

Update

Summary of Responses to proposal to introduce the Future Regulation Sandbox

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This document summarises stakeholder views on our proposal to introduce the Future Regulation Sandbox, an innovative policy instrument to test and trial rule changes to the energy rulebook before making them. It incorporates responses to our Call for Input published in October as well as those gathered through other stakeholder engagement channels. This is not a decision document, but rather an update which sets out our next steps based on the feedback we have received.

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Update



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1. Introduction

Background

- 1.1 In October 2023, we consulted on our proposal to introduce the Future Regulation Sandbox (FRS), an innovative policy instrument to test and trial changes to the energy rulebook before making them. The FRS would sit alongside our existing Energy Regulation Sandbox (ERS), Fast Frank Feedback (FFF), and Strategic Innovation Fund (SIF) to strengthen our suite of innovation support tools. It represents a more strategic, policy-driven approach to sandboxing, which aligns with a wider move by regulators globally to become more agile and anticipatory in our decision-making.
- 1.2 We published the [Call for Input](#) (CfI) as the start of our conversation with stakeholders, painting our vision for the FRS and asking for views on whether there is value in our proposal for a FRS, what topics it could be used for, and how the FRS could best be implemented to maximise its benefits to the market. This publication provides an update including a summary of stakeholder responses to our proposal and our next steps.
- 1.3 The rest of this document is arranged by themes covered in the CfI: 2. Overall concept of the FRS and the problem it addresses; 3. Benefits, risks, and willingness to take part; 4. Prioritisation and selection of ideas and projects; 5. Sandbox environment design and participation; 6. Informing energy regulation and the sector; 7. Scope, types of trials and topic suggestions; 8. Conclusions and next steps.

Overview of responses and wider feedback

- 1.4 We received 24 written responses to the CfI. It was important to us to gather views on the FRS proposal from a broad range of innovators and other stakeholders. Therefore, alongside the CfI we conducted targeted bilateral meetings with an additional 13 stakeholders and held an open and interactive workshop where around 30 attendees could contribute their views anonymously via a Mural board.
- 1.5 This summary incorporates responses from all engagement channels and therefore includes views from representatives of energy networks, suppliers, Code Administrators, non-licensed innovators, consumer groups, and more.

2. Overall concept of the FRS and the problem it addresses

Background and our proposal

- 2.1 From our interactions with innovators across the energy sector, we have observed that frictions can arise in the relationship between innovation and regulation. This can manifest as innovators operating in regulatory grey areas or with suboptimal workarounds, consumer protections that need updating in response to new risks from innovations, and rules that need updating to allow for new ways of solving sector problems.
- 2.2 The FRS would operate at the intersection of innovation and energy rulebooks, informing rule changes that need to happen to better enable or keep pace with innovation for a future energy system. In contrast to our current innovator-led sandbox, the FRS would take a policy-led approach, allowing us to resolve frictions in this relationship in a strategic and agile way, which we anticipate will become crucial with the increasing complexity of the energy sector and the urgency with which we need innovation to support our transition to net zero.
- 2.3 The FRS would bring together market participants and rule owners to identify how our rulebooks need to evolve, and how live trials of innovation or updated rules can generate valuable and unique evidence to inform what decisions should be made. Our proposal highlighted that the key differences between the proposed FRS and our current Sandbox offer are a) the explicit aim to inform decisions about how energy regulation should change and b) Ofgem taking a more active and strategic role in the initiative for and design of trials.
- 2.4 We asked stakeholders if they agreed with our problem statement and with the fundamental idea of using regulator-led trials to address frictions.

Stakeholder responses

- 2.5 There was general agreement with the problem we set out. Respondents agreed that friction between innovation and some parts of the rulebook already exists, and it was highlighted that the extensive changes driven by decarbonisation, digitalisation, and decentralisation may exacerbate these in the near future.
- 2.6 A minority of stakeholders felt that, while tension exists, this should not necessarily be viewed negatively. It was highlighted that regulation serves an important purpose in maintaining a stable market and upholding consumer

protection, and that existing change processes (eg licence derogations and code modifications) have demonstrated success in addressing frictions that need resolving.

2.7 There was also broad agreement with the fundamental idea of using trials of innovation and regulation to inform decisions about rule changes. However, there were some mixed views on the concept of the FRS being described as 'regulator-led' in nature.

