

Innovation Link: Approach to innovation in the energy sector

Grid Code briefing

22 February 2018

ofgem

In future, we expect more...

- Flexibility
- Decentralisation
- Interdependence
- Diverse types of businesses
- Innovative services for consumers
- Whole systems innovations

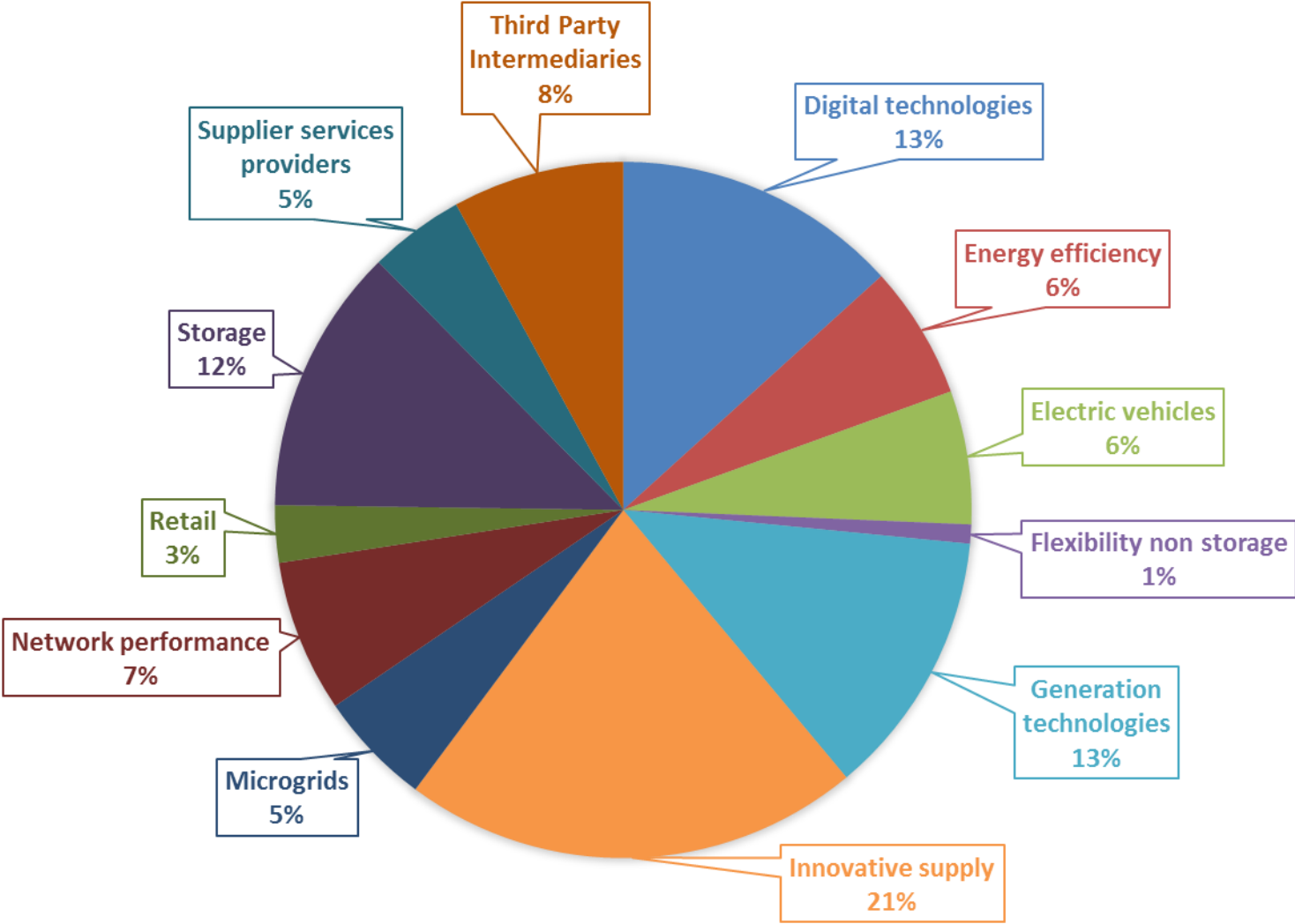
So we created the Innovation Link to offer...

