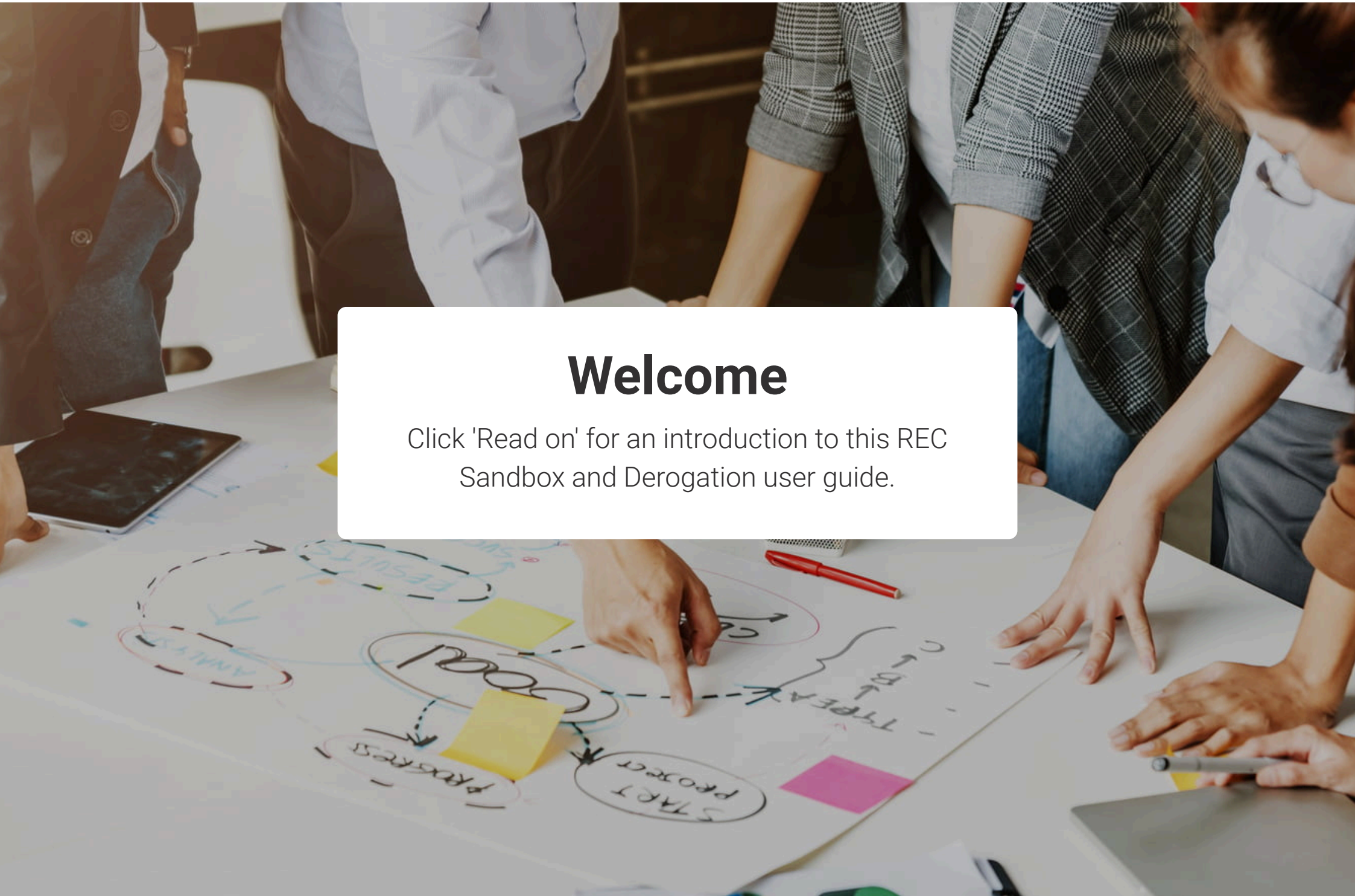# REC Sandbox and Derogation

A user guide last updated in April 2024

RETAIL
ENERGY
CODE

Welcome

Click 'Read on' for an introduction to this REC
Sandbox and Derogation user guide.

