DCUSA Change Report	At what stage is this document in the process?
# DCP 381: ## Update to Sandbox Process ***Date Raised:*** ***03 February 2020*** ***Proposer:*** ***Peter Waymont*** ***Company Name:*** ***Eastern Power Networks*** ***Party Representation:*** ***DNO***	**01 – Change Proposal** **02 – Consultation** **03 – Change Report** **04 – Change Declaration**

Purpose of Change Proposal:

To amend the DCUSA Sandbox Process

	This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 381: 'Update to Sandbox Process' Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to dcusa@electralink.co.uk by **17 May 2021.** The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document. If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to dcusa@electralink.co.uk or telephone 020 7432 3008.
	Impacted Parties: All
	Impacted Clauses: 56

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Timetable

The timetable for the progression of the CP is as follows:

Change Proposal timetable

Activity	Date
Initial Assessment Report	17 February 2021
Change Report Approved by Panel	21 April 2021
Change Report issued for Voting	23 April 2021
Party Voting Closes	17 May 2021
Change Declaration Issued to Parties	19 May 2021

Any questions?

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Any questions?

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1 Executive Summary

What?

1.1 The DCUSA Sandbox Process needs to be amended, following feedback from Ofgem to the DCUSA Board.

Why?

1.5 The process should be amended to align with the preferred service following the feedback contained in Ofgem's letter. The letter is attached as Attachment 4. Ofgem have confirmed to DCUSA that this letter can be shared.

How?

1.6 By aligning the DCUSA text to the proposed process. This is summarised below:

1.7 Where an innovator approaches the DCUSA Secretariat to request guidance regarding their project and whether it will be impacted by the DCUSA, the Secretariat will provide appropriate feedback. They will inform Ofgem that they have been contacted by a particular project and provide Ofgem with an indication as to whether a sandbox application will be made in the near future.

1.8 It is suggested that the following are used for assessing an applications' eligibility:

- Innovation
- Consumer benefit
- Background research and
- The need for sandbox support

1.9 Once an application has been made to Ofgem and it is clear the proposal has DCUSA implications, the Secretariat will provide the following services:

- Once Ofgem determines an application is Duly Made, the outcome of Ofgem's initial assessment will be sent to the Secretariat to carry-out the Detailed Assessment of the application, which will include an assessment of the proposal's eligibility and suitability for the DCUSA sandbox.
- The Secretariat will undertake the Detailed Assessment, complete the 'sandbox application assessment form' and return this to Ofgem with an interim recommendation to approve or reject the application.
- Ofgem will complete their own assessment and make an interim decision based on the combined assessment, as to whether or not the sandbox request is to be approved.
- With this interim pre-approval decision from Ofgem, the Secretariat will present the application to the DCUSA board for approval.
- The DCUSA Board's decision will be communicated to Ofgem for final approval.

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2 Governance

Justification Part 2 Matter

2.1 This Change Proposal is classed as a Part 2 Matter as it is required and it does not meet the criteria to be processed as a Part 1 Matter.

Requested Next Steps

2.2 The Panel considered that the Proposer has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 381.

2.3 The DCUSA Panel recommends that this CP be issued to Parties for voting for a period of 15 Working Days.

3 Why Change?

Background of the DCUSA Innovation Sandbox

3.1 In 2016, Ofgem introduced an initiative called the Innovation Link which aimed to promote innovation through what is known as a regulatory sandbox[1]. This initiative allows innovators to rial new products, services and business models in a real-world environment without having to comply with all the industry obligations.

3.2 So far, the regulatory sandbox has covered obligations controlled by Ofgem based on four eligibility criteria:

- Innovation
- Consumer Benefit
- Background Research; and
- The need for support.

If innovators are not licenced and are seeking derogations to test a product or services, then they will need to work with a licenced business for the duration of their sandbox application.