- Some stakeholders saw value in this approach: insights generated through trials carrying significant weight in filling evidence gaps; neutralising stakeholder tensions from conflicting interests; an increased chance of regulatory change; a set place for industry to discuss regulatory issues with Ofgem; providing a forum to facilitate broader conversations about industry challenges.
- Other stakeholders cited concerns, cautioning against the regulator stepping into a trial design role: industry are best placed to suggest and trial solutions; the risk of a centralised approach to innovation and regulatory change focusing on macro thinking at the expense of opportunities for innovators that may lie in the details of rules; a risk-averse attitude across relevant policy teams (both within Ofgem and within other bodies which oversee rules), which would require a culture/attitude change for the FRS to be successful.

2.8 Stakeholders also expressed the view that the FRS should not be the only route for innovation to inform regulatory change, and – given the resource requirement to conduct trials – should only be used in appropriate circumstances.

Next steps

2.9 We are confident from our engagement that stakeholders see enough value in the FRS to continue developing this idea into a deployable policy-making tool which will work in addition to our existing regulatory toolbox. We recognise that, while there is agreement with the overall ambition of the FRS, there are many aspects of the design that need to be carefully considered so that we can achieve this ambition. For example, we recognise that clarity of roles and responsibilities is key for success and will consider this carefully as we continue the detailed design and implementation of the FRS.

3. Benefits, risks, and willingness to take part

Background and our proposal

- 3.1 Introducing a policy-led sandbox could have benefits for participants, Ofgem, consumers and wider industry. In our CfI we highlighted that participants could benefit from the opportunity to trial innovative ideas that are currently not possible; the chance to shape future regulation; the bringing together of innovators to maximise impact; and access to Ofgem and Code Administrator subject matter experts. Ofgem would benefit from being able to assess the risks and benefits of new innovations in real time, as well as to test potential rule changes ahead of wider implementation. This would ultimately benefit the wider sector, including consumers, by facilitating more dynamic and adaptive decision-making.
- 3.2 We also outlined that FRS trials could pose risks. These include consumers being negatively affected by trials, the wider market being impacted by the potential short-lived competitive advantage gained by participants, and the regulator and Code Administrators being influenced by participants to shape rules in their favour. We are already experienced in successfully managing some of these risks with our ERS, and outlined how we would approach the design of the FRS to mitigate against them.
- 3.3 We asked stakeholders if they agreed with the benefits and risks we set out. We also asked innovators specifically if they would be willing to participate in the FRS.

Stakeholder responses

Benefits

- 3.4 All respondents to this question agreed or broadly agreed with the benefits for participants and the wider sector we set out. Additional advantages were also identified:
- For participants, who may experience reputational benefits from 'positive' trial outcomes, and benefit from exposure and networking opportunities (particularly for smaller or newer players).
 - For Ofgem, who will benefit from being able to identify where change is needed, where there is market appetite for it, and what impact this might have on consumers.

- For the wider market, with the FRS described as a way to “level up” the balance of innovation trials between technical and regulatory solutions, and as a way to improve pathways to deployment.

Risks

3.5 Respondents highlighted additional risks that fall into three broad categories:

- **Governance:** One aspect of this category is the risk that ineffective governance throughout trials undermines the process, highlighted as a particularly high risk where trials involve multiple rulebooks eg cross-code trials. Another is that existing industry code processes may not be able to support our proposed FRS processes and would require changing. Governance within individual participating projects was also cited as a risk, with one respondent pointing out that non-regulatory issues, for example with project management, may impact the success of the trial outcomes.
- **Fairness:** Some stakeholders indicated that there is likely to be an asymmetry in the ability of small vs large participants to engage in the FRS, which could lead to subsequent policy decisions not working for the full range of market participants. Additionally, some stakeholders expressed concerns that participants may be able to exert undue influence over rule-owners, and others raised the risk that derogations may be used (or perceived) to give preferential treatment to participants.
- **Efficacy/chance of success:** The final risk category reflects stakeholder concerns that the FRS will not achieve the aims and objectives we set out. For example, some respondents expressed the view that our proposed process will not be agile enough, resulting in change processes that take longer than existing alternatives (eg industry code modifications). Respondents also linked the success of the FRS to selecting appropriate topics and projects, citing key factors such as solutions’ proximity to market availability, the clarity of the business case for participation, and the level of engagement in a given trial. Finally, it was pointed out that there is a risk that trial findings may not apply well to the broader market context, which could lead to rule changes that don’t achieve the desired outcomes.

