

DCUSA Sandbox Guidance Document

This document provides a high-level overview of the Distribution Connection and Use of System Agreement (DCUSA) Sandbox Application Process.

Purpose and Scope

The purpose of this guidance document is to set out the process that the DCUSA Secretariat, Sandbox Applicant, DCUSA Parties, and the DCUSA Panel should follow with respect to Sandbox Applications. This document also explains the role of the Authority in this process.

Sandbox Application

A Sandbox Application is initiated by a person or company (Sandbox Applicant) that wishes to trial a new product or service and applies to Ofgem under their regulatory sandbox initiative. It enables innovation to be trialled over a set timeframe covering products or services in the live environment via derogations to either existing energy licences or code obligations. It will be measured against a set of Ofgem and code criteria.

Ofgem are not able to offer relief from the detailed codes (of which DCUSA is one) which underpin the operation of the gas and electricity markets, and which industry maintain. In order to widen the scope of the regulatory sandbox, Ofgem have worked closely with code administrators and developed Principle 14 - code administrators shall support prospective energy innovators, which now forms part of the Code Administrators Code of Practice¹.

The code of practice ensures that code administrators assist innovators as they apply for derogations to specific code obligations that are then sent to Ofgem to grant permission in order that the trial can be undertaken.

¹ [Code Administrators Code of Practice](#)

This guidance document forms part of the support package to Sandbox Applicants. It explains the process to be followed and the information required to progress the request through the DCUSA governance process

Initial Request

A Sandbox Application should be sent to Ofgem, who will consider whether to forward it to DCUSA Ltd for progression. This enables Ofgem to coordinate applications which have an impact on an industry code, or multiple codes and/or Licences.

In order to assist in the development of the application, the DCUSA Secretariat will support the Sandbox Applicant in advance of their submission to Ofgem should they contact them in such instances. They will advise on the process, likely impact on DCUSA if any and whether it impacts any other codes.

On receipt of a formal request from Ofgem the DCUSA Secretariat will discuss with the Sandbox Applicant the initiative they wish to introduce, the impacted clauses that need a derogation, the length of time required for the trial, any partners involved and whether they need to accede to DCUSA or not.

Derogation

A derogation allows for specific obligations to be removed or amended in order that compliance with the code is not breached. There are likely to be some clauses that will be refused a derogation such as payment of DCUSA Ltd charges, an amendment to the allocation of DCUSA Party charges, payment of DCUSA Party charges and credit cover arrangements. This is not an exhaustive list.

Accession

The obligations within DCUSA are specific to Parties to the agreement. These Parties, in the main, are distributors, suppliers or generators (DCUSA Parties). To derogate an obligation means the Applicant will impact the processes that are being undertaken by them.

There are a number of options available to Sandbox Applicants. The Sandbox Applicant may already be a Party to DCUSA so there is no accession concern.

If the Sandbox Applicant does not have an electricity licence to act as a distributor, supplier or generator and the derogation required impacts that Party or Parties they cannot accede to DCUSA. They can however seek a licence and thereafter accession or seek a partner who has a licence to request the derogation on their behalf. Seeking a licence and the necessary code accession is likely to be prohibitive and not appropriate for a trial so the partner route with a distributor, supplier or generator is the more likely approach.

The DCUSA Secretariat can provide details of distributors, suppliers and generators so that the Sandbox Applicant can seek a partner to their initiative.

Sandbox Process

The sandbox process allows for the DCUSA Panel, in conjunction with representations from DCUSA Parties, to consider the proposal prior to making a recommendation to Ofgem.

In order to ensure a robust report is sent to Ofgem, so that a considered decision can be made, both the Panel and Ofgem may request additional information. The DCUSA Secretariat will assist in processing the request through the various stages of the process and keep the Sandbox Applicant updated with the progress.

Sandbox Pre-Panel Consultation

DCUSA Parties will be given the opportunity to review and comment on all Sandbox Applications in advance of the Sandbox Report. A standard consultation will be published for DCUSA Parties to be able to provide any feedback to the Applicant to aid the development of their Application.

Sandbox Report

The DCUSA Secretariat will discuss the initiative with the Sandbox Applicant in order to submit an initial report to the DCUSA Panel. It will include:

- Sandbox Applicant details;
- DCUSA Party submitting the derogation request (if not the Sandbox Applicant);
- Set out the reason for the derogation;

- What amendments/deletions are required to DCUSA that form part of the derogation request;
- Any impact on parties including any costs;
- How long the derogation is for;
- How it better facilitates the DCUSA Objectives; and
- A reporting plan on the trial.

Once the DCUSA Panel has approved the report, including any request for additional information, it will be sent to DCUSA Parties and Ofgem for their consideration.

The feedback from DCUSA Parties will be discussed by the DCUSA Panel at its subsequent meeting. The DCUSA Panel, in making their decision, will consider the application together with any representations made and any costs identified by either DCUSA Parties or the DCUSA Secretariat.

The DCUSA Panel may apply further conditions as part of its recommendation to Ofgem.

In line with the regulatory sandbox any derogation can only be for a maximum of two years.

DCUSA Costs

The DCUSA Secretariat may require payment of a fee to cover the costs of processing an application. This is a standard fee approved by the DCUSA Panel from time to time and published on the DCUSA website.

In the event that the initiative impacts any DCUSA Ltd third-party provider services and/or any additional process changes that need to be undertaken by the DCUSA Secretariat during the trial, such an impact may result in additional costs being passed on to the Sandbox Applicant.

Recommendation to Ofgem

Ofgem, on receipt of the recommendation from the DCUSA Panel, will consider the Sandbox Report together with their own criteria in deciding the outcome of the request. They may consider that additional information is required. If this is the case, they will send the report back for further consideration by the DCUSA Panel indicating the areas of further

development. This may mean that a further round of consultations is required with DCUSA Parties and an updated recommendation by the DCUSA Panel.

Once Ofgem have sufficient information to make a decision they will consider the Sandbox Application and notify the DCUSA Panel whether to accept or reject the request.

Sandbox Application outcome

On receipt of the decision by Ofgem, the DCUSA Secretariat will inform the Sandbox Applicant of the outcome of their request together with any reasons made by them.

If the application was successful, as a minimum, a report on the trial is required on the progress being made in line with the reporting plan. It is expected that any additional report is required by Ofgem, the DCUSA Panel is provided with a copy. Any confidential information will be treated as such by the DCUSA Panel.

Any conditions laid down by the DCUSA Panel that form part of the derogation and relate to timescales or milestones will be provided in addition to any Ofgem report.

The DCUSA Panel will consider the report and provide feedback if required. Such feedback may include any additional conditions or a revocation of the derogation. If this is the case representation from DCUSA Parties and Ofgem would be requested.

Records

The DCUSA Secretariat will maintain a record of applications received and their current status from receipt to completion and at various stages in between. A monthly report will be produced and provided to the DCUSA Panel with a status report of in-flight and closed applications which will assist the DCUSA Panel in reviewing any similar requests that have been approved or rejected or that are already under a trial status. In addition, it will also record the outcome of the trial e.g. whether a Change Proposal has been raised and what the outcome was. The above will form part of the review undertaken by the DCUSA Panel when considering applications.

Next Steps

If the Sandbox Applicant wishes to progress this initiative further after the trial has been closed down, a Change Proposal can be raised under the normal DCUSA process. However, a Change Proposal can also be raised during the trial if applicable.

Contact Us

For more information on the DCUSA Sandbox Application Process you can contact the DCUSA Helpdesk at DCUSA@ElectraLink.co.uk or call 020 7432 3011.