3.3 Further to this, it was noted that Ofgem are not able to offer relief from the detailed energy codes which underpin the operation of the gas and electricity markets, and which are maintained by the industry. Therefore, in order to widen the scope of the sandbox, Ofgem have worked closely with Code Administrators and developed Principle 14 of the Code Administrators Code of Practice (CACoP), which states that Code Administrators shall support prospective energy innovators by:

"Enabling applicants to trial innovations, where applicable, **through time limited derogations granted by the Gas and Electricity Markets Authority**."

[1] What is a Regulatory Sandbox?

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3.4 Following a review of this new principle, it was noted that the usual derogation process contained with DCUSA was not flexible enough to allow for innovations to be trialled as per the criteria set out in CACoP. Therefore, DCP 345[2] was raised to introduce a DCUSA Innovation Sandbox into the agreement and this was implemented in November 2019.

3.5 From 2019 to the present day, Ofgem's Innovation Link team have been accepting innovators into their regulatory sandbox to test new products and services and it has been quite successful. However, it was decided that a review of the process was to be undertaken to ensure that Ofgem and the Code bodies were fulfilling their obligations successfully. Following this review, Ofgem sent a letter (Attachment 4) to the DCUSA Board to request that a further step was included into the DCUSA Innovation Sandbox Process which stated that the Code Administrator needed to conduct a pre-assessment of any sandbox applications to ensure that:

- All relevant information is included
- The project meets the set criteria for the Code
- There are no unforeseen impacts on the other DCUSA Parties or industry codes; and
- The derogation request meets the DCUSA Sandbox criteria.

3.6 However, upon receiving this letter from Ofgem, it was noted that the DCUSA text needed to be aligned with the desired process detailed in the letter.

Part B: Code Specific Details

4 Solution

4.1 The legal text for DCP 381 is attached as Attachment 1 to this Change Report. The legal text showcases the amendments being made to DCUSA to ensure that the process detailed in Ofgem's letter is included within the DCUSA Innovation Sandbox Process.

Text Commentary

4.2 See Attachment 4. This is designed to align the legal text to the high-level process described in section 1 "Why?" and as further explained in Ofgem's letter at Attachment 1.

5 Code Specific Matters

Reference Documents

None

6 Relevant Objectives

[2] DCP 345

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6.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. The full list of objectives is documented in the DCUSA document.

6.2 The Proposer considers that the following DCUSA General Objectives are better facilitated by DCP 381.

DCUSA General Objectives	Identified impact
☐ 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	None
☐ 2 The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity	None
☐3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	None
☒ 4 The promotion of efficiency in the implementation and administration of the DCUSA	Positive
☐ 5 Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None
It creates efficiency in the adminsitration of the DCUSA process for the Sandbox applications.	

6.3 This change will enable DCUSA to better reflect the current legislation and therefore has a positive impact on DCUSA General Objective Four.

7 Impacts & Other Considerations

Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

7.1 There is no impact on any of the current SCRs or any other industry change projects.

Does this Change Proposal Impact Other Codes?

BSC ☐

CUSC ☐

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Grid Code	☐
MRA	☐
SEC	☐
Other	☐
None	☒

Consideration of Wider Industry Impacts

There are no wider industry impacts.

Confidentiality

There are no confidentiality concerns.

8 Implementation

Proposed Implementation Date

8.1 DCP 381 will aim to be implemented in the first DCUSA release, following Party approval.

9 Legal Text

9.1 The legal text for DCP 381 has been recommended by the Proposer and reviewed by the DCUSA legal advisor and is provided as Attachment 1.

10 Recommendations

Panel's Recommendation

10.1 The Panel approved this Change Report on 21 April 2021. The Panel considered that the Proposer has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 381.

10.2 The Panel have recommended this report be issued for voting and DCUSA Parties should consider whether they wish to submit views regarding this CP. The Voting Form can be found in Attachment 2.

11 Attachments

- Attachment 1 – DCP 381 Legal Text
- Attachment 2 – DCP 381 Voting Form
- Attachment 3 – DCP 381 Change Proposal Form
- Attachment 4 – Innovation Sandbox Ofgem Letter

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