Willingness to participate

3.6 The majority of those who answered this question said that they ‘would’ or ‘would consider’ taking part in the FRS. Some said that they would need more information before deciding on participation in a given topic, and that engagement would depend strongly on the trial topic and implementation. Only

one respondent said that they would not consider participating, citing concerns that the process would be too burdensome.

Next steps

- 3.7 It is encouraging that respondents identified further benefits to using FRS trials and that most would consider taking part in them.
- 3.8 We are confident that we are already equipped to mitigate against some of the highlighted risks from our experience running our existing sandbox. In the next stage of FRS development, we will continue to consider how to mitigate against additional risks through design and governance processes and will continue to engage with stakeholders to refine these.

4. Prioritisation and selection of ideas and projects

Background and our proposal

- 4.1 We believe that the FRS offers a unique opportunity to use live trials of innovation and regulation to yield evidence and insights that are challenging to obtain through traditional policy development tools (such as consultations, working groups, and theoretical modelling). We recognise that running such trials is resource intensive, for both participating innovators and overseeing bodies. It is crucial that we collaborate with sector stakeholders to identify challenges, design trials, and select projects that provide essential evidence for decision-making.
- 4.2 We therefore proposed that FRS trials may involve an initial ideation stage (where any stakeholder can suggest ideas), a consolidation stage (where Ofgem collaborates with other rule owners to design the trial environment), and then a consultation and invitation stage (for potential participants as well as wider pool of stakeholders to feed into trial design). We are open to the possibility that some of these stages could be skipped where existing policy development has already identified and explored options that can be trialled.
- 4.3 We asked stakeholders for their views on this proposed process and what we should consider at each stage.

Stakeholder responses

- 4.4 Generally, there was support for our proposal to engage with industry to gather trial ideas. Stakeholders suggested using existing forums, innovation programmes and partnerships to do so, which could also ensure that both the call for ideas and

the invitation to apply reaches a broad and diverse range of innovators. Code Administrators in particular were identified as having a role in feeding into a long-list of ideas.

- 4.5 A minority of stakeholders posed questions about whether the ideation stage should involve only those with 'appropriate industry knowledge.' Another concern raised was that using a bottom-up approach to create a long-list of ideas may result in missing out on the most impactful and strategic trial ideas.
- 4.6 There was a strong call from stakeholders for Ofgem to help focus idea generation by setting out how the FRS might contribute to our strategic priorities, for example signalling whether there are any particular policy ideas we're looking to address through a trial.
- 4.7 There was also a strong call for transparency, fairness, and robustness when gathering and prioritising ideas and selecting projects. Several stakeholders suggested that we publish guiding principles and trial criteria up front, for example alignment with net zero, and using these to rationalise which projects are accepted to and rejected from a given FRS trial.
- 4.8 Innovators stated that they would need as many details published as possible to help them decide whether or not to apply to a particular FRS trial. Specific details cited include the trial purpose/objectives, guidance on what success looks like, any specific capabilities and skills needed to generate evidence, and expected timescales and milestones.
- 4.9 There was some concern that these initial stages are too administration heavy. A few respondents pointed to SIF and ERS processes as being resource intensive resulting in smaller partners being discourage from engaging.
- 4.10 There was a minority view that an independent reviewer would be best placed for applications, citing a concern that Ofgem may have too narrow a view on which industry challenges would benefit most from a trial.

Next steps

- 4.11 As we continue with the detailed design and implementation stages of FRS development, we will consider how to ensure we gather and choose the most appropriate and impactful industry challenges to address through an FRS trial. This includes considerations around getting the right balance between robust and transparent processes that facilitate agile decision-making.

5. Sandbox environment design and participation

Background and our proposal

- 5.1 To achieve the overall aim of FRS – innovation insights informing regulatory decisions – the design of the rules and conditions in place for the trial are key. It is crucial that the sandbox environment is set up to generate evidence that can inform the policy question(s) at hand, work for all innovators participating in the sandbox, whilst maintaining consumer and system safety.
- 5.2 We proposed that the FRS would use Ofgem’s existing powers and Sandbox tools (ie we are not seeking additional powers), including powers to derogate from licence conditions or to give comfort and confidence on how rules would apply in a trial setting. We would use these powers to create a temporary rule environment that is tailored to the objectives of a specific trial and the innovators operating within it. We suggested that we may adapt the timescales, rules, and conditions throughout a trial period as required and with the agreement of participants, and that the feedback of non-participants on both the trial design and the policy questions should be sought. We asked stakeholders for their views on the possible designs of Sandbox environments and how we can ensure we maximise learning about innovation and potential rule changes.
- 5.3 We also asked for views on what we should consider when designing the sandbox as a tool that is accessible and attractive for a diverse range of innovators, including large and small, licensed and non-licensed, and existing and new players. This included our proposals to admit multiple projects to participate in the same Sandbox environment and to explore how Ofgem could support partnership formation between innovators prior to the submission of applications.

