



Regulatory sandbox arrangements to support proof-of-concept trials

Publication of consultation paper

The Australian Energy Market Commission has published a consultation paper on regulatory sandbox arrangements to support proof-of-concept trials in the National Electricity Market (NEM). Submissions are invited by 31 January 2019.

The emergence of innovative technologies and business models can bring significant benefits to consumers, but new concepts can sometimes be inconsistent with the existing regulatory framework. The consultation paper explores potential barriers to trialling new approaches and whether there may be a need for formal regulatory sandbox arrangements in the NEM.

About regulatory sandboxes

Broadly, a formal regulatory sandbox is a framework within which participants can trial innovative business models, products and services in the market under relaxed regulatory requirements on a time-limited basis and with appropriate safeguards in place. The sandbox approach has been adopted by other regulators seeking to facilitate innovation in their markets including the Australian Securities and Investment Commission (ASIC) and the Office of Gas and Electricity Markets (OFGEM) in the United Kingdom. There are also a variety of other regulatory tools that could be used to facilitate proof-of-concept trials, such as provision of information, exemptions and waivers, a number of which are already in place in the NEM.

Background

The Commission has been requested by the Senior Committee of Officials (SCO) of the COAG Energy Council to provide interim advice by February 2019 on how to best facilitate co-ordination of proof-of-concept trials and the need for formal regulatory sandbox arrangements to support innovative projects offering benefits to customers while managing any risks. The consultation will form the basis of the interim advice to be provided to SCO.

This consultation is being conducted as part of the 2019 *electricity network economic regulatory framework review*, however considers regulatory sandbox arrangements more broadly than network regulation.

The consultation paper builds on the findings of the 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 an assessment by a working group of Commonwealth and state officials which considered the case for introducing regulatory sandbox arrangements.

Process and stakeholder engagement

Through this consultation paper and initial stakeholder engagement, the Commission seeks to examine how to best facilitate co-ordination of proof-of-concept trials and clarify the need for regulatory sandbox arrangements. To assist stakeholder feedback, the consultation paper:

- outlines the concept of a regulatory sandbox and its adoption by other regulators
- sets out the approach to proof-of-concept testing under the current framework and some trials that may be relevant
- seeks stakeholder views on whether there is a need for regulatory sandbox arrangements

and, if considered necessary, their objective and high level design.

If the need for sandbox arrangements is established, a second step of the process would be to consider their design in more detail. This would involve further stakeholder consultation, with further advice included in the 2019 *electricity network economic regulatory framework review*.

Stakeholders are invited to make submissions by 31 January 2019.

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

20 December 2018