Welcome to this REC Sandbox and Derogation user guide.

In this guide we will provide you with key information that covers all elements of the Sandbox and Derogation processes, as detailed in the REC Main Body and Performance Assurance Schedule (Schedule 6).

We will help you understand what REC Sandbox and Derogations comprise, how to apply for one, and how they are managed and monitored.

ACCESS THE REC PORTAL

We will cover the following topics in this guide:

- What are Sandbox Trials and Derogations?
- Applying for a Sandbox or Derogation
- Code Manager Reporting to the Performance Assurance Board (PAB)
- Consideration by the PAB
- Monitoring of Sandbox Trials and Derogations
- Handling of Early Terminations
- Appeals process
- Code Manager Objective Assessments

Sandbox and Derogation Trial

Where we explain what Sandbox and Derogation trials are

Sandbox and Derogation Trial explained

A Derogation is a temporary exemption from, or a relaxation or an exception of, a REC obligation

A Sandbox trial enables organisations to trial new products, services or business models without being subject to the usual rules that might apply.

REC Parties may apply for a Derogation directly or may have entered the process via a Sandbox application to trial new products, services or business models in the market.

A Sandbox trial can help inform decisions about improvements or changes that might be beneficial.

Any Party to the REC may apply for a Derogation or Sandbox trial to the Performance Assurance Board.

Applying for a Sandbox and Derogation Trial

Where we explore how to apply and who to contact

Applying for a Derogation or Sandbox trial is easy

A REC Party can apply for a Derogation or Sandbox trial by downloading and completing the relevant application form below for the Party and submitting this to their Operational Account Manager (OAM) or via the Service Desk.

SANDBOX OR DEROGATION APPLICATION FORM

Paul Witton-Dauris is one of our Operational Account Managers

Need help with your application?

The Operational Account Manager (OAM) team are here to provide support and guidance, such as:

- Confirming the information you will need to provide for Performance Assurance Board to consider the application
- Making sure you understand the REC obligation(s) you are applying for
- Providing guidance where a Derogation may not be permitted
- Providing indicative timescales for when the Derogation will take affect and for how long

CONTACT THE OAM TEAM

Performance Assurance Board

Where we explore the role of Code Manager reporting and recommendations

Code Manager reporting to the Performance Assurance Board

Once an application form has been submitted, the Code Manager will produce a report which will be used to help inform the Performance Assurance Board decision on whether ton whether it should grant the Derogation or Sandbox trial.

Consideration by the Performance Assurance Board

The Code Manager will provide its recommendations to the Performance Assurance Board on whether it should grant the Derogation or Sandbox trial. This may include feedback provided from REC Parties and/or Service Providers where information has been provided ahead of the meeting.

The Code Manager will inform the applicant and Ofgem of the PAB decision, including any relevant discussion and conditions agreed by the PAB.

Code Manager Report

1. How was the issue identified?

2. What is the proposed Derogation, including workaround and/or solution?

3. Details of any legal and technical advice that has been obtained

4. Recommendation as to whether the Derogation can be made; including length and any conditions

5. Whether Ofgem needs to give permission*

*Ofgem permission may be required where the Derogation is considered to have significant / material impact on customer outcomes and/or the achievement of the REC objectives.

Monitoring Derogations and Trials

Where we explore the individual elements of the change process and how you might expect to engage

The Code Manager will monitor any Derogations and any special conditions that are in place such as monitoring activities of the applicant against a set threshold cap.

The Code Manager will provide regular feedback to the Performance Assurance Board on the monitoring of these conditions.

Throughout the monitoring process, the Code Manager will assess if a Derogation has increased an identified Retail Risk or had a negative impact on any third parties. The Code Manager will keep the applicant and the Performance Assurance Board informed of any potential risks.

