

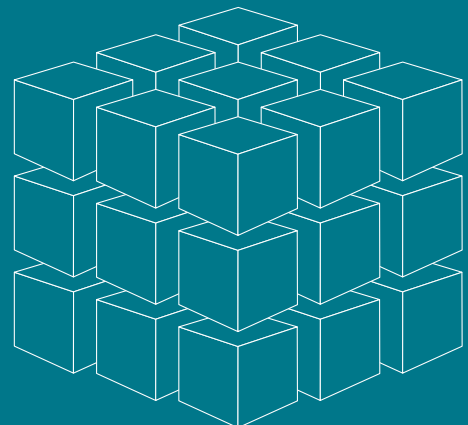


Making a positive difference  
for energy consumers

# Energy Regulation Sandbox

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an introduction for innovators



## Transformation and innovation

**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 energy sector '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.

Where we're persuaded that an innovation is desirable, we may be able to adapt current regulations so today's innovators are better able to bring forward the products and services tomorrow's energy system and consumers need. This is what the Sandbox is for: allowing innovators to experiment and bring propositions to market, while ensuring that consumers remain protected. It also lets us work with innovators to gather evidence to inform permanent reform.

We've published **detailed Guidance** on what the Sandbox can / can't do, how to apply, how we'll assess applications, timescales, etc. It comes in at a hefty but necessary 76 pages; we understand this could be off-putting so we've developed this stripped-back version to help you navigate the Guidance and make a call about whether the Sandbox might be for you.

## Sandbox navigator

### Do you need feedback or next steps support?

If you're at the early stages of developing an idea and you're unsure about the potential impact of regulation, then you're better suited to our [Fast, Frank Feedback Service](#).

If you're ready to test or launch a new product, service, way of doing something or business model in an energy market, but have hit a regulatory blocker, ...then the Sandbox might be the service for you!

### Is this service right for you?

- The service is open to innovators that already (or plan) to operate in a regulated energy market in Great Britain.
- It's for start-ups, new entrants, established players, businesses transferring from other sectors, public or 3<sup>rd</sup> sector bodies.
- To make use of some of the tools we offer might mean you have to get a licence, partner with a licence holder and / or join some of industry's codes.

See sections 2.1 & 2.2 of the Guidance

### What's in scope?

The Sandbox can only give relief from regulations that Ofgem, no other regulator or government department, is responsible for.



See section 2.3 of the Guidance

### The Sandbox doesn't provide

- Funding.
- An alternative regulatory regime where rules can be turned on or off as desired.
- A means to change regulation on a permanent basis.
- Endorsements for specific business models, products, services or methodologies.

# What support's on offer and what can it be used for?

## Trials (or pilots or demonstrators)



### Bespoke guidance

We can provide you with guidance, which you can rely on, about how the rules apply in your specific trial circumstances.



### Comfort

Trials bring risks to participants and their operating environment. You might be worried about breaking rules and what happens next. For your trial, the Sandbox can give comfort about what we think is compliant behaviour, and our approach to enforcement.



### Derogation

You can get temporary derogations from licence conditions or industry codes so you can run your trial. Currently, only electricity codes covering the [Balancing and Settlement Code](#) and [Distribution Connection and Use of System Agreement](#) are in scope, but in time we expect to on-board more codes.

## Market Entry



### Confirmation

Although regulations are always changing, many were written when energy was usually made by big producers, and the customer's only job was to consume. New technologies, system needs and business models are changing this, but it's not always clear if what an innovator wants to do is allowed. This can be a problem for innovator's looking for investment and customers.

We can confirm when an activity's permissible, but this isn't an endorsement of a specific product or service, or individual business plan.



### Derogation

Some rules might block your proposition. Where we have the power to, we might be able to give you permission not to comply, where we're satisfied the benefits to consumers warrant it, and the risk to the system and other players can be mitigated. Normally these are temporary, but we'll consider enduring derogations.

