

Public

Sandbox: What, why, how?

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Background

- While derogations and mechanisms to receive specialist advice for trials are not new (for example the Experimenteerregeling in the Netherlands), the FCA pioneered the holistic regulatory sandbox approach, launching their sandbox in summer 2016
- Ofgem followed suit with the world's first energy regulation sandbox in February 2017, as part of their Innovation Link
- In November, the BSC Panel raised Modification P362: Introducing BSC arrangements to facilitate an electricity market sandbox
- The first workgroup was held yesterday (13 December) with the aim of determining a solution for the BSC text required for an electricity market sandbox to be effective
- It was noted at the Panel meeting that the BSC only represents a part of the rules for operating in the electricity market, and that coordination and consistent approaches between Code Administrators would result in a better experience for innovative businesses
- Ofgem have also called for Code Administrators to adopt sandbox approaches

What is a sandbox?

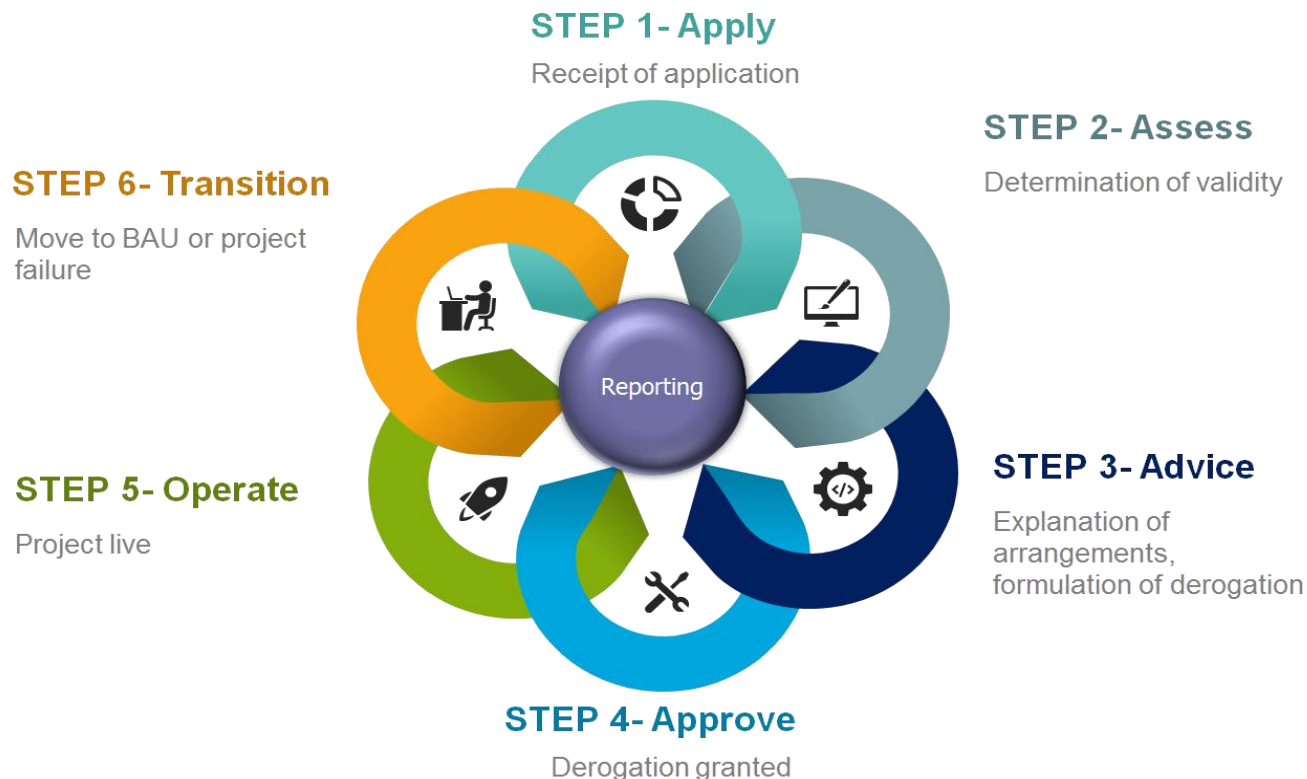
- Typically, a sandbox refers to a non-live IT system(s) which can be used to test new code or inputs and observe the effects without impacting the live environment
- A 'regulatory sandbox' is different, primarily in that it allows testing with real customers in a live environment, subject to a set of conditions determined at the start of the trial
- Regulatory sandboxes typically offer advice on innovative business models to help understand the frameworks within which they must operate, and derogations to specific aspects of the rules that could be deemed overly burdensome
- The sandbox is not a thing or a place or a system – it is conceptual, a set of processes to facilitate the provision of advice or obtaining a derogation

Why use a sandbox approach?

- The energy industry is changing at a rapid rate, and many of the licences, codes and legislative instruments have not kept pace.
- Innovators are finding barriers to testing new products which could change the way energy works. Areas we are seeing developments include;
 - Peer to peer trading
 - Community energy
 - Electric vehicle charging
 - Faster switching
- A sandbox enables innovators to come into the market without placing undue risk on the existing frameworks
- If successful, this should result in reduced time to market, better access to finance for innovators and crucially better learnings about the future system for the organisations running the sandboxes

How is ELEXON implementing a sandbox?

- Providing derogations requires a Modification to add provisions to the BSC
- Subject to the approval of the workgroup, the derogations will be the responsibility of the BSC Panel, and ELEXON will support applications to derogation if necessary
- ELEXON will also maintain processes for providing advice to innovators, and helping their projects to operate within the existing BSC framework wherever possible





Questions

