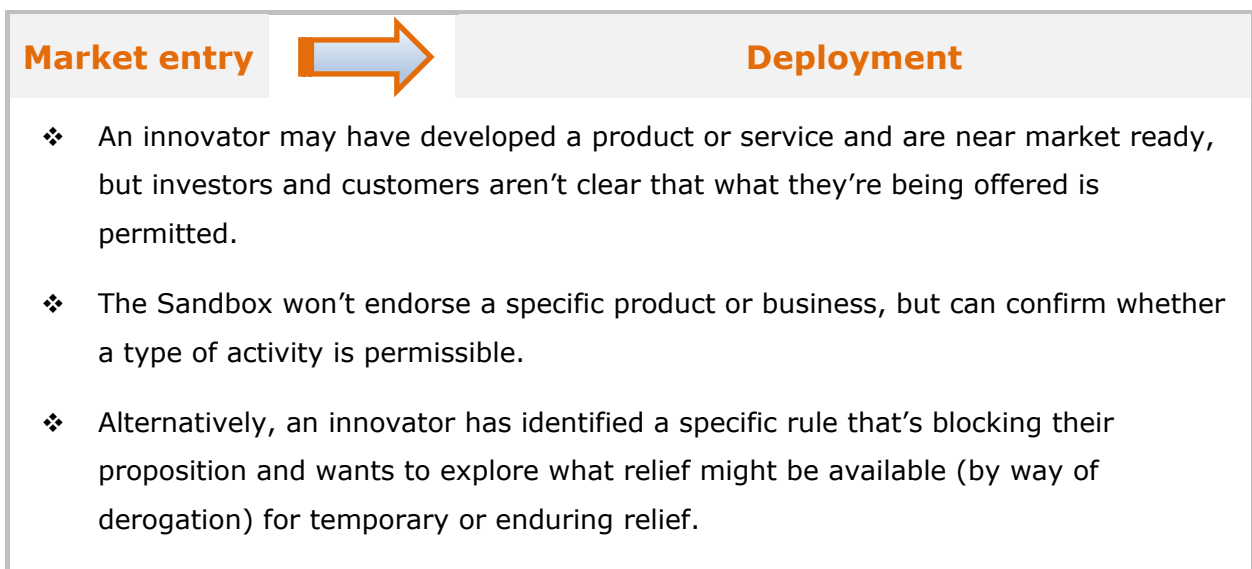
### Trials



### Research & development & demonstration

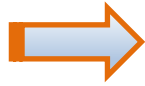
- ❖ An innovator may need to trial a new proposition in a live operating environment, but is uncertain or concerned about how the rules would apply to them.
- ❖ The Sandbox could provide bespoke guidance on what the rules would mean in their specific trial circumstances. Or, for the purposes of a trial, it could provide comfort about what we consider to be compliant behaviour and our approach to enforcement.
- ❖ Or, a trial may be inhibited by a specific requirement of a licence condition or an industry code; the Sandbox could provide temporary relief to the innovator.

45. Where an innovator is developing a trial involving consumers (particularly domestic and vulnerable consumers), we expect them to give due care and attention to ethics when recruiting participants. We expect innovators to: secure informed consent; ensure the diverse needs of consumers are met to enable their participation; avoid personal, social and economic harm to consumers; protect participants' identities; and, have in place effective risk monitoring and management plans.
46. When we say market entry, we mean that an innovator has completed their R&D and demonstration and are ready to launch their proposition in the market.

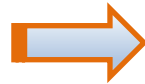


## 2.5 What Sandbox tools are on offer?

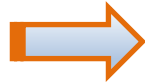
47. Innovators can pick from one, some or all of the four available tools: bespoke guidance, comfort, confirmations, and derogations (a derogation is permission for someone not to comply with a rule).
48. We expect that innovators undertaking trials will most likely seek bespoke guidance, comfort and possibly derogations. For market entry, we expect confirmations and derogations are likely to be more suitable, as they can provide for longer-term certainty.
49. Where an innovator first seeks support for a trial and, subsequently, to deploy their innovation, we do not expect them to apply for both components at the same time. It would be premature to seek market entry assistance without the outcomes of a trial being known. Innovators that have already received trial support can be assured that we will give due consideration to suitable, subsequent applications for market entry support.

**Tool 1****Bespoke guidance**

- ❖ An innovator may want to trial a new proposition in a live operating environment, but are uncertain about how the rules would apply to them.
- ❖ The current rulebooks weren't wholly designed with foresight of new technologies or use-cases. While the current rules only prescribe where necessary, it may not always be clear about the effect of these rules in different scenarios.
- ❖ The Sandbox can provide bespoke guidance and certainty about specific rules in particular situations. Bespoke guidance is provided bilaterally to the innovator for the purposes of their trial.
- ❖ As part of the Sandbox trial we will agree what compliance with the bespoke guidance means for the innovator. The innovator will monitor and report on their compliance performance during the trial period.
- ❖ Where we think there is the potential to promote innovation, we may seek to share an anonymised version of this guidance more widely.

**Tool 2****Comfort**

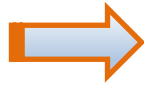
- ❖ An innovator may want to trial a new proposition in a live operating environment, but are concerned about breaching the rules and what would happen next.
- ❖ All experiments involve testing boundaries and introduce risks to the participants (including consumers), and the environment the trial happens in. Where an innovator assesses the risk of non-compliance to be too high, the Sandbox could, for the purposes of the trial, provide comfort about what we consider to be compliant behaviour, and our approach to enforcement.
- ❖ Like bespoke guidance, comfort is provided to the innovator and they can make it available to others involved in their trial.
- ❖ Like bespoke guidance, we will agree what compliance during the trial involves. The comfort only extends to the specific agreed issues. The innovator will monitor and report on their compliance performance during the trial period.
- ❖ We won't publish the specific comfort, but will issue a summary of what the sandbox trial is looking to do and the support provided.

**Tool 3****Confirmation**

- ❖ Some energy sector roles are defined in legislation (eg generator, distributor and supplier) and others have emerged and become established (eg Price Comparison Websites and aggregators).
- ❖ However, decarbonisation and digital technologies (to name but two drivers) mean that innovations in products, services and business models are increasingly blurring the traditional boundaries between roles, and we can expect this trend to continue.
- ❖ An innovator may develop a product, service, business model or methodology, and are considering market entry, but investors and customers aren't clear that what they're being offered is permitted.
- ❖ The Sandbox won't endorse a specific product or business, but to address this uncertainty it can confirm whether (and within which framework) a type of activity is permissible.
- ❖ Innovators will be responsible for complying with the relevant framework that governs their activity, monitoring and reporting on their progress, setting-out their compliance performance and any unforeseen consequences.
- ❖ We will confirm this with the innovator, and, where possible, publish details (a broadcast confirmation) so this facility is available for others to utilise.

**Derogations**

50. The ways in which derogations are applied for and requests assessed differs between the arrangements for generation, transmission, system operation, distribution, and supply (appendix 1 provides more information about the types of derogation with links to more detailed information and guidance).
51. As appendix 1 explains, there are requirements that we would never think appropriate to derogate from, such as the standards of conduct which require licensed suppliers to treat customers fairly, and others we can't derogate from. Together, these mean that only limited parts of the licences (and codes) can be derogated from.

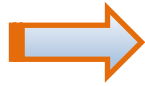
**Tool 4a****Ofgem derogation**

- ❖ An innovator may have developed a product, service, business model or methodology and are considering market entry, but have identified a rule they can't comply with.
- ❖ This might be a temporary blocker (reflecting their stage of development and the economics of full compliance), or a permanent barrier where their innovation is not capable of complying with an existing rule.
- ❖ The innovator wants to explore what flexibility might be available (by way of derogation) for temporary or enduring relief.
- ❖ The Sandbox could access Ofgem's existing derogation powers to provide temporary or enduring relief to holders of licences where a desirable innovation is blocked.
- ❖ Providing permanent derogations is not the norm, so we would need to be persuaded of the potential for consumer benefit versus little downside risk.
- ❖ The derogation will include conditions the innovator will comply with. They will monitor and report on their compliance performance during the derogation period. They have to comply with all other rules in the usual way.
- ❖ We will publish information about any sandbox derogations that are awarded.

52. Our experience of operating the original Sandbox revealed that innovators often needed relief from industry rules. In response, Elexon (for the [BSC](#)) and ElectraLink (for the [DCUSA](#)) have introduced sandbox derogation tools for electricity licence holders and some non-licensed electricity parties. These are part of the suite of tools that innovators can access by applying to the Sandbox. We will on-board other code sandbox tools as these capabilities are developed.

**Tool 4b****Code sandbox derogation**

- ❖ These can provide temporary derogations to innovators to undertake pre-competitive trials of innovative products or services in a live market environment.
- ❖ Innovators do not need to be a code party (a member) to make an application for a sandbox derogation, but they will need to accede before any trial commences. Or, alternatively they can work with a partner that is already a party to the code.

**Tool 4b****Code sandbox derogation**

- ❖ At the end of the trial period, projects must transition to compliance with the code or raise a modification (change) to make the alterations permanent, and available to other parties of the code.
- ❖ The Code Administrator will work with Ofgem in assessing a derogation request. They will undertake detailed risk and industry impact assessments, which may involve consulting with code parties and other interested third parties.
- ❖ Where a derogation leads to implementation costs for the Code Administrator (for example, by having to apply a manual workaround), these costs may be passed to the innovator.
- ❖ Both Code Administrators have reserved the right to charge a fee for processing sandbox derogation requests. At this time the fee for the BSC is set to £0 (zero), but this will be reviewed periodically on the basis of application volumes and impact on their duties. Similarly, the DCUSA Panel is presently minded not to charge a fee, but reserves the right to do so; each DCUSA sandbox request will be assessed on its circumstances.
- ❖ The Code Administrators undertake the detailed assessment of sandbox requests and make recommendations to their respective Panels for approval or not; the decision of the Panel is then referred to Ofgem for final consideration. Ofgem is the derogation awarding authority.
- ❖ For further information about the scope and requirements of these derogation tools, refer to appendices 4 (BSC) and 5 (DCUSA).
- ❖ Like Ofgem derogations, code derogations include provisions for the innovator to comply with. They will monitor and report on their compliance performance during the derogation period, and have to comply with all other rules in the usual way.

## 2.6 Is this Sandbox different to the previous one?

53. The service has evolved to reflect our experience of the original Sandbox and what innovators told us they needed. As well as wanting more explicit support to aid market entry, innovators said that it's important that the limitations of the Sandbox are made clear so they can make informed judgements about resources and risk.

54. In 2017 we ran two Sandbox application windows; through these we worked with 68 innovators to explore and develop sandbox trials. Summaries of [window 1](#) and [window 2](#) are available on our website, together with an [insights piece](#) setting-out what we learned.
55. The key things we learned and how we've adapted the service are summarised below:

**How the Sandbox has evolved**

**Table 1**

Insight	New Sandbox
Innovators want to access the Sandbox at time of need	<ul style="list-style-type: none"> <li>• An on-demand service is preferred.</li> <li>• An innovator's stage of development determines timing of request.</li> <li>• Innovators not 'forced' to ask for support too soon, through fear of an application window closing.</li> </ul>
Scope of rules covered, too narrow	<ul style="list-style-type: none"> <li>• Sandbox now includes code tools: BSC and DCUSA.</li> <li>• <a href="#">Retail Energy Code</a> building-in sandbox flexibilities.</li> <li>• Innovation principle adopted by the codes through their collective <a href="#">Code of Practice</a> (CACoP)</li> <li>• We are <a href="#">looking to extend</a> the number of rules in the supply licence that we can derogate from.</li> </ul>
Innovators want to launch businesses, not just do trials	<ul style="list-style-type: none"> <li>• Sandbox will confirm whether non-traditional types of activity are permissible.</li> <li>• Derogations available to support market entry.</li> </ul>
Start-ups want to signal low regulatory risk to investors	<ul style="list-style-type: none"> <li>• Sandbox will confirm whether non-traditional types of activity are permissible.</li> </ul>
Innovators want clarity about the support available	<ul style="list-style-type: none"> <li>• Guidance is explicit about the scope and coverage of the Sandbox service.</li> <li>• Clear criteria for Sandbox service and tools.</li> </ul>
Innovators often need guidance, not sandboxes	<ul style="list-style-type: none"> <li>• Innovators access feedback if not sandbox-ready.</li> <li>• We will publish general guidance on common use-cases / issues arising from the feedback service.</li> <li>• Where possible, we will publish details of activities that we have confirmed as permissible, so this is available to others.</li> </ul>

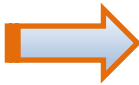
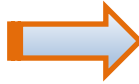
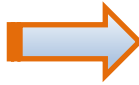
- 56. One of the main changes is the range of tools available. The [BSC](#) and the [DCUSA](#) both have sandbox capabilities for innovations in electricity markets. The Retail Energy Code (REC) is bringing together code requirements relating to retail energy activities, and is building-in sandbox flexibilities; in 2021 it will consolidate the meter point registration systems for the gas ([Supply Point Administration Agreement](#)) and electricity ([Master Registration Agreement](#)) markets.
- 57. While the Sandbox doesn't have complete electricity code coverage, there are opportunities to evolve and expand this over time. At the time of writing, two additional modifications have been raised by industry to bring sandbox capabilities within the scope of the [Grid Code](#) and the [Connection Use of System Code \(CUSC\)](#). At this point, however, similar provisions have not been developed for gas codes.

