



## Sandbox toolkit - draft report

The Australian Energy Market Commission (AEMC) has recommended the introduction of a regulatory sandbox toolkit in the national energy markets. The new arrangements will make it easier for businesses to develop and trial innovative energy technologies and business models.

### The sandbox toolkit will facilitate innovative trials

A regulatory sandbox is a framework within which participants can trial innovative concepts in the market under relaxed regulatory requirements at a smaller scale, on a time-limited basis and with appropriate safeguards in place.

It is important that the regulatory framework and processes support potentially beneficial emerging technologies and business models. Innovation in the energy market can benefit consumers by providing better services at a lower cost.

It is equally important that innovators are supported by a clear and transparent regulatory framework. Our proposed regulatory sandbox toolkit has been designed to be used sequentially, it includes:

- **The innovation inquiry service.** A new, coordinated approach to provide feedback and guidance to sandbox trial proponents and innovators. This approach has been developed in collaboration with the Australian Energy Regulator (AER), Australian Energy Market Operator (AEMO), Australian Renewable Energy Agency (ARENA) and Energy Consumers Australia (ECA). The innovation inquiry service can assist sandbox trials to proceed under existing rules, or refers trial proponents to the next two steps.
- **Regulatory waivers.** A new AER regulatory waiver power for eligible trials, providing time-limited regulatory relief from regulations arising out of the existing rules.
- **Trial rule changes.** A new AEMC expedited rule change process for eligible trials requiring a time-limited change to existing rules or new rules.

The proposed arrangements will provide innovators in the energy sector with a clear pathway to conduct sandbox trials in the national energy markets.

### Some tools can operate now, some will need changes in the law and rules

The innovation inquiry service can be operated within the existing regulatory framework. The market bodies, AEMC, AEMO and AER, will coordinate their feedback and advice to innovators through this channel.

The regulatory waivers function and the trial rule changes will require changes in the law and the rules:

- The new regulatory waiver function requires changes to the law. The rules will require the AER to develop a sandbox guideline setting out entry and eligibility requirements.
- The new trial rule function will require a change in the law and additions to the rules.

### What are the next steps?

The market bodies, AEMC, AEMO and the AER will set up entry point portals on their respective websites, allowing innovators to access the **innovation inquiry service**. The AER will coordinate, and provide advice and feedback to inquiries received through the portal. This will be completed before the AEMC release its final recommendations to the COAG Energy Council's Senior Committee of Officials (SCO) in September 2019.

The AEMC will hold a stakeholder workshop on 26 July 2019 in Sydney.

Stakeholders are invited to make written submissions by 8 August 2019.

## Background

As part of the 2019 *Electricity network economic regulatory framework review*, the COAG Energy Council requested the AEMC to examine regulatory sandbox arrangements and how to best facilitate coordination of proof-of-concept trials. The AEMC was required to provide interim advice by February 2019.

The Commission was requested to consider issues beyond economic regulation of electricity networks and the need for regulatory sandbox arrangements in other parts of the energy regulatory framework, for example, relating to wholesale electricity markets and consumer protections.

This work also builds on the findings of our 2018 *Electricity network economic regulatory framework review*, a recommendation of the Independent Review into the Future Security of the National Electricity Market (Finkel review) and previous work done by state, territory and commonwealth officials to consider the case for introducing regulatory sandbox arrangements.

On 20 December 2018, the Commission published a consultation paper inviting written submissions by 31 January 2019. The Commission received submissions from 28 stakeholders, with most supporting the establishment of regulatory sandbox arrangements. In March 2019, we released an interim advice to the SCO.

For information contact:

Director, **Owen Pascoe** 02 8296 7856

Adviser, **Jashan Singh** 02 8296 7853

Media: Communication Director, Prudence Anderson 0404 821 935 or (02) 8296 7817

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