Stakeholder responses

Environment design

- 5.4 There was general support for our proposal to take a flexible, tailored approach to each sandbox environment. Stakeholders identified that this approach could maximise trial learnings and understanding of the impact of new innovations and regulations.
- 5.5 There were mixed views on our proposal to make changes throughout the trial period. While many stakeholders expressed support for this approach, some raised that this could pose risks. Where participants are receiving funding from external sources, changes to trial conditions or durations may conflict with those

set by the funders. Some warned that changes could undermine the accuracy of evidence, ultimately risking the success of the trial.

- 5.6 As with the earlier ideation stages, there were strong calls for clarity and transparency to be prioritised throughout the duration of trials, specifically in relation to the support available to innovators, and the roles and responsibilities of participants, Ofgem, and (where relevant) Code Administrators.
- 5.7 Stakeholders suggested a range of other points that should be considered in this stage of the process:
- **Avoid working in silos:** Understand from an early stage how a given FRS trial fits into the bigger picture of innovation and regulatory reform.
 - **Collaboration is key** to ensuring any issues are surfaced early and the path to change is as smooth as possible. Code Administrators and central bodies were cited as key organisations.
 - **Flexibility in setting trial environments.** There was a call to ensure that trial criteria are carefully considered and applied with flexibility so as to avoid 'arbitrary' parameters that might exclude valuable projects from participating.
 - **Non-regulatory barriers** should be anticipated, and mitigation plans considered early in the process.
 - **Inclusive design** to ensure trial outcomes benefit all consumers.

Participation

- 5.8 There were no objections to our proposal for multiple innovators to participate in the same trial environment and there was broad agreement in principle from both large and small innovators that the FRS should be open to all innovators to maximise the range of innovations that can be explored. However, there was some concern about how this would work in practice, mixed views on our proposal to explore how Ofgem can support partnerships between licensed and unregulated entities prior to the submission of applications. Risks cited fall broadly into three categories:
- **Risk and liability during trials** – licensed and larger innovators expressed concerns relating to the distribution of risk for participants and those impacted by trials if they were required to partner with unregulated parties throughout trials, questioning the impact of an asymmetry in accountability. It was also highlighted that participation in regulation trials would require a high level of knowledge of sector rules, which may be less achievable for smaller innovators.

- **Intellectual Property (IP) considerations** – On the other hand, non-licensed innovators were more likely to express concerns around being required to partner with licensed incumbents, citing our proposed knowledge sharing requirements as a risk to their businesses which may be reliant on commercially sensitive IP.
- **Practicalities** – caution was advised against “simply requiring non-regulated and regulated participants to partner together” which does not necessarily lead to good innovation outcomes, particularly if there are misaligned incentives or motivations for participation. Limitations in who can receive regulatory relief was also cited as a potential risk to effectiveness, as it may mean this tool is perceived as only accessible to licensed participants.

Lack of funding was the most cited potential barrier to participation in the FRS, with many highlighting that this is likely to deter smaller players more strongly and could limit the potential for trials involving consumers in vulnerable circumstances and fuel poverty. There were also questions raised about how other sandbox partners (eg Code Administrators and central systems) would be resourced to support FRS trials.

Respondents were generally supportive of the ambition we set out to align the FRS with other innovation programmes and funding streams (eg Ofgem’s SIF or those run by the Department for Energy Security and Net Zero (DESNZ) in the future. Flexibility in funding was cited as an important factor for success to ensure that rigid structures do not cause tensions with FRS processes or innovation activities.

5.9 There was a minority view that a lack of funding may not always pose a barrier to participation. For example, where a trial might provide access to markets and revenue streams that would otherwise be inaccessible for some participants. It was also raised that the prospect of permanent regulatory change as an outcome – which could enable new business models – could be enough of a driver for some players. We recognise that this may apply more to larger and more established innovators.

5.10 Feedback regarding widening participation mostly focused on smaller innovators, given that they are likely less well-resourced and perhaps hold less detailed knowledge of sector rules and market arrangements. Suggestions of how to ensure they have the opportunity to participate included: ensuring a wide reach in our engagement and communications of FRS trials, including by using key organisations who are already engaging with diverse actors (eg Code Administrators); minimising the administrative burden at all stages in the process; and providing appropriate guidance to innovators throughout trials.