## 2.7 What innovations will the Sandbox support?

- 58. It's impossible to be certain what the future holds, meaning that our role in the transition cannot be to attempt to predetermine what innovations should emerge or be successful, but rather adapt the regulatory regime to ensure an environment more permissive of, and suited to innovation.
- 59. In this context, the Sandbox isn't here to make policy determinations about what 'good' or 'bad' innovations are. Instead, as part of our assessment of which innovations to support, we'll consider how far individual propositions demonstrate characteristics we consider to have desirable innovation features, and the potential for positive outcomes.



### Desirable innovation characteristics

Table 2

Theme		Innovations which...
Decarbonisation		Go beyond business as usual decarbonisation measures, to maximise net-zero potential of activities in the sector.
Value creation		Genuinely avoid creating, or reduce system costs, or create new value without relying on passing costs to other system participants or consumers.
A system for all consumers		Are inclusive and allow different types of consumer (including those in vulnerable situations) to participate in and benefit from a smart, flexible, energy system.



**Desirable innovation characteristics****Table 2**

Theme		Innovations which...
Good network citizenship		Recognise the crucial role of our public energy networks, and do not seek to avoid paying their fair share of costs.
Competition & effectiveness		Deliver new products and services that tomorrow's system and consumers need, and which drive competition and / or enable greater effectiveness and efficiency.

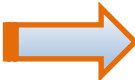

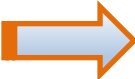
60. The energy system has to be capable of meeting the needs and responding to the circumstances of all consumers. However, this does not mean that all services will be suitable for all consumers. While some consumers may seek out and are interested in innovation, we shouldn't assume that consumers will be universally receptive and trusting of innovation. Consumers aren't a homogenous group and there will be those fearful of change, with a strong status-quo bias.
61. Innovators should not assume widespread consumer engagement. While we're keen to see innovations which can have positive outcomes for the wider consumer base (a system for all), innovators need to be alert to the need to tailor their product, service, business model or methodology to different consumer segments.
62. While we consider the features described above to be desirable, we do not expect every innovation to satisfy each characteristic. Ofgem will consider, by exception, other innovations where they don't satisfy the criteria and where a suitable case can be made.
63. Appendix 2 provides a flavour of the types of things that innovators have approached us for feedback on and sandbox support. This isn't an exhaustive list of potential types of energy innovations, nor should it be inferred we think these propositions are desirable.

## 2.8 What are the criteria for accessing support?

64. As well as desirability, we'll assess all applications against a number of eligibility criteria. These criteria apply to all types of innovation, but they will manifest differently depending on whether it's a trial or market entry scheme, and what support is needed:

**Eligibility criteria**

**Table 3**

Criteria	Description
Innovative 	<ul style="list-style-type: none"> <li>• <b>The activities have to be demonstrably innovative.</b></li> <li>• Is it a new product, service, business model or methodology that isn't readily available in the market?</li> <li>• The innovation doesn't have to be unique, but we have to be persuaded that it isn't commonplace in the market.</li> <li>• The proposition aligns with the broad strategic direction of expected changes in the energy system.</li> </ul>
Consumer benefit 	<ul style="list-style-type: none"> <li>• <b>There has to be a good prospect of consumer benefit.</b></li> <li>• Customers may be energy sector players or end-consumers.</li> <li>• Where the customers are energy consumers, the innovator must be able to explain how consumer benefit will manifest.</li> <li>• The focus could be on consumers in vulnerable situations.</li> <li>• Benefits might be higher standards of service or lower bills.</li> <li>• Or, they might be more efficient or effective activities, achieving broader system benefits.</li> <li>• Or, the benefits could be to progress consumers' interests in net-zero, or creating fairer energy markets.</li> <li>• Ideally, there will be the prospect of all consumers (including those in vulnerable situations) ultimately benefitting.</li> </ul>
Need 	<ul style="list-style-type: none"> <li>• <b>There's a clear regulatory barrier that requires a response.</b></li> <li>• There has to be a clear need for sandbox support: what's stopping the innovator progressing their plans?</li> <li>• The innovator has to be specific and identify what feature of regulation is blocking them.</li> <li>• The innovator has to be specific about the support they want and explain why they can't progress without it.</li> <li>• Where it's a trial, the innovator needs to explain the value of a live trial rather than a desktop experiment, and show their trial is robust in design.</li> </ul>

**Eligibility criteria**

**Table 3**

Criteria	Description
Support-ability	<ul style="list-style-type: none"> <li>• <b>The Sandbox can deliver what the innovator needs.</b></li> <li>• The innovator must be precise about how the specific tools they want access to will respond to their needs.</li> </ul>
Readiness	<ul style="list-style-type: none"> <li>• <b>The innovator is ready to make use of sandbox support.</b></li> <li>• The innovator has to demonstrate that they are at (or reasonably close to) a state of readiness.</li> <li>• If an innovator is planning a trial, is funding in place?</li> <li>• If new technologies are involved, are they ready?</li> <li>• Are plans well developed, with clear aims, objectives and success criteria?</li> <li>• Have adequate consumer protections been developed?</li> <li>• If an innovator’s ready to launch in the market and is seeking a confirmation, do they have a mature business / value proposition? Do they have evidence of consumer and / or investor engagement?</li> </ul>
Exit strategy	<ul style="list-style-type: none"> <li>• <b>The innovator has a sandbox exit strategy.</b></li> <li>• Some sandbox support may not be enduring (eg, bespoke guidance, comfort or a derogation).</li> <li>• The innovator must demonstrate that they have considered the different exit routes available to them.</li> <li>• This may mean reverting to business as usual, or accepting the risks associated with continuation.</li> <li>• For a code derogation (BSC and DCUSA) exit could involve sponsoring a code modification leading to permanent change.</li> <li>• For a licence derogation, we may not offer this on an enduring basis, or may introduce a periodic review process.</li> </ul>

## 2.9 How long is support valid for?

65. The longevity of the support we provide, depends on what the innovator wants to do and what tools are required. For a trial, where the innovator seeks bespoke guidance and / or comfort we expect sandbox support to be available for up to 2 years; this includes set-up, running and exiting the trial. This is the norm, but we can be flexible.
66. If the trial involves a derogation from the BSC and / or DCUSA, then innovators must take account of the respective derogation timeframes provided by these codes. Where the trial also involves bespoke guidance and / or comfort from Ofgem, then the innovator will need to ensure that their delivery plan takes account of these features.
67. Under the BSC, sandbox derogations can be awarded for up to 2 years. On finishing their trial, innovators either return to business as usual and comply with BSC rules, or they can raise a modification to bring about enduring change. If a change is raised, the BSC rules allow for the derogation period to be extended for another year (the Transition Period). Derogations are, therefore, available on a temporary 3 year (2+1) basis.
68. The DCUSA Sandbox, shares features of the BSC Sandbox. On the matter of timeframe, the codes diverge, as the maximum period a DCUSA derogation can be awarded is 2 years. The rationale is that a modification to some DCUSA rules can take up to 2 years to complete; mirroring the BSC's an additional transition period, would mean trials running for 4 years. Instead, an innovator can raise a code change during the first year of their trial to bring about permanent change, or revert to business as usual after 2 years.
69. To raise a rule change, innovators need to comply with the change control procedures of the relevant code. More information about both codes is provided at appendices 4 and 5.
70. Where an innovator is looking to enter the market, the confirmation and derogation tools can be provided on a longer, potentially enduring basis.
71. A confirmation is a statement to an innovator (and the market) that we consider a type of activity to be permissible within the existing framework. Rather than temporary relief, the confirmation is intended to give innovators, their investors and consumers longer-term confidence. This doesn't mean circumstances and regulatory policy cannot change, and the innovator, like all other participants, will need to keep abreast of developments.
72. For licensed activities (and code derogations outside the BSC and DCUSA sandbox tools), we can consider temporary or enduring derogations. Where we are persuaded there is a case for an indefinite derogation, we may apply conditions and will reserve the right to revoke a derogation.

## 3. How to access support

### Section summary

Ofgem’s Innovation Link is the point of entry for all applications to the Sandbox; we will coordinate the involvement of the Code Administrators that have sandbox capabilities. This section sets-out how you can apply and summarises the different sections of the application form.

### 3.1 Sandbox point of entry

73. Innovators apply for sandbox support. Applications are made to Ofgem’s Innovation Link. In keeping with one-stop-shop principles, we’re the single point of entry for all requests and will coordinate involvement from those Code Administrators with sandbox tools.
74. Unlike the original Sandbox, this is an on-demand service meaning that innovators can access it when they need it, rather than fit within strict window-led application deadlines. That’s not to say that we won’t consider utilising windows in the future, potentially for policy-led, themed sandbox activities. In addition, we may, if demand is high, pause receiving new applications from time to time.

### 3.2 Making an application

75. Innovators must complete the ERS application form and return it with any additional information required. The form can be downloaded from our [website](#) as a Word document; in time we plan to make this an on-line application process.
76. In saving and submitting applications, the following conventions must be followed:
  - ❖ Save the application form as: “ORG NAME - ERS Application - DDMMYY”.
  - ❖ All supporting information should be named following the same approach, with the purpose of the supporting information made clear. For example, a trial delivery plan would be: “ORG NAME - ERS Application - Trial Plan - DDMMYY”.
  - ❖ Applications should be sent by email to [sandbox@ofgem.gov.uk](mailto:sandbox@ofgem.gov.uk).
  - ❖ Put “ORG NAME - Sandbox Application - DDMMYY” in the email header.
77. We will assess applications on a first-come, first-served basis, although we reserve the right to prioritise cases differently if the situation requires it. For instance, if we receive a

number of applications that are dealing with similar themes, we may, for efficiency and effectiveness, assess these in parallel although it may delay our consideration of another request for support. Similarly, there may be circumstances where an innovator's request is urgent and demanding of alternative treatment.

### 3.3 Application completeness

78. If, in our judgement, an application is not complete, it will be deemed ineligible, the application rejected and the applicant informed. We expect anyone seeking sandbox support to have a sufficiently mature proposition and are able to set-out the barriers they face, what assistance they need, and how this will help them to achieve their objectives.
79. Completeness means that all relevant sections of the application form have been filled-out and the necessary supporting information has been provided; together these must enable us to understand what you are seeking to do, what the issues are, what support you require and how this will enable you to progress your plans. While we are content to receive attachments / additional information, these must not be used as substitutes for full answers to the questions on the application form.
80. Our experience is that many innovators need feedback instead, or in advance of, sandbox support. If a proposition isn't ready, innovators can access our [feedback service](#), and / or seek sandbox support at a later time.
81. Incomplete applications can be resubmitted, so long as the defect has been addressed.

### 3.4 Completing the application form

82. You can apply for trial or market entry support. As explained at section 2.5, we expect some innovators will want trial and then market entry support. However, we won't accept an application for both requests at the same time; market entry support can only be requested once a trial has completed, and the insights used to inform next steps. Innovators are welcome to submit a subsequent application for market entry support.
83. The application form comprises drop-down boxes and free-text questions. For free-text questions, we've included bulleted instructions / prompt questions explaining what we're looking for; these should be used in combination with the relevant parts of this Guidance. We've not set word-count limits, but ask that innovators ensure their responses are clear and comprehensive.
84. The form is divided into 11 sections. Sections 5 and 6 are mutually exclusive: only complete the relevant one. Section 10 is optional, although we would value your input.