See sections 2.4 to 2.6 of the Guidance

# What criteria do you need to satisfy to get sandbox support?

## Eligibility

- ✓ **Innovative:** your proposition has to be demonstrably innovative.
- ✓ **Consumer benefit:** there's good prospect of consumer benefit.
- ✓ **Need:** there's a clear need for applying for sandbox support.
- ✓ **Supportability:** the Sandbox can deliver what you're asking for.
- ✓ **Readiness:** you're ready (or close) to make use of the support.
- ✓ **Exit strategy:** you have a clear exit strategy.

## Desirability

- ✓ **Decarbonisation:** goes beyond business as usual decarbonisation measures.
- ✓ **Value creation:** avoids creating or reduces system costs, or creates new value.
- ✓ **A system for all consumers:** is inclusive, allowing different types of consumers to benefit, including vulnerable consumers.
- ✓ **Good network citizenship:** doesn't seek to avoid paying a fair share of energy network costs.
- ✓ **Competition & effectiveness:** promotes competition and / or enables greater effectiveness and efficiency.

We don't expect all innovations to satisfy every desirability criteria. And, there may be instances where something comes from left-field, is disruptive and game changing and for which an exception case needs to be made.

See sections 2.7 to 2.9 of the Guidance



## Is my idea protected?

We're very aware that to speak freely with us, you have to be assured of confidentiality, and that the information you share is kept secure and handled only as agreed.

As well as helping you, our job is to promote innovation more widely. To do this we share general insights on how to deliver new products and services in today's regime. So, our plan is to spread the knowledge we gather from working with innovators like you. On our part, this requires careful case-by-case consideration and judgement.

Please check you're comfortable with our [data protection and confidentiality policies](#) and how we'll approach sharing / broadcasting information about innovations.

See section 6 & Appendix 4 of the Guidance

# Applications

See sections 3.1 to 3.4 of the Guidance



## Making an application

### You can apply to the Sandbox anytime!

You must have a clear proposal, know what's stopping you and what support you need from us.

It's essential you read the **Guidance** to understand the tools we offer, eligibility / desirability criteria, and how we'll assess your request.

The **Application Form** covers all potential scenarios, so while it might look long, not everything will apply to you. The questions have bulleted guides / prompters to help you along.

Make sure you refer to the relevant sections of the **Guidance** and follow instructions about how to submit your application.

## How applications are processed

### 1 Triage

- ✓ Check of application's completeness.
- ✓ Initial assessment of desirability and eligibility.

### 2 Detailed assessment

- ✓ Deep-dive assessment of desirability and eligibility.
- ✓ Approach informed by activity type (trial or market entry) and tool(s) requested.
- ✓ Assessment will involve Code Admins where BSC and / or DCUSA derogations are involved.
- ✓ Consideration of whether it's possible to provide the support requested and the innovator's readiness to utilise it.
- ✓ If required further information will be requested.

### 3 Decision timescales

- ✓ Application receipt confirmed within 3 working days.
- ✓ The triage process takes up to 5 working days.
- ✓ Each application and its assessment will be bespoke, but we aim to make a final decision after 3 to 4½ months, depending on the complexity of your proposal.
- ✓ Ofgem's decision is final.

See sections 3.5 & 4.6 of the Guidance

## How will you be notified of the decision?



### Bespoke guidance and comfort

We'll provide an approval letter tying our decision to specific trial features and obligations.



### Confirmations

We'll issue two documents. A bilateral confirmation to you confirming it's permissible. A broadcast confirmation published on our website confirming to the market.



### Derogations

We'll send you a notification which we call a 'direction', formally relieving you from an obligation. This is published on our website and the relevant Code Admin's website, where applicable.



### Rejection

We'll send a rejection letter explaining why we've reached that decision.

See sections 4.4 to 4.6 of the Guidance

## Deliver, monitor, report and evaluate

We want a win-win situation where you get to learn from your trial and the success of your product / service, and we get to learn about what works, consumer attitudes, market and system operations and the challenges facing regulation.

We will ask you to:

- Report back to us on the progress of your innovation.
- Conduct an evaluation (in-house or external) on the impact of your innovation, and share it with us.
- Give us feedback on the usefulness of the Sandbox and the quality of service you received.

## Guidance

It's important you read the [Sandbox Guidance](#) when filling in the form.

See section 5 of the Guidance