5.11 We received support for our proposal to use existing policy-development mechanisms (eg consultations, code change processes) alongside trials to include voices of non-participants. Stakeholders recommended using a mixture of engagement methods (eg targeted approaches and wide dissemination) to ensure we reach a diverse range of actors, and including two-way engagement opportunities to allow probing questions and suggestions from stakeholders as trial results emerge.

Next steps

5.12 As we work on the detailed design of the FRS, we will continue to explore aligning the FRS with funding sources (including SIF and others) as one approach to lowering barriers to participation. We will also consider how non-financial design aspects can be refined to ensure the FRS is a tool that can benefit a diverse range of potential participants.

6. Informing energy regulation and the sector

Background and our proposal

6.1 The primary objective of the FRS is using innovation trial insights to inform energy regulation. We therefore put careful consideration into how we can design the FRS such that it can lead to informed and timely policy decisions, how non-participating stakeholders can feed into trial rules and conditions, how the wider sector can benefit from trial findings, and the end-of-trial transition arrangements.

6.2 We proposed incorporating key principles into the FRS process including agility, robust monitoring and reporting, and alignment with Data Best Practice principles. Additionally, we recommended taking a case-by-case approach to feeding insights from trials into decisions about permanent rule changes, transparently publishing findings, and tailoring transition arrangements.

Stakeholder responses

Information sharing

6.3 There was broad agreement with working to a presumed open approach to information, which respondents agreed contributes to our objective of enabling wider sector learning, and aligns with calls for transparency as a key operating principle. Some stakeholders pointed to the SIF as an example of good practice, and called for a focus on valuing lessons learned over project delivery reporting,

with a view that the 'how' of innovation activities can be as important as the 'what' in terms of extracting valuable insights for decision-making. There was also a recommendation to look to existing pilots and trials when considering insights and decisions.

6.4 Alongside general support for an open and transparent approach, some stakeholders highlighted risks that should be mitigated against to protect participants and promote trial success. These included:

- **Balancing information sharing requirements with concerns and considerations around commercial sensitivities** (including IP and confidentiality). Requiring sharing of information too early was cited as potentially dissuading participation, especially from smaller innovators.
- **Resource requirements** to fulfil information sharing obligations should be minimised. This was cited in the context of ensuring alignment with other data protection or sharing requirements, including those imposed by legislation (eg General Data Protection Regulation) or funding programmes.

6.5 One CfI respondent questioned whether non-participants should be informed of outcomes if they are not involved or directly impacted by activities or decisions.

6.6 A minority of stakeholders suggested that an independent arbiter would be best placed to deliver insights to minimise perceptions of lobbying.

Informing regulation

6.7 Considering what happens after an FRS trial is complete, stakeholders highlighted the importance of:

- **Timely decisions** on whether rules, that were altered for the purposes of a trial, will be changed permanently. Delayed decisions are likely to have commercial implications for trial participants which should be appreciated. There were suggestions to start thinking about transition arrangements early and collaborating with appropriate actors (eg Code Administrators) as necessary. Engagement with participants on what steps might be necessary to complete change processes was also recommended. There was some concern that uncertainty of outcome may limit participation in a trial.
- **Fairness** between participants and non-participants. It was highlighted that we should consider the balance between allowing trial arrangements to continue (where there are clear benefits to participants, including consumers) and avoiding market distortions. A question was raised about whether any

transition arrangements should be available only to participants or broadened to the rest of the market in instances where a permanent rule change is pursued.

- **Minimising disruption** to both participants and the wider market by allowing a gradual change to permanent rules (whether the same as or different from pre-trial arrangements), applying extensions where appropriate, and setting out expectations before trials begin on what success looks like.
- **Making robust decisions** by considering the broader impacts of changes on the market, including whether or not trial outcomes are likely to be replicated if conditions are extended to the rest of the market (need appropriate counterfactual); and considering whether new barriers are likely to be introduced through changes in rules, and who may be impacted by these.
- **Clear communication** of decisions about rule changes, ensuring this reaches a wide audience. Some stakeholders called for an Ofgem-authored report outlining why a given decision is being made based on both FRS and other evidence, and involving other key actors where appropriate (eg Code Administrators if an outcome results in changes to industry code rules).