<b>Application form layout</b>	
<b>Section 1</b>	About you, your organisation and partners
<b>Section 2</b>	About your innovation
<b>Section 3</b>	What impacts will your innovation have?
<b>Section 4</b>	What's preventing your innovation?
<b>Section 5</b>	Your trial – support requirements
<b>Section 6</b>	Market entry – support requirements
<b>Section 7</b>	Delivering your innovation
<b>Section 8</b>	Supporting information
<b>Section 9</b>	Confidentiality considerations
<b>Section 10</b>	Feedback on the guidance and form
<b>Section 11</b>	Basis on which we provide the Sandbox facility

### **Section 1**

85. Asks for information about you and your partner organisations (if applicable). It will help us to understand you, your stage of development and what experience you have of the energy sector. This information will also help us to build a picture of what types of organisations are innovating and where they come from.

### **Section 2**

86. Asks for information about your innovation. This is your chance to tell us about what you're looking to do, why you think it's innovative, what markets you want to operate in, who your customers are, how you'll make money and why your innovation is a good idea. You'll also provide a short summary of your innovation that we can use for publicity.

### **Section 3**

87. This section is all about the impacts (good and bad) you expect your innovation to have on consumers, decarbonisation, the energy networks and markets. This is important information as we'll use it to assess the desirability and eligibility of your request. Give

attention to risks and benefits too, as all sandbox applications are ultimately about making trade-offs and considering whether, on balance, something is worthy of support.

#### **Section 4**

88. This is where you explain to us what it is that's stopping you, and what needs to happen to help you move forward. It's imperative that you're precise about the specific sector arrangement, or code provision or licence condition that's blocking you. You need to help us understand how you've identified this barrier and whether (and who) you've tested this with (sector specialists, lawyer, etc). You then have to tell us what options you've considered for next steps, and what you need from us to help you progress.

#### **Section 5**

89. This is only for innovators that want to do a trial (or pilot, or demonstrator). This section is in two halves: questions 5.1 – 5.11 cover why you need to do a live trial, the trial's main features, your aims, objective and timescales. You have to tell us about how you'll engage consumers, your approaches to learning and risk, and your exit strategy.
90. The second half is about the specific support you're seeking, and how this addresses the issues and barriers you identified earlier. Subject to what support you need, you'll complete questions on bespoke guidance (section 5A), comfort requirements (section 5B), code derogation (section 5C) and / or Ofgem derogation (section 5D).

#### **Section 6**

91. This is only for innovators looking to enter the market. Tell us what support you're seeking (comfort and / or Ofgem derogation), what options you've considered, why you need it, and how it will address the barriers and issues you identified previously.

#### **Section 7**

92. This is for trial or market entry requests. We need to be assured you can make use of any support we're willing to give, within a reasonable timeframe. Tell us what you need to do to get ready to progress your innovation from the point you receive approval from Ofgem. Include information about other decisions awaited, dependencies, and any other issues that will have a material bearing on when you're able to start.

#### **Section 8**

93. Requires a list of the information you've attached in support of your application. The table at 8.1 should be copied and included in your application submission email.



**Section 9**

94. This section allows you to set-out to whether there is commercially confidential information contained in your application that you would not be content with us sharing with a third party, such as a Code Administrator.

**Section 10**

95. This section asks where you heard about the Sandbox and provides you with an opportunity to give us feedback about this Guidance and the application form. We plan to update our resources regularly, so please do take the time to let us know about your experience. We plan to publish additional guidance / FAQs where innovators ask about things that could help others.
96. If you think of things after you've submitted your application, you can always email us with your feedback at [sandbox@ofgem.gov.uk](mailto:sandbox@ofgem.gov.uk).

**Section 11**

97. This section, when read with this Guidance (see section 3.5), allows you to confirm you understand and acknowledge the basis on which Ofgem provides the Sandbox facility and will process applications. It also provides the means by which you confirm your consent of Ofgem's confidentiality arrangements and broadcast requirements.

**3.5 Basis on which we provide the Sandbox facility**

98. By submitting an application form, you will be indicating to us that you have read, understood and acknowledged the basis on which we will process your application, and, if successful, provide the Sandbox service, as explained by the application form and this Guidance. The application form will also ask you to give your consent to us sharing your personal and confidential information with third parties for the purpose of assessing your application, and to participating in our innovation broadcast activities.
99. The basis on which we provide the Sandbox facility is explained in full at appendix 6 is repeated at section 11 of the application form. At section 11 of the form, you will also be asked to confirm to us that you have separately communicated with the relevant Code Administrators and have consented to the terms and conditions governing how they administer their own sandbox tools.

## 4. Application assessment

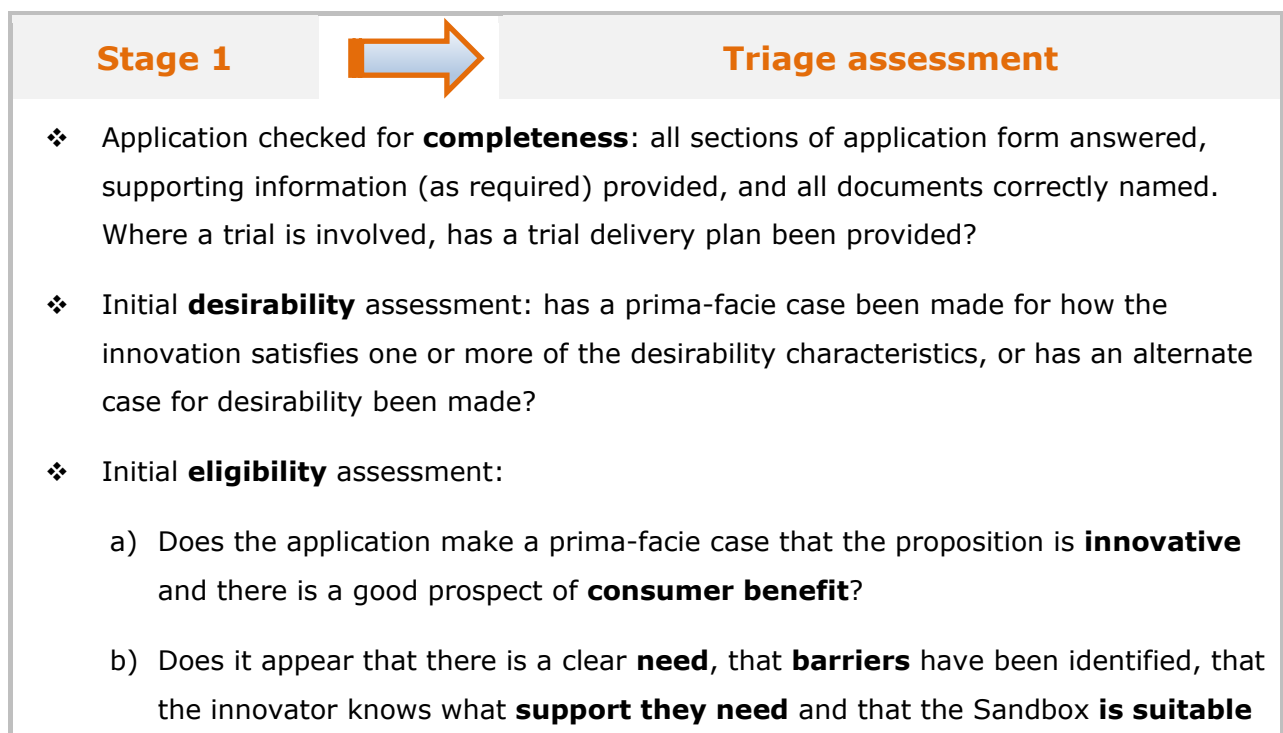
### Section summary

All requests for support are subject to a two-stage assessment. To progress past the initial triage stage an application must show its suitability and readiness to act on sandbox support. The second stage will be a deep-dive into the innovation's desirability, eligibility, the barriers identified and the support requested.

The scope and depth of assessment will be determined by what the innovator wants to do and which sandbox tool(s) they're seeking. Requests for support from the BSC and DCUSA sandbox tools, will require parallel assessments involving the relevant Code Administrator(s). This section also sets-out our indicative timescales and performance indicators, and the decision making process.

### 4.1 Stage 1 triage assessment

100. We will acknowledge receipt of all sandbox applications within 3 working days. Applications are then subject to a 2 stage process, the first stage being a triage assessment, which incorporate a completeness check:



**Stage 1****Triage assessment**

**and capable** of delivering this? Has the applicant identified the right tools for the needs they have identified, or do they require different / additional support?

- c) Where the innovator is **an established energy player and a regulated person**, does the application explain why they have not been able to resolve the issues without sandbox support?
- d) Does it appear that the innovator is **ready** to make use of sandbox support, and has an **exit plan(s)**?

- ❖ One of the primary objectives of the triage assessment is to identify those applications not suitable or ready for sandbox support.
- ❖ Applications which pass stage 1 will be **duly made**, meaning they are ready to progress to stage 2; this does not mean that we can (or will) approve the request for support, or that we may not subsequently identify that we need additional information to progress an application through the next stage.

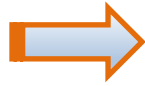
## 4.2 Stage 2 detailed assessment

101. If an application meets the requirements of stage 1, it will progress to a detailed assessment (stage 2). Its imperative that innovators understand that moving from stage 1 to stage 2 does not necessarily mean that an application is eligible, desirable, or supportable, and, therefore, will be approved.
102. Given the potential reach of the Sandbox and the wide range of innovations that might come forward, each application is bespoke and has to be assessed as such. Each stage 2 assessment involves us taking a deep-dive into the issues the innovator has identified. The breadth, depth and scope of the stage 2 assessment will be determined by what the innovator wants to do (function and market), what tools they're looking to utilise and, ultimately, the potential benefits and risks of the innovation to consumers, to system stability and the integrity of market arrangements.
103. Some sandbox requests might involve tools provided by Ofgem and one or more of the code sandboxes. In these situations, more iterative and complex assessments are likely. If, for instance, a derogation is requested from a supply licence condition, we may wish to consult with third parties (Code Administrators, industry participants, BEIS, etc) to ascertain their views of risks and benefits.


104. Alternatively, if a derogation is sought from the BSC or DCUSA, then Elexon and ElectraLink, respectively, will undertake the stage 2 analysis, consulting as necessary with their members (see appendices 4 and 5 for information). This will include additional eligibility considerations particular to the relevant code.
105. It is likely during this stage, that circumstances will arise where we discern that we don't have sufficient information to enable us to complete the stage 2 assessment. We will advise the applicant accordingly, and request extra material. In this eventuality, the application will **no longer be duly made** and we will **stop the clock**, meaning it may require more time to reach a final decision (see section 4.6 below, for information about timescales and key performance indicators).

**Stage 2****Detailed assessment**

- ❖ Detailed **desirability** assessment:
  - a) Does the innovation satisfy one or more of the desirability characteristics?
  - b) Will supporting the innovation introduce risks (to consumers, the system and markets) that require substantive trade-offs? If these risks cannot be wholly mitigated, are the potential benefits such that the risks should be adopted?
  - c) If the innovation doesn't satisfy any of the desirability characteristics, is the nature and scale of the benefits identified sufficient to warrant support?
- ❖ For all types of **derogations**:
  - d) The stage 2 eligibility assessment will include the specific requirements of the relevant code or licence (see appendix 1 for more information).
  - e) Where an innovator seeks a BSC and / or DCUSA sandbox derogation, the respective Code Administrators will undertake the stage 2 assessment.
  - f) Where a request for a BSC and / or DCUSA derogation includes other tools, two (or more) parallel assessment streams will be inform the final decision.
- ❖ Detailed **eligibility** assessment:
  - g) Is the proposition demonstrably **innovative**? Does research show that the proposed activities are not common-place in GB energy markets? Is it responding to unmet customer needs identified through consumer research?

**Stage 2****Detailed assessment**

- h) For derogation requests, is the proposition demonstrably **innovative** and, therefore, eligible for the Sandbox as opposed to a standard derogation request? Does it meet the specific / additional eligibility requirements of the relevant licence condition or code?
- i) In what ways will **consumers benefit** from the innovation? Will they enjoy lower bills, new low-carbon services or higher quality of traditional services? How will other consumers benefit if they are not direct beneficiaries?
- j) Does the application set-out a clear **need for support** by identifying and specifying clear barriers in sector arrangements, industry codes, regulations and / or licences? Do the proposed next steps and request for support directly respond to these barriers? Where a licence derogation is requested, have other options been explored and deemed not suitable?
- k) If a trial is planned, does the application explain the **added value of a live trial** rather than a virtual / desktop exercise or shadow trial?
- l) As well as identifying barriers and solutions, does the application show that their requests are **suitable for sandbox support**? This means that the rules in question fall within Ofgem's orbit, and we are able to provide the support identified. We know that this is not always obvious and may require further analysis. At the least, the applicant shows their own research / due-diligence, and explains why they could not progress their line of enquiry to a conclusion.
- m) Does the application show that plans are well developed, such that the innovator is **ready to make use of sandbox** support?
- Are partners, finances / funding in place, even if contingent on sandbox support?
  - Have customers been engaged, and demand for the innovation shown?
  - Are there other dependencies that might affect their ability to proceed (eg, planning permission, technology development, intellectual property considerations, etc)?
  - Does the innovator have in place any necessary permissions to participate in the relevant energy market? Or will they work with a suitably qualified partner?

