



INFORMATION

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Sandbox toolkit - Final 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 approaches to providing energy services to consumers.

The sandbox toolkit will facilitate innovative trials

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

Innovation in the energy market can benefit consumers by providing better services at a lower cost. Innovations beneficial for consumers can be encouraged by establishing a clearer process for proponents of trials to approach energy market regulatory bodies for guidance on regulatory issues and regulatory options to avoid unnecessary delays and costs for eligible trials.

Our recommended regulatory sandbox toolkit has been designed to be used sequentially. It includes:

- **An innovation enquiry service.** A new, coordinated approach to provide feedback and guidance to trial proponents and innovators. The innovation enquiry service can assist trials to proceed under existing rules, or refer trial proponents to the next two steps.
- **Regulatory waivers.** A new AER regulatory waiver power for eligible trials, providing time-limited regulatory relief from a specific rule in the national energy rules or from the registration requirements in the national energy laws where these are creating a barrier.
- **Trial rule changes.** A new AEMC trial rule change process that can temporarily change existing rules or temporarily introduce a new rule of limited application to allow an eligible trial to go ahead.

The Commission collaborated with the Australian Energy Regulator (AER), Australian Energy Market Operator (AEMO), Energy Consumers Australia (ECA) and Australian Renewable Energy Agency (ARENA) to develop the final recommendations.

Many innovative trials have already taken place or are underway, including virtual power plant demonstrations and AEMO-ARENA's joint demand response trial. However, the AEMC's recommended changes are designed to make it quicker and easier to undertake trials while still providing appropriate protections for consumers.

Implementing the toolkit

The innovation enquiry service can be operated within the existing regulatory framework. The AER will be responsible for its implementation including determining when the service will be launched and resourcing requirements.

The new regulatory waiver and trial rule change tools will require changes to the national energy laws and the national energy rules. The Commission recommends changes to the National Electricity Law, National Energy Retail Law and National Gas Law with more detailed provisions to be made under the rules and under a new trial projects guideline.

The AEMC has prepared recommended drafting instructions for amendments to the national energy laws (see Appendix A of the final report). The AEMC has also provided initial drafting for changes to the national energy rules to give effect to the toolkit. These can be found in a separate document published with the report.

To progress these reforms, the COAG Energy Council may consider two alternative approaches:

- Firstly, the amendments to the national energy laws could be made by the South Australian Parliament and a rule change request could then be submitted to the AEMC (by the COAG Energy Council or any other person) to consult on, draft and make the supporting rules.
- Alternatively, following endorsement of the recommendations by the COAG Energy Council, the AEMC could commence work to further develop rule changes to implement the recommended framework including seeking stakeholder feedback on the proposed rule changes. The complete package of national energy law and rule changes could then be submitted to South Australian Parliament and the South Australian Minister (respectively) to be made.

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.

On 20 December 2018, the Commission published a consultation paper seeking stakeholder feedback on the need for regulatory sandbox arrangements. In March 2019, we released interim advice proposing a regulatory sandbox initiative to promote innovation.

On 11 July 2019, the Commission published a draft report recommending the introduction of the regulatory sandbox toolkit and the proposed high-level design of each element of the toolkit. The Commission sought stakeholder feedback on the proposal. Out of the 21 stakeholders who provided feedback, 20 supported the introduction of the regulatory sandbox toolkit. Stakeholder also provided suggestions on the design of the individual regulatory sandbox tools.

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