1. **Fast, frank feedback** on the regulatory implications of *disruptive*, new business propositions

2. A **regulatory sandbox** to enable innovators to trial new products or services where they face a regulatory barrier

3. **Knowledge base**, for making general regulatory information accessible to innovators in the early stages of developing their ideas

In one year we've helped a diverse group of 150+ innovators



Biggest barrier for innovators is the interface with existing systems...

Regulatory organisations are complex

Numerous codes and regulation administered by many organisations (Ofgem, BEIS, Code admins)

Trials are not supported

Processes assume full-scale entry. But innovators often need to test and iterate before they can invest and grow.

So proposals become less innovative

Innovators don't have funding to wait years for regulatory change, so scale back their ambition to fit the system.

Types of projects requiring feedback or Sandbox

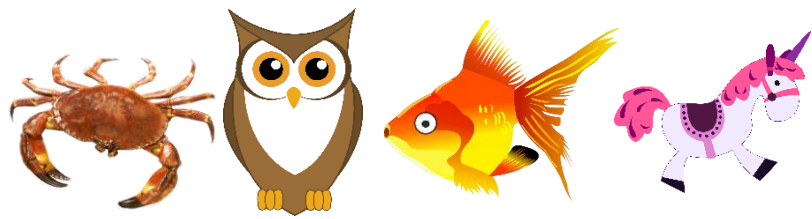
We have provided feedback on:

- supplier market entry and licence requirements
- information regarding data flows and access rules
- developing personalised digital customer billing
- energy market arrangements, requirements and responsibilities (who does what)
- the application of new technologies including storage with existing regulation and legislation

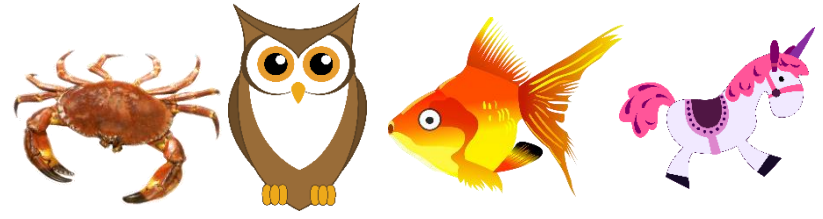
We have developed sandboxes for:

- derogations to supply licence requirements to enable innovative trading arrangements
- interpretation of supply licence exemptions and interaction with licenced supply to clarify how entities may interact in a new platform
- interpretation on metering legislation
- a *future sandbox* for the treatment of community battery (storage) arrangements for new business models

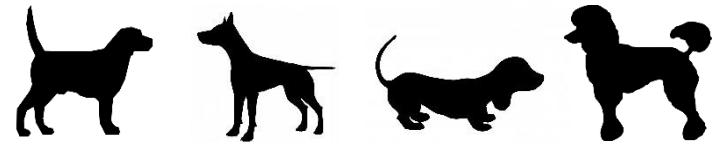
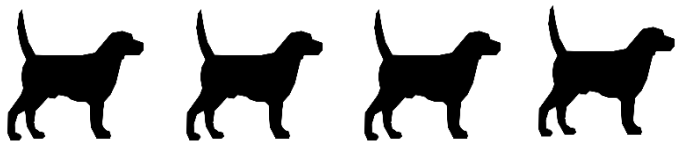
But, the system is designed for traditional business models



**Energy
regulation**



**Energy
regulation –
with
sandbox**



It's getting better... but we can do more

Joined up support is needed

Together the regulator and code bodies could:

Create a 'one stop shop' for energy innovators who need regulatory advice.

Help innovators understand all the regulatory barriers they face, regardless of whose 'rule book' they are in.

Many organisations will find there are no hurdles, so they can quickly launch, and invest with confidence.

Where needed, provide a set of co-ordinated derogations to create a sandbox for a trial.

We are confident that doing this would **accelerate innovation and learning.**

Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.