Stage 2		Detailed assessment
<p>n) Does the application demonstrate that the innovator has well developed <b>exit plans</b> for their trial?</p> <p>❖ Where the innovator is planning on doing a trial, does the <b>trial delivery plan</b> provide sufficient information about the trial's:</p> <p>o) Aims, learning objectives and success criteria.</p> <p>p) Features, including participants, location, technologies / assets and trial partners.</p> <p>q) Timescales for different phases: set-up, launch, delivery, closure and exit.</p> <p>r) Learning: user-involvement, data gathering, and monitoring and evaluation.</p> <p>s) Risks: trial risk and mitigation plan, including specifics of the consumer engagement approach and consumer protection measures.</p> <p>t) Plans to use and promote insights derived from the trial.</p>		

### 4.3 The roles of Code Administrators in the Sandbox

106. All Code Administrators have adopted an innovation principle as part of their collective Code of Practice ([CACoP](#)), which says that they will work with Ofgem on supporting energy innovators. The Code Administrators will likely be called upon to act as a critical friend to Ofgem, assessing the likely impact of an innovation on industry, system and market arrangements.
107. For those Code Administrators that have specific sandbox tools (currently Elexon and ElectraLink), and where an innovator sandbox code derogation has been requested, they will also perform the following roles:
- ❖ Provide pre-sandbox application support to innovators.
  - ❖ Act as a critical friend to the innovator and Ofgem in assessing sandbox requests.
  - ❖ Undertake the stage 2 detailed assessment of an innovator's application for a temporary code derogation.
  - ❖ Consult with industry parties and communicate their respective Panel's recommendation to Ofgem as to whether the derogation should be approved.

## 4.4 Decision making

108. Decisions will be made on the basis of the information provided by the innovator and the analysis and advice of regulatory experts in Ofgem and, where necessary, from other bodies. We may seek confidential input from Code Administrators, BEIS and other government departments (including devolved administrations), other energy experts or bodies with regulatory responsibilities that interact with energy markets.
109. In the event that Ofgem decides not to approve a sandbox request, a revised application may be submitted if there is a prospect that a proposition can be adapted; we will apprise affected innovators accordingly. **Ofgem's decision is final.**
110. For sandbox requests which include temporary code (BSC and DCUSA) derogations, Ofgem will consider the recommendation of the relevant Code Administrator's Panel. While the Code Administrators assess and consult (with their members) on a derogation request from their code, Ofgem is the final approving body. In the event that we don't concur with a Code Administrator's assessment / recommendation or need additional information, we can ask for further consideration.

## 4.5 Decision notifications and publication

111. The innovator will be informed of Ofgem's decision, whether this is to grant the sandbox request or not. In some cases, we may make a **mind-to decision**, in advance of the decision notification being finalised. This will most likely arise in situations where a detailed sandbox trial plan is being worked up between Ofgem and the innovator.
112. Where **bespoke guidance and comfort** are provided, this will be in form of a sandbox approval letter from Ofgem setting out the specific features of the trial, the parameters of the guidance and comfort, and the obligations of the trial parties including their compliance responsibilities. If derogations are also awarded, these will be explained in and appended to the letter.
- ❖ A summary of the trial and the type of support provided will be published, but not the sandbox approval letter.
  - ❖ The derogation direction will be published.
113. Where **confirmation** of the permissibility of an innovation is provided, there will be two versions of the confirmation: the first is a **bilateral confirmation** to the innovator; the second, a **broadcast confirmation** to the market.

114. A **bilateral confirmation** will take the form of a standard two-part letter from Ofgem. Part 1 will set-out the main features of the innovator's business model and confirm its permissibility; part 2 will advise that the purpose of the confirmation is not an endorsement, and that Ofgem is not approving the specific business plans of the innovator. The bilateral confirmation will only be valid with both parts present.
- ❖ The bilateral confirmation will be provided to the innovator, not published.
  - ❖ A notification of a bilateral confirmation award will be placed on our website, signalling a forthcoming broadcast confirmation.
115. Our intention is to publish a **broadcast confirmation** so that other market participants are aware and other innovators can utilise the provisions. This will be a generalised and decommercialised version of the bilateral confirmation. Where the commercial confidentiality of an innovation might be threatened, we will consider only releasing the broadcast confirmation after a period of time, or when evidence of other examples start to enter the market.
- ❖ Our intention is to publish a broadcast confirmation.
116. In the event that a **derogation** is awarded, the innovator will receive notification from Ofgem, and in the event of a temporary code derogation, also from Elexon and / or ElectraLink. The form of this notification will be a 'direction', which formally relieves a body from their licence or code obligations.
- ❖ The derogation direction will be published.

## 4.6 Timescales and Key Performance Indicators








117. Unlike grant or subsidy programmes which typically have defined programme outcomes and outputs, sandbox applications are by their nature made against less prescribed strategic frameworks. This means sandbox requests will require complex assessment, judgement and consideration of trade-offs. Getting to the point where an informed and considered decision can be made will require a collective commitment among Ofgem, the Code Administrators (where code sandbox derogations are sought) and the applicant, via an iterative, adaptive relationship.
118. This diversity of potential applications to the Sandbox, and non-prescriptive outcomes and outputs, also means that it's **difficult to provide precise assessment timescales and key performance indicators** (KPIs).



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119. As we receive and assess more applications, covering different markets and with diverse features (trial, market entry, one or many tools, etc) we plan to develop timescales and KPIs which better reflect the range of activities and support required; it may be that this can be overlaid with typical use-case analysis as we get better insight of how innovators seek to utilise the Sandbox.
120. As such, we think that a timescale and KPI approach informed by experience and learning will be more useful to innovators, and allow us to make better resource decisions and deliver an effective service.
121. The **initial indicative timescales** we've set-out below (see table 4), have been informed by our experience of operating the Feedback service, the previous Sandbox windows and incorporate typical periods allowed for undertaking supply licence derogation assessments. They also make provision for Elexon and ElectraLink to carry-out industry consultation of code sandbox requests, and extra time for **send-back provisions** in the event that Ofgem requires more information from the Code Administrators.
122. We've made the following **baseline assumptions**:
- ❖ BSC / DCUSA Sandbox assessment will likely take as long as the time allowed for an Ofgem supply licence derogation request (up to 60 working days).
  - ❖ Where a code derogation accompanies other requests (such as comfort or bespoke guidance), these **assessments will be done in parallel** not sequentially.
  - ❖ In the event a send-back is required, we will **stop and reset the clock**; this means the detailed assessment process starts again, although we will endeavour to limit the extra time required.
  - ❖ Parallel assessments will be brought together in a Final Assessment Report; where a decision is not clear cut, an Interim Assessment may be prepared.
123. We will **review the indicative timescales and KPIs on a 6 monthly basis**, and update our website accordingly. We'll also explore whether a dashboard providing live assessment data would be practicable, and useful to innovators.
124. For the first phase of the programme, we're working to the following indicative timescales. Where a range is shown, this is because some assessments will likely be less complex than others, and in some cases (such as comfort arrangements for trials) it may take longer to finalise the notification with the trial participants.
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## Indicative assessment timescales

Table 4

Step	Ofgem action		Working Days
Application submission	<ul style="list-style-type: none"> <li>Confirm receipt of application.</li> </ul>		3
Triage assessment	<ul style="list-style-type: none"> <li>Communicate outcome of stage 1 triage.</li> <li>Application progressing or rejected.</li> <li>Advise Elexon / ElectraLink (if relevant).</li> </ul>		5
Detailed assessment	<ul style="list-style-type: none"> <li>Review by Ofgem.</li> <li>Review by Elexon (if relevant).</li> <li>Review by ElectraLink (if relevant).</li> <li>Consult with stakeholders if required.</li> </ul>		60 to 100
Assessment report	<ul style="list-style-type: none"> <li>All inputs and assessments assembled.</li> <li>Interim or Final Assessment report completed.</li> </ul>		5
Final review	<ul style="list-style-type: none"> <li>Ofgem reviews Interim / Final Assessment.</li> <li>Provides steer on interim assessments.</li> <li>Invokes send-back procedure to codes.</li> <li>Makes decision on final assessments.</li> </ul>		20
Decision notification	<ul style="list-style-type: none"> <li>Decision notifications drafted.</li> <li>Applicant informed of decision (or minded-to).</li> <li>Relevant decisions published.</li> </ul>		5 to 10
All			98 to 143







125. Our confidence in these timescales is higher for some steps than others:

- ❖ We will validate our assumptions, but expect the application acknowledgement and triage assessment steps to reflect our expectations.
- ❖ For the detailed assessment, we expect the absolute range scale to change (it could narrow or widen) and for variations by activity type and support needs to emerge. Ideally this will lead to a series of more useful, 'typical ranges'.
- ❖ An on-demand service requires regular decision points. We intend to make decisions on a monthly basis. We will review this and see whether more regular decision

points will be required. We will also keep track of the types of decisions made, and see whether appropriate delegated approvals can be introduced.

126. The draft KPIs are provided below. Applicants should note that **the KPIs are advisory and indicative only and Ofgem accepts no liability in the event of a decision taking longer.**

127. Applicants should also be aware that all sandbox decisions require **active decisions** from Ofgem; **tacit authorisation** arrangements that apply when assessing licence applications (for suppliers, shippers, generators or interconnectors) are not relevant to sandbox decisions.

Indicative KPIs			Table 5
Step	Days		KPI
Application submission	3		95%
Triage assessment	5		90%
Detailed assessment	60 to 100		70%
Assessment report	5		80%
Final review	20		80%
Decision notification	5 to 10		90%

## 5. Monitoring and evaluation

### Section summary

To participate in the Sandbox, all innovators will be expected to fulfil monitoring and evaluation requirements. This will help them in understanding their customers' response to the offering, and provide us with valuable intelligence about consumer attitudes and behaviours, market and system operations, and the challenges facing regulation. We also want innovators to tell us about their experiences of the Sandbox, so we know whether the tools were useful, what impact they've had, and how the service should evolve.

### 5.1 Introduction

128. Monitoring and evaluation are critical, both for assessing the effectiveness of the Sandbox tools / service, but also for the activities and innovators we support. This allows innovators to assess the desirability and viability of their propositions, and we gather useful insights about consumer attitudes and behaviours, market and system operations, and the challenges facing regulation.
129. We want to maintain contact with all innovators that we support through the Sandbox. We think there is value in understanding what innovators do next (and why). We want to make this as easy as possible and will develop a **light-touch digital survey** (for completion after 6, 12, 18 and 24 months).
130. It will be a condition of a sandbox award, that innovators respond to the survey. We may also want to make contact with a sample of innovators for more in-depth discussion; we will check in advance to confirm that you are content to participate.
131. Through the survey, we'll seek feedback from all innovators about their experience of using the Sandbox. This will help us to improve service delivery, get insights about the usefulness of the tools we offer, and ideas about what other kinds of regulatory support innovators would value. We'll be seeking views on:
- ❖ The accessibility of the Sandbox service.
  - ❖ What was the quality of the service received from Ofgem and the participating Code Administrators?
  - ❖ How relevant was the Sandbox in meeting your needs?

- ❖ What was the impact of receiving sandbox support on your product, service, business model or methodology?
- ❖ What are your plans, and what role did sandbox support have in shaping these?

