

OEB Innovation Sandbox

Overview,
November 2020

Context

- The idea behind regulatory sandboxes emerged initially in the financial sector, where regulators had to contend with the question of how best to apply their frameworks and requirements to innovations such as blockchain and other novel uses of technology.
- Since then, the use of regulatory sandboxes has gained traction in the energy sector:
 - Great Britain's energy regulator, Ofgem, launched its Innovation Link in December 2016, one of the first energy-focused regulatory sandboxes
 - Energy sandboxes are now in place or under development in 7 European states, Singapore and Australia
- Unlike with programs to support pilot or demonstration projects, the focus on innovation in sandboxes often extends beyond technology and includes information sharing, guidance and/or temporary relief and collaboration as tools to support new ways of providing services in regulated environments.

Genesis of OEB Innovation Sandbox

- Prior to the launch of the sandbox in 2019, the OEB had heard from distributors and other energy sector businesses that regulatory barriers were preventing the uptake of more innovation in the sector
 - Observation tended to be generic rather than specific; stakeholders rarely cited a specific rule or requirement as the impediment
- The OEB also noticed that there was low uptake of existing enabling policies meant to permit and encourage a departure from status quo.
- The OEB recognized that innovators may be hesitant to invest in new ideas beyond a certain stage without having a good understanding of how, and to what extent, regulation would be applied to those ideas

Goals of Sandbox

Two core ideas behind the OEB Sandbox:

- innovation can benefit from targeted support
- Innovators in the energy sector need a simpler, more accessible and timely way of trying things out

Sandbox seeks to:

- Provide a venue for proponents to engage in candid conversations with OEB staff about innovative ideas
- Where regulatory relief is required, allow proponents to request temporary relief by way of a streamlined, simplified application process
- Reduce regulatory uncertainty and risk as a way to encourage innovation
- Allow the OEB insight into sector challenges and innovations in the sector

Sandbox structure

Following a process that included input from stakeholders, consideration of sandbox approaches used in other jurisdictions, and OEB's interest in streamlining steps where possible, the Sandbox was designed with the following features:

- Two main support functions:
 - Informal, candid dialogue between innovators and OEB staff
 - Typically includes discussions about a proposed project and whether or not it can proceed within existing regulatory requirements
 - No requirement to provide a written proposal to access the dialogue function
 - Opportunity to seek support or request temporary relief from a regulatory requirement
 - Regulatory relief may consist of a temporary exemption from a requirement (e.g., relief from a Code or rule),
 - Support may come in the form of staff guidance (e.g., by way of a letter from OEB staff)
 - Would generally require a written application or documentation prior to relief stage
- No pre-set application window -- Enquiries can be made at any time
- Milestone service commitments
 - Sandbox staff team meets with proponent with 20 days of a request for a meeting
 - Sandbox support, if required, provided within 185 days
- OEB Microsite: <http://www.oeb.ca/innovation>
- No dedicated funding stream

Sandbox eligibility criteria

Proponents seeking Sandbox support must meet five eligibility criteria:

1. **Consumer benefit and protection:** Projects must demonstrate a reasonable prospect of providing clear benefits to consumers, whether through long-term economic efficiencies, improvement in cost performance, enhancements to service or other forms. Projects must also demonstrate that there are sufficient safeguards in place to provide consumers with a reasonable degree of protection during the trial.
 2. **Relevance:** The project must relate to natural gas or electricity services in Ontario.
 3. **Innovation:** The project must involve testing a new product, service or business model that is not widely in use in Ontario and is conducive to scaling, replication or serving as a potential model for others to adopt or deploy.
 4. **Readiness:** Upon submission of a proposal, the proponent must demonstrate their preparation and readiness for testing their innovation in a live environment.
 5. **True regulatory barrier:** Proponents must be able to articulate the regulatory requirement(s) that may be at issue for the project moving forward.
- Initial Sandbox meeting (with 20 days) typically occurs before staff assesses whether the criteria have been met

Access to Internal Expertise is Key

- Sandbox has broad representation of OEB staff from across the organization involved in the review and consideration of proposals and inquiries made through the Sandbox
- Core team made up of staff members from across the OEB, including
 - Applications case managers
 - Codes and licencing staff
 - Legal
 - Strategic policy

Reporting & Results: The First 18 Months

- Two Sandbox reports issued thus far (available at: <https://www.oeb.ca/innovation>)
 - First 6 months
 - June 2019-June 2020
- 34 Sandbox enquiries since inception
- 100% of meetings were held within 20-day metric or within a date requested by the proponent
- Proponents include a mix of private companies, electricity distributors and natural gas distributors
- 25/34 meetings were informational in nature (i.e., no request for regulatory relief)
- 9 written proposals received requesting some form of relief:
 - 4 related to regulatory requirements for which the OEB does not have the authority to provide relief
 - 1 related to activities for which no exemption was required.
 - 1 letter of support from staff to proponent
 - Staff also released a staff Bulletin on the relevant policy aspects of the matter in order to provide guidance to the broader sector

Benefits and Challenges – Experience So Far

Benefits

- Allows for open, unstructured dialogue between OEB and sector
- Allows the OEB to gain enhanced insight into emerging electricity and natural gas sector challenges and solutions that provides insight to inform broader policy-making
- Provides a view into the regulated and non-regulated parts of the industry
- Proponents appear to appreciate the streamlined process and ability for open dialogue
- New questions, challenges are helping to sharpen policy thinking of staff

Challenges

- Process is still new; reactive nature of work
- Establishing commonly understood scope – in some cases, proponents not aware that regulatory barriers may lie outside of OEB's purview
- Trying to balance getting sufficient information from proponents with ensuring the process remains fast and efficient