



ElectraLink Autumn
Webinar Series

Driving Energy System Transition: Why regulation should not be a barrier

Part 2: Enabling Innovation Through Regulation



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Speakers and panellists



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Summary of the previous session



1. Principle based approaches enable alignment between the technical and regulatory programme's objectives.

2. Regulatory roadmaps can provide agility and required foresight for wider programme delivery.

3. Regulation and Codes can be an enabler and not a barrier.

4. ElectraLink work with stakeholders to help shape regulatory change and to support the delivery of the DSO vision.



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About ElectraLink



Governance Services

Governance Services manages a number of the 'rule books' in the gas and electricity markets including DCUSA, SPAA, SMICoP

Data Transfer Service

The regulated data transfer service now incorporates the gas market and commercial services include connections to all the UK water companies

Energy Market Insight

Energy Market Insights provides analysis of the data transferred by the DTS which is a unique dataset managed under the governance of the DTS Agreement

ElectraLink has evolved into a regulated/commercial utilities solutions business with Governance and Advisory Services, Energy Market Insights and a common goal to solve industry problems

What is an innovation sandbox



What is an innovation sandbox?



Testing

Allows innovation teams to test new products.
Low risk: a space to test models in a 'real life' setting, within the confines of a testing space.
Can provide insight for innovators on where they may need to improve their product.

Outcome based decision making

Helpful for policymakers when looking at changing current regulations.
Provides a demonstration in a live market setting. Useful with the increasing use of outcome based approaches to decision making.



Sandbox Administrators



Ofgem Regulation Sandbox: Initial point of call for all innovators hoping to use a sandbox to test a product on the electricity network.
DCUSA Innovation Sandbox: For testing DUoS charging on the distribution network.
BSC Sandbox: Testing changes to BSC Trading Arrangements on the Transmission Network.



What do innovators require?

What do innovators require?

Innovation projects in the energy sector are looking at ways we can reduce carbon emissions and use our energy in smarter ways. This work needs to be supported to help meet net zero carbon targets by 2050.

Innovators can be supported by:

- Demonstrating that regulation can aid innovation, not be an unforeseen blocker.
- Ensuring there is an awareness of possible regulatory processes and complexities when innovation projects are in their infancy, so they can then be factored into proposal.
- Understanding failure to address where there could be regulatory road blocks has the potential to derail a project before it has begun.
- Ensuring frameworks, such as innovation sandboxes, are widely promoted to raise awareness and help innovators.

The innovator journey

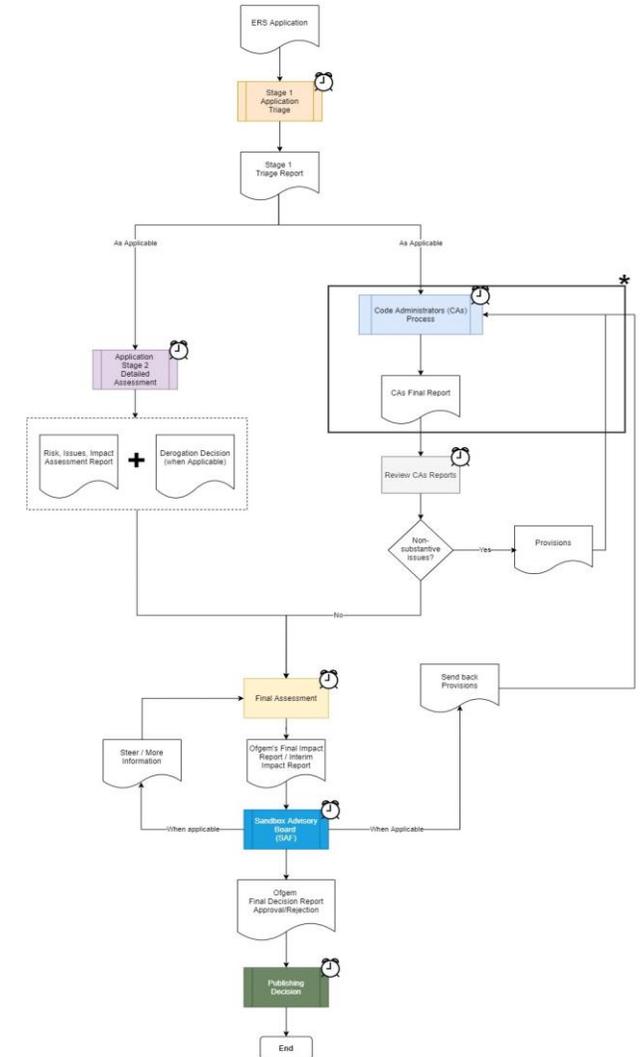


Ofgem's Regulatory Sandbox

Ofgem recognises the critical role innovation will play in delivering new products and services.

Ofgem are committed to removing barriers to new business models from the regulatory framework.

The Ofgem Regulatory Sandbox was introduced in 2017 to enable innovators to bypass their barriers.