## 5.2 Monitoring and reporting

132. Subject to the type of support provided and what the innovator is doing (trial or market entry) there will be additional **monitoring and reporting requirements**. If a successful applicant does not adhere to the monitoring and reporting requirements, Ofgem may withdraw or amend the Sandbox support provided.
133. Innovators will already collect data to consider their product or service's usefulness and impact. We want to keep additional data gathering and reporting requirements light-touch and will agree these with the innovator based on their circumstances, but will include:
- ❖ **General:** we expect formal reporting from all innovators (scope and frequency will vary and depend on innovation type and riskiness). We may require periodic meetings with the innovator. Reporting will include statistical performance data, including customer views / complaints, where appropriate. Similarly, subject to the type of activity, innovators should monitor key external source of information such as Citizen's Advice and social media.
  - ❖ **Bespoke guidance and comfort:** all trials will be required to provide progress and completion reports to Ofgem. At the most we expect progress updates to be made quarterly, but will agree a frequency that best reflects the trial's objectives and arrangements.
  - ❖ **Temporary code derogation:** both Elexon and ElectraLink will require monitoring information to track the progress of the trial (where possible this will be combined with returns to Ofgem to avoid duplication and minimise the burden).
  - ❖ **Confirmation:** we expect the digital survey will enable us to keep track of the innovator's progress to market.
  - ❖ **Derogation:** we will require monitoring reports about the innovator's progress, no more than quarterly and (generally) for up to 2 years. The scope and frequency will depend on the rules being derogated from, and the length of the derogation awarded. There will likely be cases where the digital survey will be sufficient, but we will agree this on an exception basis with innovators.

## 5.3 Evaluation

134. Similarly, innovators will need to evaluate the effectiveness of their activities in responding to the needs and opportunities they identified, and its impact. The scope of the **evaluation and reporting requirements** will be determined by the type of activity.
135. For **trial sandboxes**, we expect innovators to have clear aims and objectives, and a strategy for collecting data and assessing their proposition's effectiveness, and impact:
- ❖ These insights will have value to the innovator, informing their next steps but could also be useful to other innovators, support providers and policy makers.
  - ❖ All sandbox trials will provide us with a sandbox evaluation report, demarking that information we can publish, that we can anonymise and use to inform policy development, and that which is commercially confidential, and to be protected.
  - ❖ This will be due at the end of the trial, or within 2 years of the trial's commencement, whichever is sooner.
136. For **market entry sandboxes**, subject to the support received (confirmation and / or derogation), we expect innovators to undertake an evaluation (self-assessed or independent):
- ❖ Of the impact of their product or service, its effectiveness in meeting customer's needs and delivering good consumer outcomes and lessons learned for them.
  - ❖ It should also cover insights for energy policy and regulation.
  - ❖ As with trial evaluations, the report will demark that information we can publish, that we can anonymise and use to inform policy development, and that which is commercially confidential, and to be protected.
  - ❖ The submission of the evaluation will be driven by innovator circumstances, but is likely to be 12 or 18 months after the support was provided.
137. It is likely that innovators will approach us with propositions that have common characteristics, serve a similar consumer group, or explore related use-cases. These may be trials and / or market entry propositions. In these situations there may be value in Ofgem undertaking a **parallel comparative evaluation** of grouped / thematic activities.
138. To aid these studies, we expect all innovators to make provision in their trial and / or customer engagement plans for procuring consent for Ofgem (or an appointed third party) to engage with the innovator's partners and customers, as appropriate.

## 5.4 Broadcasting knowledge and insights

139. As explained at section 6.4, through the Sandbox we'll learn a lot about innovation in energy markets, what propositions are allowable and much more. Our mission is to share these insights to promote innovation, expand choice and bring greater value to energy consumers.
140. We will utilise the information and insights gathered from innovators' monitoring and evaluation activities to support this endeavour. We will, of course, work with innovators to ensure that commercially confidential / intellectual property insights remain protected.
141. We will employ a range of methodologies to share information and insights, and may ask innovators to participate in Ofgem broadcast activities. These will include publishing insight reports, 'how-to' guides, featuring innovators in consultations, and case studies. We also intend to host events like webinars, conferences, and information dissemination sessions.

## 6. Information protection and sharing

### Section summary

Innovators have to share personal and potentially commercially confidential information with us. We understand that innovators need to be certain that what they share is kept secure and handled only as agreed. We will only hold and process information according to the arrangements summarised here (and detailed fully at appendix 3).

Where we need to share information with a third party (like a Code Administrator) to assess your application, we need your consent to do so. Where a Code Administrator has sandbox capabilities and needs to consult on your proposition with their members, you will also need to confirm with them that you consent to their confidentiality arrangements.

### 6.1 Introduction

142. To operate the Sandbox service means innovators have to share with us personal, and potentially commercially sensitive information. They need to be certain that what they share is secure, and processed only as agreed.
143. If, in our judgement, we can only make decisions on sandbox requests by seeking the input of external bodies, innovators must consent to us sharing necessary personal and commercial information.
144. This section summarises how we'll protect information, and the basis on which we'll share it with third parties involved in assessing applications. It also explains our approach to broadcasting information for the purposes of promoting innovation more widely, and to inform regulatory policy development.
145. Fuller details of these arrangements are provided at appendix 3 which includes links to relevant policies hosted on our website. It also provides information about Ofgem's legal duties in relation to Freedom of Information and Environmental Information regulations.

### 6.2 Protecting personal and confidential information

146. In applying for the Sandbox you must consent to the basis on which we will process your personal data and confidential information. The basis on which we will do so is explained in this section 6 and appendix 3 of this Guidance. Your consent in these respects is given via the application form. Part of the application form will also ask you to confirm, where relevant, that you have separately confirmed to the relevant Code Administrators your



acceptance of the terms and conditions governing how they will administer their sandbox tools, which will include how they will process your personal data and confidential information.

147. You may withdraw your consent for us to hold and share your personal information at any time by contacting us at [sandbox.ofgem.gov.uk](https://sandbox.ofgem.gov.uk), but this may mean we have to withdraw the Sandbox facility from you, as we will no longer be able to process your application.
148. To process your application we may need to share information about you, as an innovator, and your proposition with third parties. This may include information we collect at the point you apply and in subsequent correspondence. This includes:
- ❖ Collecting and storing your name, email address and contact phone number in order to communicate with you.
  - ❖ Information about your organisation, business model, products and services, which we will store.
149. The information we hold may be personal data and commercially sensitive data. Personal data is protected in accordance with GDPR (General Data Protection Regulation) and the Data Protection Act 2018. Both commercial data and personal data will be requested as part of our service. Ofgem is required to comply with the general restriction on disclosure of information obtained through its statutory powers where they relate to the affairs of any individual or to any particular business.
150. Information concerning you or your business affairs received by Ofgem will, therefore, be subject to this requirement and such information is protected under [Section 105 of the Utilities Act 2000](#). This provision sets out that the information we collect “shall not be disclosed during the lifetime of the individual or so long as the business continues to be carried on” except in certain circumstances such as where there is specific consent, or where disclosure is required to fulfil another legal obligation or duty.
151. We will only collect personal information from you (such as your contact details) that we need to effectively administer the service and your application. Your personal information will not be used to make automatic decisions (decisions made solely by automated means without any human involvement) or for profiling (automated processing of personal data to evaluate certain things about an individual, such as marketing).
152. Where you share with us, as part of a sandbox application, personal information which belongs to individuals not employed by or partnered with the applicant, you must flag this data and justify why you cannot apply to the Sandbox without sharing this data.
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153. When submitting information, you should let us know if you consider any information to be sensitive and / or commercially confidential (and mark it appropriately) and the reasons why you consider it to be such. When giving reasons, you should explain whether and why any information is unique and / or novel, and what potential harm you may be subject to if that information was disclosed to third parties and / or the public by Ofgem.

### 6.3 Sharing information for the purpose of assessment

154. To enable us to assess and make decisions about sandbox applications, we would expect to share information with third parties. We consider third parties to most likely include the Code Administrators, and other relevant third parties including distribution and transmission network companies, BEIS and other government departments (including devolved administrations), and other government bodies including relevant regulators.

155. We expect to share information in the following scenarios:

- a) **Specific engagement:** where your sandbox application includes a request for a derogation under the relevant codes' sandbox procedure.
- b) **General engagement:** some sandbox applications may, directly or indirectly, affect the usual functioning of energy systems and markets, and consumers' protections. We may seek, on a confidential basis, advice from Code Administrators or other third parties about the potential effects of an innovation, which will require the sharing of limited information about a proposition. In this situation we will endeavour to exclude all non-relevant personal and commercial information. This input will enable us to provide innovators with the most effective service, and to make fully informed decisions.

156. Under scenario a) we will require your specific consent to share information with the relevant Code Administrators. Each has a Sandbox Process which includes their provisions for managing and securing personal and confidential information. The BSC and DCUSA code documents also include privacy and confidentiality provisions:

- ❖ **BSC:** Elexon will handle information shared with it under existing provisions in the BSC. Communications made under the Sandbox are subject to the BSC requirements on handling of data:
  - [BSC Sandbox Procedure](#)
  - [BSC Section B3.3](#): provisions relating to the BSC Panel's use of information including rules regarding disclosure.

- [BSC Section H4.3](#): (and H4 more widely): provisions relating to Elexon’s use of information including rules regarding disclosure.
  - [BSC Section H10](#): general legal provisions regarding BSC arrangements.
  - ❖ **DCUSA**: ElectraLink will handle information shared with it under existing provisions in the DCUSA. Communications made under the Sandbox are subject to the DCUSA requirements on handling of data:
    - [DCUSA Sandbox Guidance](#)
    - DCUSA Agreement (section 3): clauses 56.10 – 56.21 on sandbox procedures
    - DCUSA Agreement (section 3): clauses 57 – 57.8, and clause 60.15 on data protection.
157. You will also need to confirm with the relevant Code Administrators that you consent to their arrangements before Ofgem will share any personal or confidential information. You can decline this consent, but it may mean that we are not be able to process your application to the Sandbox and have to withdraw the Sandbox facility from you.
158. Each code has a panel to ensure that code provisions are given effect. Panels are usually comprised of industry experts and consumer representatives, as well as an Ofgem observer. Panel members are subject to confidentiality requirements in relation to information they receive in the course of their duties. These are set-out in the relevant industry codes (see appendices 4 and 5).
159. Code Administrators may request further information directly from sandbox applicants. In this situation, Code Administrators will also share this request with Ofgem for the purpose of administrating the Sandbox. All communications between Code Administrators and innovators in relation to the Sandbox should include Ofgem.
160. Where you deem it necessary, we ask that all confidential or personal information shared with Ofgem or Code Administrators is marked either **Restricted: Commercial** or **Restricted: Personal**.

## 6.4 Broadcasting information about innovation

161. The Sandbox allows innovators to trial or launch new products, services and business models without some of the usual rules applying. Through this process, we’ll learn a lot about innovation in the energy market, what propositions are allowable and much more. By sharing these insights with the wider market, we believe we can help increase innovation, expand choice and bring greater value to energy consumers.

162. We give regulatory support to individual innovators to foster innovation, but we are ultimately trying to grow our knowledge to help everyone. We understand that this requires very careful judgement on our behalf as to what knowledge, accumulated from our dealings with innovators, is appropriate to publicly share. We will seek to protect the commercial confidentiality of all innovators we support, and may only publicise anonymised and generalised information. In applying for support, you can set-out what information we may not share.
163. At a practical level, we might share information about how to launch new products and services in a way that helps others to comply with current rules. We might publish case studies, and aggregated data on trends. All innovators that journey through the Sandbox, may have valuable information and insight that others could benefit from.
164. If we provide an innovator with a confirmation, our intention is, where possible, to broadcast this so others are aware and can utilise it; we will be sensitive to an innovator's confidentiality, adjusting the specificity and time between the granting of the bilateral confirmation and its broadcast variant.
165. Similarly, where we provide a derogation, we are required to publish summary information about the scope of the granted derogation. We may also think it appropriate to make this derogation facility available to innovators in similar or analogous scenarios.
166. In all scenarios, we will be sensitive to the needs and circumstances of individual innovators, and work with them to establish the best course of action.

## 7. Appendices

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## Appendix 1 The Sandbox and derogations

### A1.1 Does the Sandbox provide extra derogation opportunities?

1. Our current approach to offering derogations is rightly cautious; a common rulebook ensures system and market integrity, and continued consumer protection. But, we can expect that innovation's roles in the energy transition will lead to more examples of products and services not able to comply.
2. That's why we think there's benefit in using our derogation powers not just to manage non-compliance risk, but to enable more innovation. The Sandbox also includes derogation tools from the BSC and DCUSA. These are new approaches, designed to enable industry to support trials which could potentially lead to permanent code changes.
3. This appetite for greater innovation needs to be tempered by the knowledge that we do not have authority to derogate from all rules (in codes or licences). The generation, distribution and supply licences contain conditions which originate from EU directives and national legislation, or derive from our own functions and duties. Unless we have been given express powers, we typically cannot derogate from legislation.
4. There are also requirements that we would never derogate from, such as the standards of conduct which require licensed suppliers to treat customers fairly. Together, these mean that only limited parts of the licences (and codes) can be derogated from.
5. The Sandbox doesn't give us new powers, but in the spirit of responsive and agile regulation, we're using our derogation powers in the pursuit of enabling desirable innovation.