Next steps

- 6.8 As we continue with the detailed design of the FRS, we will consider how we balance IP and data sharing requirements to ensure it is a tool that is attractive to a range of potential participants while delivering benefits to the wider sector. We will also further consider how we can set out and communicate realistic expectations around what happens at the end of a trial, without compromising our evidence-based approach to decision-making.

7. Scope, types of trials and topic suggestions

Background and our proposal

- 7.1 Both the current ERS and the proposed FRS rely on existing powers given to Ofgem and the Code Administrators to provide regulatory support and/or relief to participants. We proposed that the FRS in the first instance draws on these powers, meaning its scope would be limited to Ofgem-owned rules and some industry rules, particularly where sandbox capabilities are already in place. However, we recognise that innovation activities may be impacted by rules owned by other organisations (including DESNZ, other regulators, and other Code

Administrators), and therefore set out in the CfI that we are open to exploring how, in future, we can broaden the scope.

7.2 We believe the FRS could be a powerful tool to unlock and drive innovation across the energy sector. In our proposal, we set out a non-exhaustive list of three example trial types to illustrate the range of applications.

- Regulation trials: trialling one or more updated rules/methodologies to see if they are fit for purpose.
- Innovation trials: testing one or more innovations to find out whether they solve a given problem.
- Open innovation challenges: trialling rule changes or setting a challenge to industry to submit proposals for innovations where there is no firm evidence of how best to solve a given problem.

7.3 We asked stakeholders for their views on the scope of the FRS, our example trial archetypes, and for suggestions of topics where live trials could add value to our understanding of how rules need to adapt to enable innovation that benefits systems and consumers.

Stakeholder responses

7.4 Some stakeholders responded that the current scope of the FRS would be sufficient to support impactful trials, but generally feedback advised extending the scope to all industry codes (particularly calling out the Smart Energy Code, Universal Network Code, and Connection and Use of System Code), relevant legislation (eg relating to data, planning restrictions, and the Gas Act 1986), and rules that sit within other sectors (eg health, other utilities, and finance) to elevate the impact of the FRS as a policy development tool.

7.5 Respondents mostly agreed with the trial archetypes outlined, however one respondent expressed the view that innovation trials and open innovation challenge applications are already covered by existing innovation programmes (including SIF). Another suggested that regulator-led trials should not focus on testing specific innovation solutions, and therefore the FRS should focus on trialling regulatory changes only.

7.6 We received a very broad range of topic suggestions, which are summarised at a high level below:

- Gas – eg 100% hydrogen networks.

- Resilience – eg consumer safety implications of supply interruption.
- Infrastructure – eg improving electricity network connections processes.
- Data and digitalisation – eg regulations around consumer consent.
- Flexibility – eg changes to threshold limits/tolerances.
- Retail – eg energy-as-a-service business models.
- Governance – eg development of new licenses.
- Local energy – eg how microgrids can provide local solutions to network constraints.

7.7 The breadth of topic suggestions demonstrates that there’s a broad application and need for the FRS. Notably, most suggestions were not specific enough to translate them to a trial immediately and will therefore need further analysis of feasibility and regulatory relief involved.

Next steps

7.8 Stakeholders see opportunities for the FRS to add value across a wide range of energy sector issues by trialling updates to rule books that facilitate innovation. As we move into the next stage of development, we will consider how to design FRS as a flexible tool that can be used to improve decision-making in different policy and regulation areas.

8. Conclusions and next steps

8.1 Although the FRS builds on our existing Sandbox and on trials that Ofgem has supported in the past, it is a novel concept for the GB energy sector. We are pleased that from the CfI and our engagement with the sector, we’ve seen broad support for the FRS and acknowledgement of its potential to transform regulation and innovation. This gives us confidence to continue developing the FRS into a deployable policy-making tool which will work in addition to our existing regulatory toolbox.

8.2 We are grateful for the many detailed thoughts stakeholders have shared with us on the design of all aspects of the FRS. To ensure the FRS fulfils its potential, we plan to continue working on its detailed design and implementation processes, ensuring that the trade-offs and challenges raised by stakeholders are addressed. We will continue engaging with industry codes on their role in facilitating FRS trials and are open to further input from the wider sector.

- 8.3 In the context of energy networks, we are in the process of considering how the option of running FRS trials could be built into the RIIO-3 framework, for example through linking it to SIF funding or allowing reopeners once a concrete trial need arises. We are looking to publish our decision on this within the RIIO-3 sector specific methodology decision in Q2 2024.