* Stage 2 assessment for applications that involve only the codes

DCUSA Innovation Sandbox

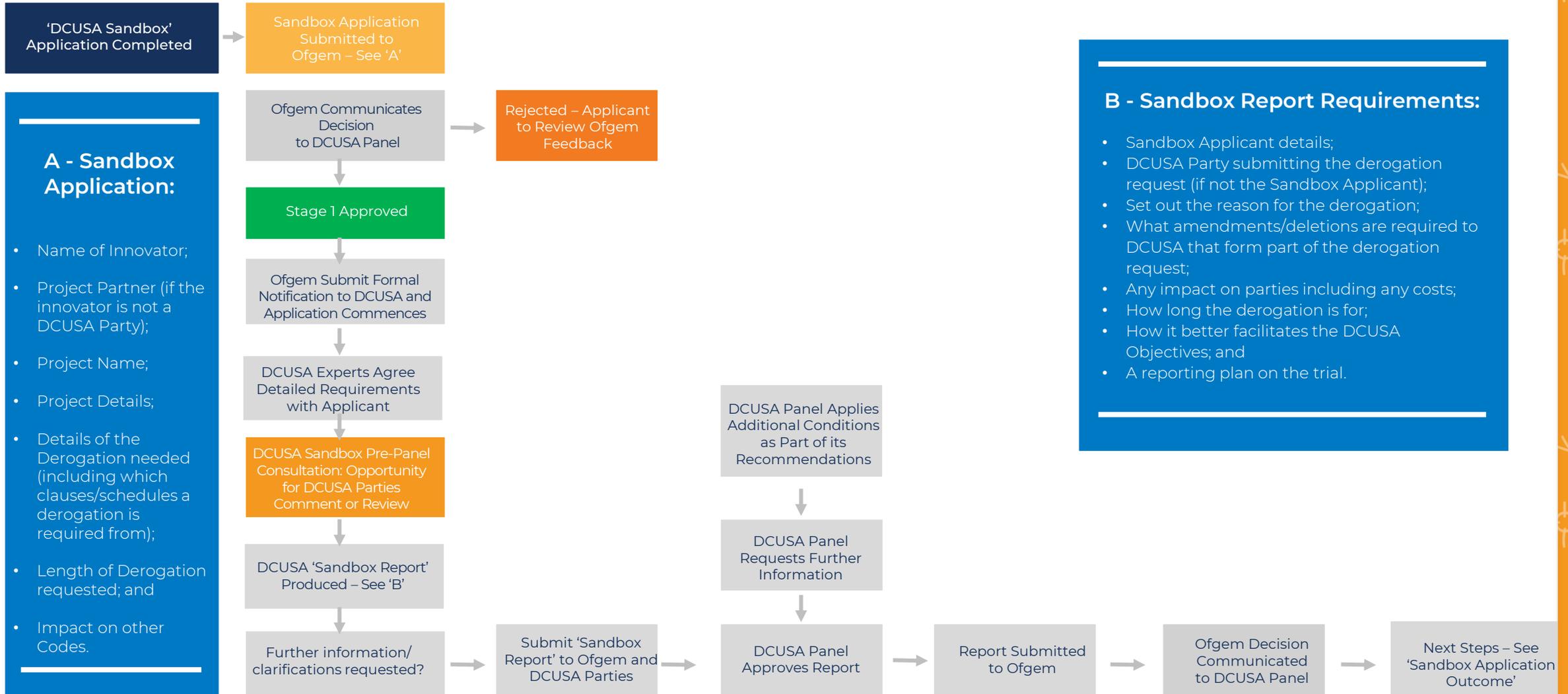
Why was a DCUSA Innovation Sandbox introduced?

- Ofgem are not able to offer relief from detailed codes which underpin the operation of the gas and electricity market.
- An innovation sandbox is supported by the Code Administrators Code of Practice.

What is the difference between the innovation sandbox and a derogation?

- The DCUSA derogation process was not flexible enough.
- The Innovation Sandbox introduced send-back powers.
- Extra reporting and consultations have been included in the process.

The innovator journey – DCUSA Case Study



A - Sandbox Application:

- Name of Innovator;
- Project Partner (if the innovator is not a DCUSA Party);
- Project Name;
- Project Details;
- Details of the Derogation needed (including which clauses/schedules a derogation is required from);
- Length of Derogation requested; and
- Impact on other Codes.

B - Sandbox Report Requirements:

- Sandbox Applicant details;
- DCUSA Party submitting the derogation request (if not the Sandbox Applicant);
- Set out the reason for the derogation;
- What amendments/deletions are required to DCUSA that form part of the derogation request;
- Any impact on parties including any costs;
- How long the derogation is for;
- How it better facilitates the DCUSA Objectives; and
- A reporting plan on the trial.

How can ElectraLink support



DCUSA Support for the Sandbox Process

- The DCUSA Secretariat will support innovators who wish to enter the sandbox process.
- If you contact the Secretariat directly regarding a potential sandbox application, they will advise you on how to access Ofgem's regulatory sandbox.
- Once entering the process, the Secretariat will provide innovators with support through the reporting stages.

Additional Services - ElectraLink Innovation Regulation Guidance

With our knowledge of industry codes and independent central market position we can:

- Work with innovators as they develop their innovation project proposals.
- Assist with sandbox applications and submissions for innovation funding.
- Help partner smaller innovation products with larger supporting companies.

How can ElectraLink support



If you are interested in using the DCUSA Sandbox for your innovation project, please get in contact with the DCUSA Team

DCUSA@electralink.co.uk

If you would like to learn more about ElectraLink's Innovation Regulation Guidance, please contact Advisory Services

advisory-services@electralink.co.uk

Summary of today's session



1

Innovators need to be aware of any regulatory barriers

2

Sandboxes offer opportunities for real-life testing

3

Regulation and Codes can be an enabler

4

ElectraLink have expertise that can help!



For further information, if you have questions or would like to discuss any of the detail outlined during this webinar please contact the Advisory Services Team at: Advisory-services@electralink.co.uk

We will be sending out the recordings for Part 1 and Part 2 of this webinar together with a copy of the slides to all participants shortly.