### A1.2 Additional criteria for derogations

6. The standard sandbox desirability and eligibility criteria will allow us to determine whether something is suitable for support. When it comes to derogations we and the CAs will require additional information, and more specific criteria will also apply.
7. In completing an application for a derogation, an applicant will need to provide us with sufficiently detailed information to assess their request against the relevant licence conditions (generation, supply or distribution) and code obligations. The [licences](#) provide information about which conditions can be derogated from.

8. We have previously published guidance on how to apply for different types of derogation and how we will assess requests:
    - ❖ [Derogation Requests from Domestic Retail Market Review \(RMR\) SLCs](#)
    - ❖ [Licence Lite Operating Guidance](#)
    - ❖ [Technical Derogation Requests](#)
  9. When applying for a derogation through the Sandbox, an applicant will complete the standard sandbox application form and provide the additional information as required by the relevant derogation guidance.
  10. The **RMR guidance** relates to activities in the retail supply market and covers rules designed to make the domestic retail market simpler, clearer and fairer. Many of the rules we introduced as part of RMR have since been removed or replaced with principles. We're currently reviewing options for [extending the list of supply licence conditions that we can derogate from](#), and will replace this guidance. In the meantime, the guidance explains what information is required and how we assess derogations.
  11. The **Licence Lite guidance** relates to electricity supply, and covers scenarios where a new supplier discharges some of its obligations through a commercial relationship with another licensed supplier. Known as Licence Lite, this model was developed to address some of the high-cost, high-competency requirements of entering the supply market. As part of the exercise reviewing the scope of supply licence derogations, we intend to consolidate this within a single retail market guidance piece. Similarly, in the meantime it provides detailed information requirements and assessment explanation.
  12. The **technical derogation guidance** relates to requirements in the electricity codes and standards. This could be relevant to generators, distributors or supply licensees; or to non-licensed parties. It deals with the GB codes (including the Distribution and Grid Codes) and the European Network Codes which cover the requirements of the Grid Connection Codes. It provides guidance on how to make an application, and relevant assessment arrangements.
  13. In addition to Ofgem's guidance materials, Elexon and ElectraLink have published information about how applications for their specific sandbox tools will be assessed:
    - ❖ The BSC's [Electricity Market Sandbox](#)
    - ❖ The DCUSA [Innovation Sandbox](#)
-

## Appendix 2 What innovations are we seeing?

1. We've worked with 350 innovators over the last 3.5 years from the private, public, academic and third sectors, originating from energy, engineering, finance, retail and digital disciplines.
2. The following pen-pictures describe the typical business model / use-cases we've encountered. These are provided for illustrative purposes, to show what kind of activities the Sandbox could support. It doesn't mean that activities not included are excluded from seeking sandbox support.

<b>Pen pictures</b> <b>Non-traditional business models / use-cases</b>	
<b>1.</b>	<p><b>Electric vehicles</b></p> <p>The rapid deployment of electric vehicles is mirrored by the emergence of new business models and services. These include charge-point infrastructure, vehicle-to-grid services and suppliers offering bespoke tariffs.</p>
<b>2.</b>	<p><b>Premises energy services</b></p> <p>New digital and energy technologies allow new players and suppliers to offer novel services to homes and businesses. These services are about improving the consumer experience, increasing efficiency and optimising the performance of distributed energy resources (such as solar PV and storage) located behind-the-boundary-meter on consumer's premises.</p>
<b>3.</b>	<p><b>Energy generation and storage technologies</b></p> <p>The move towards a more decarbonised, distributed and flexible energy system is seeing new generation and storage technologies emerging with new value propositions in the wholesale, retail, flexibility and balancing markets.</p>
<b>4.</b>	<p><b>Local energy</b></p> <p>Local energy means different things to different people, but common to all schemes is that they are led by, or for the benefit of, a local group and consumers. We're seeing innovations in the areas of local renewables, storage and supply, physical micro-grids and virtual private networks, and bespoke services for vulnerable consumers.</p>



<b>Pen pictures</b>	
<b>Non-traditional business models / use-cases</b>	
<b>5.</b>	<p><b>Peer-to-peer</b></p> <p>More common in the transport, finance and hospitality sectors, peer-to-peer models are arriving in energy. Enabled by software platforms (blockchain or not), these providers seek to operate across existing systems and markets to facilitate bilateral trades. Intended for constrained and unconstrained networks, these schemes include dispersed self-consumption, prosumer to consumer, and lifestyle peer-to-peer trading models (such as buying green or local power).</p>
<b>6.</b>	<p><b>Retail tariffs and bundled products</b></p> <p>Third parties and suppliers are developing new tariffs and bundled products. These include energy efficiency measures, pay-as-you-go energy, subscription tariffs, behind-the-meter technologies, and digital concierge services.</p>
<b>7.</b>	<p><b>Switching and brokering</b></p> <p>Intermediation services between traditional energy sector players and consumers continue to grow, with new switching, brokering, aggregation and optimisation services for domestic and non-domestic customers. There is growing interest in models where consumers give permission for decisions to be made on their behalf, such as automatic switching and behaviour optimisation.</p>
<b>8.</b>	<p><b>Supplier operations</b></p> <p>As well as focusing on the end-consumer innovators are developing products and services directly for suppliers. We're seeing services focused on enhancing suppliers' consumer focus, services to vulnerable consumers, trading and hedging models.</p>
<b>9.</b>	<p><b>System and network operations</b></p> <p>The growth in flexibility and the need for whole system planning is reflected in the emergence of new products and services for system and network operators, focusing on system and network strategy, planning, monitoring and management tools.</p>

## Appendix 3 Confidentiality standards and broadcast requirements

### Confidentiality standards

#### A3.1 Overview

1. Innovators need to be certain that the personal and commercially sensitive data they share with us as part of the Sandbox is secure and processed only as agreed. By us, we mean the Gas and Electricity Markets Authority (GEMA). For ease of reference, this document refers to the administrative office of GEMA as “Ofgem” throughout.
2. This appendix sets out the standards we will apply to **personal data** and **confidential information** that we collect from and about sandbox applicants and their propositions.
3. Personal data is information which relates to an individual such as a name or contact details. Confidential data may include personal data but may also include information specific to your organisation, business model or proposition which is not in the public domain and which is commercial in nature. The controls in this document address personal data and confidential information separately.
4. This appendix addresses information shared with Ofgem as part of, and processed for, Sandbox purposes; see also the [Innovation Link Privacy Notice](#) which covers the Sandbox. Any information you share with Ofgem for non-Sandbox purposes will be processed in accordance with [Ofgem’s Privacy Notice](#).
5. We may need to share information about you, as an innovator, and your proposition with other organisations to process your application. Additionally as part of our role to promote innovation, we may want to share information about what you’re doing. As such, please see the Broadcast Requirements that innovators agree to when applying to the Sandbox.

#### A3.2 What information do we collect?

6. We will collect and store information from applicants to the Sandbox:
  - ❖ Collecting and storing your name, email address and phone number in order to communicate with you.
  - ❖ Information about your organisation, business model, products and services.
7. The data we hold may include personal and commercially sensitive information.

8. **Personal data** is protected in accordance with the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA). **Commercial data** submitted with an application will be obtained as part of our official function and so will be subject to the general restriction on disclosure covered under [Section 105 of the Utilities Act 2000](#).
9. Section 105 of the Utilities Act 2000 sets out that the information which we collect “shall not be disclosed during the lifetime of the individual or so long as the business continues to be carried on” except where there is specific consent, or where disclosure is required to fulfil another legal obligation or duty.
10. We will only collect **personal information** from you (such as your contact details) that we need to administer the service and any application you submit. Your personal information will not be used to make automatic decisions (decisions made solely by automated means without any human involvement) or for profiling (automated processing of personal data to evaluate certain things about an individual, such as marketing).
11. In some cases, we may use data analytics informed by your information to improve our services, ensure compliance with statutory requirements and support regulatory reform.
12. Where you share with us, as part of a sandbox application, **personal information** which belongs to individuals not employed by or partnered with the applicant, you must flag this data and justify why you cannot apply to the Sandbox **without** sharing this data.

### A3.3 Data controllers

13. This section deals with the **processing of personal data**.
14. A data controller determines the purposes for which, and the means by which personal data is processed. When you send your information to Ofgem as part of the Sandbox application process, **Ofgem will be the Data Controller**.
15. We collect and process your information for tasks carried out in the exercise of official authority (eg, Ofgem’s tasks, functions, duties or powers), which are laid down by law.
16. As you move through the Sandbox process, and where personal information is shared with relevant Code Administrators, these bodies will become **Joint Data Controllers** with Ofgem. An organisation is a Joint Date Controller when it jointly determines why and how personal data should be processed, together with one or more other organisations.
17. The Joint Data Controllers for the processing of any personal information as outlined in these standards are Ofgem and the relevant Code Administrators; these are those which have code sandbox provisions (currently Elexon for the BSC, and ElectraLink for DCUSA).

18. [Code Administrators](#) are those organisations that administer each of the industry codes that underpin the day-to-day operations of the energy system. For this Guidance, **relevant Code Administrators** are those that have developed sandbox tool capabilities.

Code	Administrator
<b>Electricity only</b>	
❖ Balancing and Settlement Code (BSC)	<a href="#">Elexon</a>
❖ Connection Use of System Code (CUSC)	<a href="#">National Grid</a>
❖ Distribution Use of System Agreement (DCUSA)	<a href="#">Electralink</a>
❖ Master Registration Agreement (MRA)	<a href="#">Gemserv</a>
❖ Grid Code	<a href="#">National Grid</a>
❖ Distribution Code	<a href="#">Energy Networks Association</a>
❖ System Operator - Transmission Operator Code (STC)	<a href="#">National Grid</a>
<b>Gas only</b>	
❖ Uniform Network Code (UNC)	<a href="#">Joint Office of Gas Transporters</a>
❖ Independent Gas Transporter UNC (iGT UNC)	<a href="#">Gemserv</a>
❖ Supply Point Administration Agreement (SPAA)	<a href="#">Electralink</a>
<b>Electricity and Gas</b>	
❖ Smart Energy Code (SEC)	<a href="#">SECAS</a>
❖ Retail Energy Code (REC)	<a href="#">REC Company</a>

### A3.4 Information sharing with third parties

19. This section deals with both **personal and confidential information**.
20. Personal information provided to Ofgem is subject to the GDPR and the DPA. Commercial information (information relating to the affairs of an individual or a particular business) is subject to the general restriction on disclosure set-out under Section 105 of the Utilities Act 2000. **Section 105(2) allows us to share information with organisations where you have given your consent to us doing so.**
21. Personal data can also be shared if the data subject gives their consent. The organisations that we may seek to share information with, will most likely include the Code Administrators, and other relevant third parties including distribution and transmission

network companies, BEIS and other government departments (including devolved administrations), and other government bodies including relevant regulators.

22. **We will only share information with Code Administrators and relevant third parties in the following scenarios:**

- a) Where your sandbox application includes a request for a derogation under the relevant Code Administrators' sandbox procedure.
- b) Some sandbox applications may, directly or indirectly, affect the proper functioning of energy markets and systems, including the industry codes. We may share information about a proposition with relevant third parties and the affected Code Administrators to ensure we provide innovators the most effective support, while continuing to protect consumers. This support would not require formal consultation and, thus, no disclosure of information by the third party to other parties.

23. **Under scenario a)** we will require your specific consent to share information with the relevant Code Administrator(s). Each has a Sandbox Process which includes their provisions for managing and securing personal and confidential information. Details can be found on the respective Code Administrators' websites: [BSC](#) and [DCUSA](#). Both the BSC and DCUSA code documents include privacy and confidentiality provisions. We will add further details of other code sandboxes to this Guidance as they come online.

24. You will also need to confirm with the relevant Code Administrators that you consent to their arrangements before we process your application, or share personal or confidential information. You can decline to give this consent, but it may mean we are not be able to process your application and may withdraw your access to the Sandbox facility from you.

25. Each code has a panel to ensure that code provisions are given effect. Panels are usually comprised of industry experts and consumer representatives, as well as an Ofgem observer. Panel members are subject to strict confidentiality requirements in relation to information they receive in the course of their duties. These are set-out in the relevant industry codes (see appendices 5 and 6).