If appropriate and required following PAB discussion, a revised recommendation for the Derogation or Sandbox made be made by the Code Manager, including additional conditions being put in place or other remedial measures added to mitigate the risks.
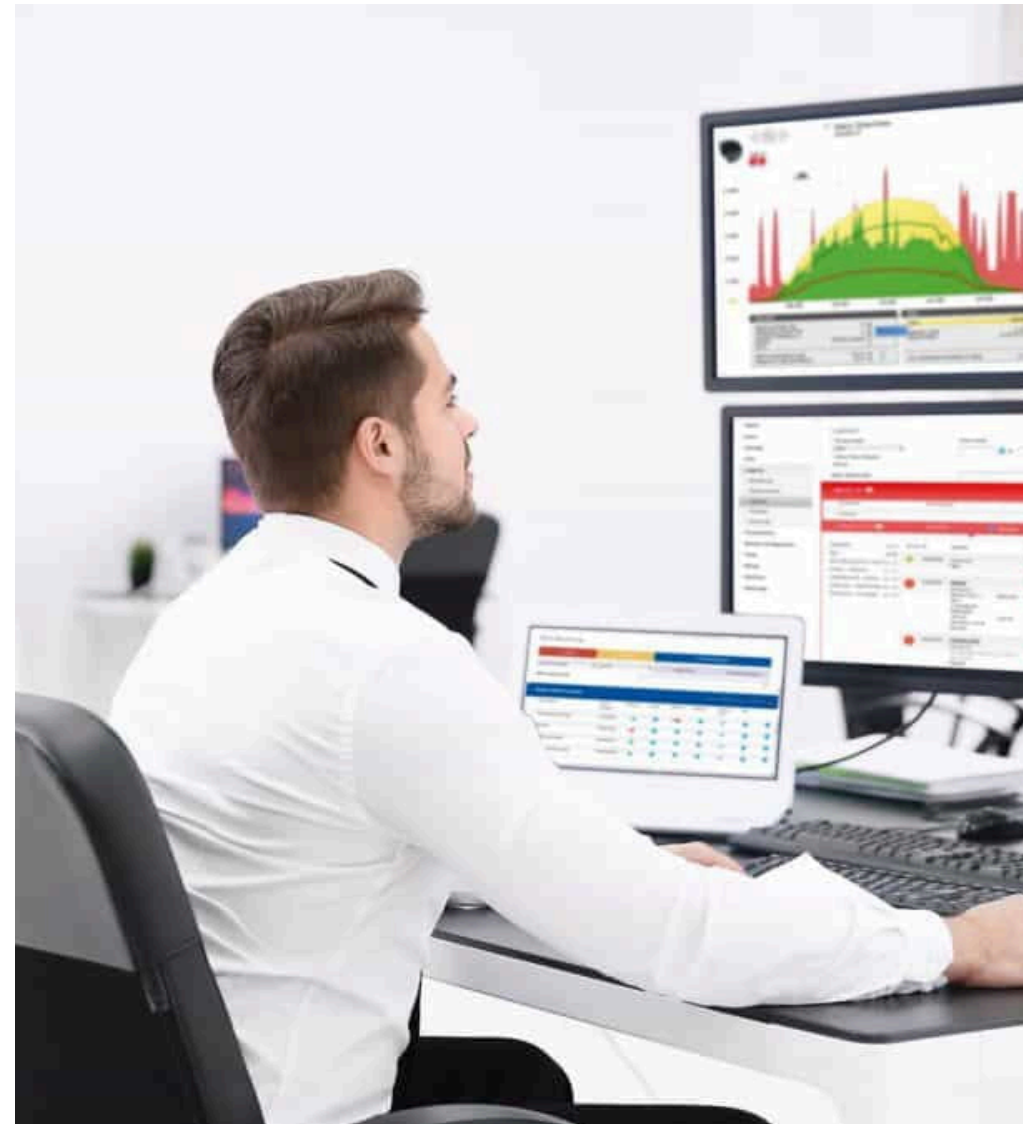
Terminations and Appeals

Where we explore the Terminations and Appeals process

We may recommend an early termination of the Derogation for the following reasons:

- An applicant wants to cancel a Derogation before the agreed expiration timescales.
- The Derogation poses a greater than anticipated risk on third parties.
- If an applicant does not adopt the agreed remedial measures.

