

Ofgem's Innovation Link is a 'one stop shop' offering support on energy regulation to businesses looking to introduce innovative or significantly different propositions to the energy sector.

We support innovative ideas that bring benefits to consumers. This also helps us understand emerging trends in the sector and identify areas in which our regulation may need to adapt to sustain innovation.

Many innovators' needs extend beyond Ofgem's regulation and into the realm of the codes. Therefore, a joined up approach is what is needed to deliver innovation in the sector. To achieve this, we have suggested developing a cross-code process to facilitate support and identify changes to the code that may support innovations.

Ofgem will maintain responsibility for receiving enquiries from innovators, assessing them against criteria and understanding their proposal as well as coordinating and managing throughout. We would look to the cross-code process to help inform innovators with relevant feedback. For innovators with trials that aim to test a new product or service, we offer a regulatory sandbox, which allows temporary derogations from licences to allow for a trial. Elexon is currently modifying the BSC to allow for this approach to extend to the BSC and we would like to extend this across all relevant codes. We see the process being available to both new organisation not acceded to the codes and code parties alike.

Our director, Pamela Taylor, convened a meeting to discuss this cross-code approach in January, and we have continued this at the working level. We suggest using CACoP to introduce a new principle, to anchor the process across codes, recognising that additional arrangements may need to be made for a 'sandbox' (derogations) process such as Elexon's mod P362. We've drafted text to begin discussion around what a principle could look like to best support this initiative.

Principle X: Code Administrators shall support prospective energy innovators

Principle description

Code Administrators shall support prospective energy innovators (“applicants”) by providing guidance on their codes to any applicant including those not acceded to said code(s). Ofgem will act as the co-ordinating and externally-facing body and will be responsible for receiving and assessing information from applicants. For applicants seeking to trial an innovative product or service, Code Administrators will assess and recommend appropriate temporary derogations to Ofgem.

Guidance on meeting the Principle

To achieve this principle Code Administrators will:

- Refer queries from energy innovators to Ofgem who will co-ordinate the process for the applicant across all relevant codes.
- Extend the critical friend approach to applicants, in particular by providing timely and accessible responses to queries (as per Principle 2).
- Provide support to parties that are not formally acceded to their code, with Ofgem as a coordinating body.
- Collaborate with other code administrators (as per Principle 13) to identify issues that overlap with multiple codes, for the purposes of enabling innovative trials.
- Identify and facilitate any necessary changes to their Codes to support / deliver this principle
- Enable applicants to trial innovations, where applicable, through time limited derogations granted by Ofgem.