26. Relevant Code Administrators may request further information directly from applicants. In this situation, Code Administrators will also share this information with Ofgem for the purpose of administrating the Sandbox. All communications between relevant Code Administrators and innovators in relation to the Sandbox should include Ofgem.

27. Where required, we ask that all confidential or personal information shared with Ofgem and / or relevant Code Administrators is marked either **Restricted: Commercial** or **Restricted: Personal** depending on the content.

28. Where applicants are seeking derogations from a code via the Sandbox, Code Administrators may choose, or be required, to consult. Where they do consult, commercially sensitive information will be omitted from the consultation, though code panel members will have access to all associated information. If a code derogation is granted, we will publish this on our public register.
29. **Under scenario b)** (at paragraph 22 above) we will not share personal information with other Code Administrators or third parties. We will only share with them that information which, in our judgement, is necessary for them to provide the input required to aid our assessment and decision making. This may include commercially sensitive information. We will inform you of what information we intend to share and with whom. We will make it clear to the relevant third parties that this information is shared with them by virtue of us utilising the 'gateway' to the general prohibition on disclosing such information under Section 105 of the Utilities Act 2000, afforded to us by you having provided your consent for us to share that information with those third parties.
30. Where applicants are seeking derogations from a licence, Ofgem may choose to consult on this. A consultation will include details of what a party is trying to do and why a derogation is sought. Commercially sensitive information will be omitted from this consultation. If a licence derogation is granted, Ofgem is required to issue a direction to the licensee requesting the derogation and to publish this on [Ofgem's public register](#).

### **A3.5 Security**

31. We take the confidentiality of the information and documents you share with us very seriously. Any information you share is saved on a system only accessible to those in Ofgem involved in the Innovation Link, except where otherwise I scribed in this document.
32. Any information you provide will not be transferred by us outside the European Economic Area (EEA).

### **A3.6 Ofgem feedback survey**

33. We may send you a feedback survey so we can understand your experience of the Sandbox service and help us to improve it. You can submit an anonymous response should you prefer. We may contact you again in the future to learn how your proposition or innovation has developed.
  34. We may also procure the services of a third party to undertake interviews with innovators about their experiences of the Sandbox and what impact it has had on their development, and the products and services they provide.
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### A3.7 Data retention

35. If you qualify for support we will store information about you and your organisation until we no longer need it for our duties, or after having held it for no longer than ten years, whichever is sooner.
36. If you do not qualify for sandbox support but do receive input from our Fast Frank Feedback service, we will store information about you and your organisation until we no longer need it for our duties, or after having held it for no longer than five years, whichever is sooner.

### A3.8 Your rights: personal information

37. This section relates to **personal information covered under GDPR and the DPA**. It does not relate to commercially sensitive or confidential information.
  38. If we hold personal data about you as an individual (as opposed to commercial information about your business, proposal, innovation or business model), you have specific rights in relation to that information. You have the right to:
    - a) Be informed about the data we hold about you.
    - b) Access the information we hold about you.
    - c) Have your personal information corrected if it is incomplete or inaccurate.
    - d) Ask us to restrict how we process your information.
    - e) Object to certain ways we use your information.
    - f) In some circumstances, you may have a right to object to Ofgem processing your information.
  39. While we will always respect an innovator's preferences, there is the potential that meeting these may affect our ability to provide the Sandbox service faithfully and completely. For example, if an applicant exercises their rights under provisions d) to f) of the previous paragraph we may not be able to assess a request for support.
  40. **You can withdraw your consent** to us processing your personal information in relation to invitations to events, notifying you of consultations which may be relevant, or adding you to a regular mailing list at any time, by emailing [sandbox@ofgem.gov.uk](mailto:sandbox@ofgem.gov.uk).
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41. **You can withdraw your sandbox application** if you want Ofgem to delete any personal information we hold on you, subject to our data retention policy. You can do this via the email address above.
42. Ofgem is the point of contact for any requests in regard to exercising rights in relation to your personal data, and will liaise across any **Joint Data Controllers** to ensure that your request is managed appropriately. You can contact us at the above email address.

### **A3.9 Freedom of information and our legal duties**

43. Ofgem is bound by Freedom of Information and Environmental Information legislation (see our [Freedom of Information](#) webpage for more information) and as such can be asked to disclose any information that we hold. We will always work closely with innovators if we are asked to share any information that relates to your organisation or projects, and will apply relevant exemptions from disclosure where appropriate.
44. When submitting information to us, you should let us know if you consider it to be sensitive and / or commercially confidential (and mark it appropriately), and the reasons why you consider it as such. When giving reasons, you should explain whether and why any information is unique and / or novel, and what potential harm you may be subject to if that information was disclosed by Ofgem to third parties and / or the public.
45. We will only use your information as set-out in accordance with this appendix, unless we are required to do otherwise to facilitate the performance of our functions or where we have to comply with any specific legal or regulatory obligations.
46. This includes fulfilling legal obligations, for example regulating how energy businesses behave through compliance and enforcement action. It is the responsibility of applicants to assess compliance with regulatory requirements. Information that applicants share with Ofgem or relevant Code Administrators as part of an innovator's sandbox application or participation may be used by Ofgem so that we can fully observe our legal duties.

### **A3.10 Disclosing personal data**

47. We will only disclose your personal data in the following circumstances:
  - ❖ Where the disclosure is required by law, statutory directions, court orders, or government regulations.
  - ❖ Where you give us express written permission to disclose it.
  - ❖ Processing and sharing information during audits.



- ❖ When it is necessary for us to do so for us to carry out our statutory functions and / or discharge our functions and we have a lawful basis for doing so.

### A3.11 Consent

48. In order for us to effectively manage the Sandbox and process your application **you need to consent to us holding and processing your personal data**.
49. In order for us to effectively deliver the Sandbox service **you need to consent to us sharing relevant personal and confidential information** with relevant third parties, including Code Administrators.
50. If you request or require a code sandbox derogation, you will need to **confirm to us that you have agreed to the relevant Code Administrators' arrangements** governing how they will deal with your personal and confidential information.
51. These consents and confirmation will be recorded on the application form.

## Broadcast requirements

### A3.12 Broadcast mission

52. Through the Sandbox we will learn a lot about innovation in energy markets, what activities are allowable and much more. By sharing these insights with the wider market, we can help increase innovation, expand choice and bring greater value to consumers.
53. We give regulatory support to individual innovators to foster innovation, but we are ultimately trying to grow our knowledge to help everyone. We understand that this requires very careful judgement on our behalf as to what knowledge, accumulated from our dealings with innovators, is appropriate to publicly share.
54. This appendix sets out how we will approach broadcasting useful knowledge to deliver the widest possible consumer benefit, whilst ensuring the interests of innovators are protected. By broadcast, we mean information shared by Ofgem to the wider market at a future point via, for example, lessons learned reports, blogs, case studies, policy analyses / insights reports, practical 'how-to' guidance pieces, impact evaluation reports, etc.

### A3.13 Our approach to broadcasting

55. Subject to complying with our legal obligations as a public body, we won't share information externally that sandbox applicants consider commercially confidential, excluding where otherwise set-out in our [confidentiality standards](#).

56. As part of participating in the Sandbox, innovators consent to Ofgem using information about them that is **not** commercially sensitive and that does **not** contain personal data in our broadcast services, including for example:
- ❖ We may publicly share information on how to launch new products and services in a way that helps others to comply with current rules. We may incorporate knowledge and information we have built up from working with multiple organisations, including sandbox applicants and participants.
  - ❖ We may share anonymised case studies and aggregated data on trends, based on information given to us by sandbox applicants and participants to illustrate the types of innovations we are seeing and to promote the work of the Innovation Link.
57. In both these scenarios, we will be sensitive to the needs and circumstances of individual innovators, and work with them to establish the best course of action.
58. Information we share with Code Administrators to inform derogation decisions or other sandbox activity where we need specific Code Administrator input does not constitute broadcasting. These arrangements are covered by the confidentiality arrangements described at section A3.4 above.
59. If you conduct a sandbox trial (or pilot or demonstrator), you agree to publish a report on your experience and insights. Innovators will agree the parameters and format of the report(s) with Ofgem. We may also require sandbox applicants work with independent evaluators. Those innovators that receive market entry support will submit a report to us, highlighting areas of consumer, market and regulatory insight. We will not broadcast this directly but will use it to inform our service and the insights we provide policymakers.
60. Where we provide confirmation and clarity that a sandbox proposition is permissible within the existing regulatory framework we will publish an anonymised, decommercialised broadcast version of this to the market. We will explore with the innovator whether there are intellectual property rights issues we need to be mindful of, which may be the case where an innovation is the only example in the market.
61. We may invite sandbox applicants and participants to events we host that are relevant to them, ask them to be case studies in Ofgem consultations, or send them information on regulatory reforms or other relevant developments, such as Ofgem guidance.
62. You can withdraw your consent at any time if you want Ofgem to delete any personal information we hold on you, subject to our data retention policy by emailing us at
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[innovationlink@ofgem.gov.uk](mailto:innovationlink@ofgem.gov.uk). Personal data is used and processed as is set-out above, in accordance with GDPR and the Data Protection Act 2018.

### A3.14 Consent

63. **You need to consent to the use and processing of your information as set-out in the these broadcast requirements.** You will provide your consent on completing the application form.

### A3.15 How to contact us

64. If you would like to:

- ❖ Make a Freedom of Information or Environmental Information request please refer to our [FOI procedures](#).
- ❖ Make a complaint about Ofgem please refer to our [complaints arrangements](#).
- ❖ Exercise any of your rights and / or request information about Ofgem privacy policy, please contact our Data Protection Officer by email on [dpo@ofgem.gov.uk](mailto:dpo@ofgem.gov.uk) or alternatively write to us at:

The Data Protection Officer  
Ofgem  
10 South Colonnade  
Canary Wharf  
London, E14 4PU

### A3.16 Complaints to the Information Commissioner

65. You have a right to complain to the [Information Commissioner](#). If you want to complain about how we have handled your information you can report it direct to the Information Commissioner's Office at the following address:

Information Commissioner's Office  
Wycliffe House  
Water Lane  
Wilmslow  
Cheshire, SK9 5AF  
Telephone: 0303 123 1113

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## Appendix 4 Elexon's BSC Sandbox

### A4.1 About the BSC

1. The Balancing and Settlement Code (BSC) contains the rules for the balancing and settlement of electricity. It includes requirements for metering, notifying transactions, and paying or receiving imbalance charges on the difference between contracted and actual energy usage.
2. All licensed electricity Suppliers and Generators need to sign-up to the BSC as a condition of their licence. Without being signed-up to the BSC and following the rules, there would be no way of ensuring everyone pays for the electricity they use, or gets paid for the electricity they generate. Everyone signed-up to the BSC is a BSC Party.

### A4.2 The BSC Sandbox

3. The BSC Sandbox was established in the BSC in 2018, via Modification P362 and enables limited pre-competitive trials of potentially innovative products or services in a live market environment. It allows BSC Parties to participate in the BSC Trading Arrangements with certain obligations removed or altered (a derogation). These derogations enable Parties to run a trial without complying with every BSC obligation that would normally apply.
4. The details of the derogation will be specific to the organisation involved and include a number of limitations, including:
  - a) How long the derogation can last for (up to 2 years).
  - b) The area in which the person can run the trial.
  - c) The types of customers who can be involved in the trial.
  - d) The total amount of energy consumed or generated by customers in the trial.
  - e) How many metering points the derogation can be applied to.
5. Applications for the BSC Sandbox must set-out the BSC Obligations the applicant is seeking to change, what benefit that will bring, and how long is needed for the trial.

### A4.3 Sandbox features

6. An applicant does not need to be a BSC Party to apply to the BSC Sandbox, but would need to be a BSC Party before any trial commences. This is because BSC obligations do

not apply to non-Parties, therefore cannot be derogated. The BSC Sandbox can derogate from some requirements in the process of becoming a BSC Party, if necessary.

7. Derogations can be applied for by all BSC Parties and non-parties, except for Elexon and subsidiaries of Elexon. Parties in receipt of derogations under the BSC Sandbox are still subject to all other BSC obligations that would normally apply to them.
8. Each derogation granted is in effect a time-bound project to trial an innovative product or service. When the derogation reaches the end of its time limit, the Party running the trial will need to comply with all of the normal rules that would apply them. Parties must set-out in their application how they will ensure this return to the normal rules.
9. It is possible to temporarily extend a derogation by raising a BSC Modification to make the derogation a permanent change to the rules, and available to everyone. This extension can last for up to 1 year, bringing the total maximum time of a derogation to 3 years. If a derogation is extended, the original restrictions on the trial continue to be in force until the Modification is implemented.