The Code Manager will review the recommendation and produce a revised Derogation report to the Performance Assurance Board.

The Code Manager will keep the applicant and/or Ofgem informed throughout the process following the PAB decision.

Any decision made by the Performance Assurance Board members in consideration of a Derogation or Sandbox application may be appealed, such as decision to grant the Derogation or Sandbox Trial or its early termination.

Any REC party, including the applicant, may raise an appeal by submitting an Appeal Form available from the REC Portal here within ten working days of the publication of the meeting minutes.

The Code Manager will receive and manage appeals, seeking further information from the appealing party to support the appeal case, where required. This may be shared with the Performance Assurance Board for comment.

The Code Manager will escalate the appeal to Ofgem for review and decide to whether uphold or overturn the Performance Assurance Board decision. Ofgem may overrule a decision of the PAB and direct a different decision.

Code Manager Objective Assessments

Where we explore the individual elements of the process
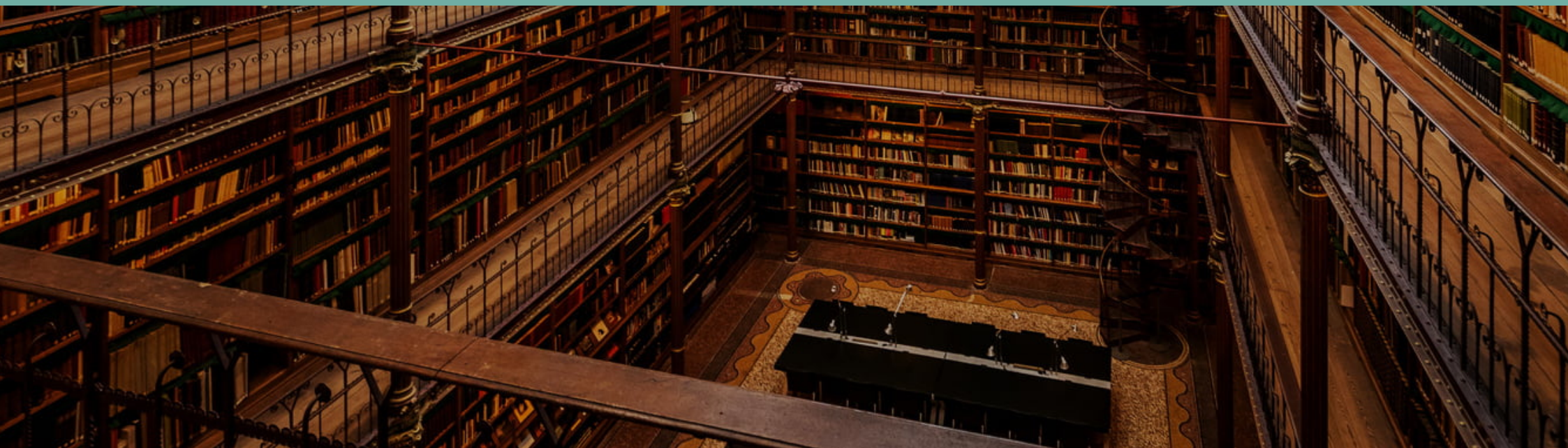
Following the completion of the Derogation or Sandbox Trial period, the Code Manager will produce an assessment of the trial to determine its impact.

This report will be shared with the Performance Assurance Board, and will include the following information:

- Any lessons learnt and any reporting that could be applied to any future Sandbox application
- An evaluation of the impacts and cost the trial had on everyone concerned
- An assessment of whether the trial had a positive or negative impact on the achievement of the REC objectives; and
- A recommendation on whether the Derogation provided should be extended to other current or prospective REC parties and whether it needs a REC change proposal.

The Performance Assurance Board will consider the report and decide to take forward any of the recommendations including agreeing any change proposals that may be taken.

Thank you for reading

REC Derogations and Sandbox: a REC User Guide

enquiries@recmanager.co.uk

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