#### **A4.4 Application assessment**

10. Applications are sent to Ofgem, who determine whether to forward it to Elexon. This means Ofgem can coordinate where applications need attention across multiple codes and licences, delivering a more coherent experience for applicants.
11. In applying for the sandbox the applicant must communicate to Elexon that they accept Elexon's terms and conditions for the sandbox, including provisions about confidentiality and data protection. The BSC Sandbox arrangements are set-out in the [BSC Sandbox Procedure](#) and [BSC Section H10](#). Applicants should confirm acceptance by emailing [BSC.Sandbox@elexon.co.uk](mailto:BSC.Sandbox@elexon.co.uk); the email subject should read "ORG NAME – Sandbox Consent - DDMMYY".
12. Elexon will help applicants throughout the application process. Elexon will also prepare a report on the application for the BSC Panel. During the process Elexon will consult with BSC Parties to see if there will be any impacts on them, being sure not to reveal any commercially sensitive aspects of the application. Elexon will handle information shared with it under existing provisions in the BSC:
  - ❖ [BSC Section B3.3](#): provisions relating to the BSC Panel's use of information including rules regarding disclosure.

- ❖ [BSC Section H4.3](#): provisions relating to Elexon’s use of information including rules regarding disclosure.
13. The BSC Panel is a decision making body for changes to the BSC. They will make a recommendation to Ofgem on whether a derogation should be granted, based on Elexon’s report and the application. This recommendation will also include conditions on restricting the scope of the trial. Ofgem will consider Elexon’s report and the Panel’s recommendation and make a decision on whether or not to grant a derogation.
  14. The BSC Sandbox application is not a way of evading the rules of the BSC, and all applications will be assessed against eligibility criteria set-out in the ‘[BSC Sandbox Procedure](#)’.
  15. The main consideration of the BSC Panel will be how the application affects the BSC Objectives, which are set-out in the Generation Licence and govern how the BSC Panel and Ofgem assess changes to the BSC.
  16. Once Ofgem has decided to grant a derogation, the applicant will receive the benefit of it. The derogation may not start straight away, but could be scheduled to begin at some point in the future.

## **A4.5      Contact**

17. If you would like to get in touch with Elexon’s Sandbox team, you can contact them at [BSC.Sandbox@elexon.co.uk](mailto:BSC.Sandbox@elexon.co.uk).

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## Appendix 5 ElectraLink's DCUSA Sandbox

### A5.1 About DCUSA

1. The Distribution Connection and Use of System Agreement (DCUSA) was established in October 2006 as a multi-party contract between the licensed electricity Distributors, Suppliers and Generators of Great Britain. It is concerned with the use of the electricity distribution systems to transport electricity to or from connections to them. The DCUSA replaced numerous bilateral contracts, giving a common and consistent approach to the relationships between these parties in the electricity industry.
2. It is a requirement that all licensed electricity Distribution Businesses, Suppliers and Central Volume Allocation (CVA) Registrants become Parties to the DCUSA. Since its inception, the DCUSA has expanded to encompass Distributor to Distributor relationships and relationships with Gas Suppliers who wish to work at the customer's electricity connection point to fit communications associated with Smart gas meters.
3. Provisions on the Innovation Sandbox are set-out in Section 3 General Legal Provisions, Clauses 56.10 to 56.21, of the [DCUSA agreement](#). This section also includes DCUSA's Data Protection provisions: Clauses 57 to 57.8 and Clause 60.15.

### A5.2 Sandbox process

4. In order to apply for the Sandbox, an application is submitted to Ofgem. The application form collects the information DCUSA requires.
5. In applying for the sandbox the applicant must also communicate to ElectraLink that they accept the terms and conditions for the sandbox, including provisions about confidentiality and data protection. Applicants should confirm acceptance by emailing [DCUSA@electralink.co.uk](mailto:DCUSA@electralink.co.uk); the email subject should read "ORG NAME – Sandbox Consent - DDMMYY".
6. Following pre-application engagement and receipt of the of application from Ofgem, the DCUSA Secretariat will prepare a written Sandbox Report (the full contents of which can be found in the [DCUSA Sandbox Guidance Document](#)). The Sandbox Report will be completed once all information has been provided, and the required fee which represents the reasonable costs to the Secretariat, as approved by the DCUSA Panel, is paid.
7. When the Sandbox Report is completed, it is circulated to relevant Parties within 2 working days by the Panel Secretary. Thereafter Parties are invited to submit

representations with respect to the Sandbox Application within 10 working days. In line with DCUSA's Sandbox, any derogation can only be for a maximum of 2 years.

8. Following this process, the DCUSA panel will make its recommendation to Ofgem as to whether Ofgem should accept or reject the application. The DCUSA Panel may apply conditions as part of its recommendation to Ofgem.

### **A5.3 DCUSA sections not in scope for derogation**

9. There are likely to be some clauses that will be refused a derogation, such as payment of DCUSA Ltd charges, an amendment to the allocation of DCUSA Party charges, payment of DCUSA Party charges and credit cover arrangements.
10. This is not an exhaustive list and the Panel will review each application on a case-by-case basis and decide whether or not it is beyond the scope of the Sandbox.

### **A5.4 Accession to DCUSA**

11. Only organisations that have acceded to DCUSA can be derogated from its obligations. If the Sandbox Applicant does not have an electricity distribution or supply licence, or is not a CVA Registrant they cannot accede to DCUSA.
12. Therefore, a Sandbox Applicant would either need to seek their own licence and accede, or the more likely option would be to work with a partner who is an existing Party to DCUSA, and who would request the derogation on their behalf. Existing Parties to DCUSA can submit a Sandbox Application.

### **A5.5 Contact**

13. For information about the DCUSA Innovation Sandbox, contact the [Helpdesk](#) or email [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk).
14. You can also make contact on LiveChat via the DCUSA website <https://www.dcusa.co.uk/> or by telephone on 020 7432 3011.
15. DCUSA's contact address is DCUSA Ltd, Northumberland House, 303-306 High Holborn, London WC1V 7JZ.



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## Appendix 6 **Basis on which we provide the Sandbox facility**

1. The following paragraphs 1 to 22 (inclusive) comprise a non-exhaustive description of some key points governing the basis on which we will process applications to the Energy Regulation Sandbox (ERS or the Sandbox), and provide the Sandbox facility should your application be successful. These paragraphs 1 to 22 (inclusive) should be read in conjunction with the rest of this guidance document, the Energy Regulation Sandbox Guidance ('Guidance'). They also describe some expectations we have of applicants and Sandbox participants.
2. Please read the following paragraphs 1 to 22 (inclusive) and the rest of this Guidance carefully before submitting your application form to us. The submission of your application form will indicate to us that you have read and understood this Guidance and these paragraphs 1 to 22 (inclusive), and acknowledge the basis on which we will process your application and provide the Sandbox facility, should your application be successful, as described by these paragraphs and this Guidance.
3. Ofgem may update this Guidance and our stance regarding the issues addressed by these paragraphs 1 to 22 (inclusive). This may occur during the course of Ofgem processing your application and / or during the provision of Sandbox support to you, if your application is successful.

### **Access to the Sandbox**

4. Access to code sandbox tools provided by relevant industry Code Administrators (currently Elexon for the BSC and ElectraLink for the DCUSA) is dependent on an applicant acknowledging and accepting the basis on which Ofgem will process its application to the Sandbox as described in these paragraphs 1 to 22 (inclusive) and the rest of this Guidance, and also the applicant accepting the terms and conditions governing how the relevant industry Code Administrators will administer their own sandbox tools. Details can be found on their respective websites: the [BSC](#) and [DCUSA](#) sandboxes.
5. Applicants to the BSC and DCUSA sandbox tools should confirm their acceptance of the terms and conditions governing how those Code Administrators will administer their sandbox tools directly with the relevant Code Administrators.
6. At the time they submit their application form to Ofgem, applicants are expected to confirm to Ofgem whether they have communicated their acceptance of the terms and

conditions governing how the relevant Code Administrators will administer their sandbox tools, to the relevant Code Administrators.

7. Ofgem may temporarily or permanently withdraw the Sandbox service at any time. If the Sandbox service is withdrawn, whilst it is likely that Ofgem will continue to provide Sandbox support to those schemes that have already been awarded sandbox support, Ofgem makes no commitment to do so.
8. An application to the Sandbox does not mean automatic success including, but not limited to, whether your application will be approved for access to the Sandbox or the Code Administrators' sandbox tools.
9. Without prejudice to paragraph 14 below, Ofgem reserves the right to refuse, amend or withdraw access to the Sandbox service, for the avoidance of doubt including, but not limited to, successful applicants in receipt of sandbox support. This includes but is not limited to situations, where in our judgement, providing sandbox support would conflict with or in some way compromise Ofgem's ability to fulfil any of its wider functions and / or discharge its duties.
10. Ofgem's decision about whether to provide sandbox support is final.

## **Sandbox operations**

11. To the extent that it is lawful, Ofgem is not responsible or liable for any loss suffered by an applicant or third party arising from a failure to gain approval for any sandbox service, nor for any delay in approving any sandbox award or for providing any sandbox related determination. The timescales and Key Performance Indicators set-out at Section 4.6 of this Guidance are indicative only and are not binding on Ofgem in any way.
12. To the extent that it is lawful, Ofgem is not responsible for any loss suffered by an applicant or third party arising from any action, or inaction by Ofgem in the course of Ofgem processing an application to the Sandbox or providing the Sandbox facility. Neither is Ofgem responsible for any action or inaction of any third party relating to the processing of an application to the Sandbox and / or a Code Administrator's sandbox tools, or the operation of those sandbox facilities, including, but not limited to, any delay attributable to a Code Administrator in relation to the provision of their sandbox facilities.
13. In approving a sandbox application, Ofgem is making no statement about, advising or commenting in any way on the commercial viability of the applicant's proposition.

14. Where an applicant's (for the avoidance of doubt including but not limited to, successful applicants in receipt of sandbox support) use of the sandbox facility leads to consumer detriment, risks to market operations or risks to the energy system, Ofgem may withdraw or amend the support provided to an applicant.

## **Responsibility to not misrepresent Ofgem's support**

15. An applicant should not misrepresent the information, guidance or regulatory relief given to them by Ofgem.
16. Applicants must not describe their proposition as "Ofgem approved" or otherwise imply in any way that Ofgem endorses their product, service, methodology or business model.

## **Confidentiality and information sharing**

17. Ofgem will collect, store and share personal data and confidential information under the terms set-out in the Confidentiality Standards and Broadcast Requirements at appendix 3 of this Guidance. These include arrangements for sharing information with relevant Code Administrators. On submitting an application to us, you must confirm to us that you have read, understood and consent to these arrangements.
18. We will collect specific, separate consents in relation to how we intend to process your personal data and confidential information.
19. Ofgem will share information and insights about innovations supported through the Sandbox. This will be anonymised and, subject to relevant legal obligations to which we are subject, we will not share anything that, in your judgement, would affect the commercial confidentiality of your product, service, methodology or business model. Section A3.12 of appendix 3 of this Guidance sets-out the Broadcast Requirements and our expectations of innovators in this respect. On submitting your application form to us you should confirm that you have read, understood and consent to these arrangements.

## **Monitoring and evaluation**

20. We expect successful applicants, being recipients of sandbox support, to comply with the monitoring and evaluation arrangements that will comprise part of their Sandbox award. The standard requirements of all innovators are set-out at Section 5 of this Guidance; additional bespoke arrangements may be required by us based on the type, scope and scale of activity, and the sandbox support provided. If an applicant fails to comply with

our expectations of them in terms of fulfilling our monitoring and evaluation requirements, we may withdraw or amend the sandbox support provided to them.

21. Ofgem may decide to undertake comparative evaluations of a group of sandbox schemes where there are commonalities (for example, comparable characteristics, serving a similar consumer group, exploring related use-cases, etc).
22. To aid these studies, we expect all applicants to make provision in their trial and / or customer engagement plans for procuring consent for Ofgem (or an appointed third party) to engage with the innovator's partners and customers, as appropriate.

## Queries

23. If you have any questions about the above, please contact us at [sandbox@ofgem.gov.uk](mailto:sandbox@ofgem.gov.uk).