

# Regulatory sandboxing – Trial Project Guideline – Draft decision – April 2022

Draft decision

19 April 2022



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# **Executive summary**

Following a series of recommendations made by the Independent Review into the Future Security of the National Electricity Market,<sup>1</sup> and a review by the Australian Energy Market Commission, the former Energy Council of the Council of Australian Governments endorsed the development of a national regulatory sandboxing framework.

The sandboxing framework is intended to facilitate trials by new and existing energy market participants of innovative concepts in Australia's electricity and gas markets. Our most recent Victorian Energy Market Report found that while Victorian energy consumers may value innovation in the retail energy market, it appears that the product offerings currently available are not meeting their needs.<sup>2</sup> However, we believe consumers have a growing appetite for innovative energy products, which should incentivise businesses to invest in innovation. We will continue to focus on contributing to a regulatory environment that supports such innovation and consider trials facilitated in the regulatory sandbox have the potential to benefit the long-term interests of energy consumers and may enable the greater adoption of renewable energy. As our energy system transitions away from carbon intensive sources and Victoria pursues a legislated 2050 net-zero carbon emissions target, new innovative technologies can help reduce the costs of providing secure and reliable energy supplies, as well as contribute to reducing emissions. A regulatory sandboxing framework allows eligible businesses to trial an innovative product or service in Victoria with a temporary waiver from existing rules for a time-limited period. The trials will allow these concepts to be tested in a controlled setting and inform future changes to the energy rules on a more permanent basis.

A regulatory sandbox has been established in Australia's financial services sector, regulated by the Australian Securities and Investment Commission.<sup>3</sup> Regulatory sandboxes have also been implemented in overseas energy markets such as Ofgem's Innovation Link in Great Britain.<sup>4</sup>

Victorian laws commencing on 1 June 2022 give the commission new powers to grant time-limited trial waivers to applicants for innovative energy projects.<sup>5</sup> Trial waivers will operate alongside

<sup>&</sup>lt;sup>1</sup> Dr Alan Finkel, *Independent Review into the Future Security of the National Electricity Market*, June 2017.

<sup>&</sup>lt;sup>2</sup> <u>RPT - Victorian Energy Market Report - March 2022 - 20220331.pdf (esc.vic.gov.au)</u>

<sup>&</sup>lt;sup>3</sup> ASIC Enhanced Regulatory Sandbox: https://asic.gov.au/for-business/innovation-hub/enhanced-regulatory-sandbox/.

<sup>&</sup>lt;sup>4</sup> Ofgem: <u>Innovation</u> Link: https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/innovation-link-share-your-energy-ideas.

<sup>&</sup>lt;sup>5</sup> Energy Legislation Amendment Act 2021: <u>https://www.legislation.vic.gov.au/bills/energy-legislation-amendment-bill-2021</u>.

licences and exemptions as a distinct authorisation category that enables entry into Victoria's energy market.

The commission is required to prepare and issue a Trial Project Guideline that informs a trial waiver applicant about how to apply and the processes followed by the commission in relation to the consideration of the application. The purpose of this document is to outline the commission's proposed Trial Project Guideline.

A regulatory sandboxing framework is also being established in the national energy market. The Australian Energy Regulator (**AER**) is currently consulting on its draft trial projects guidelines and positions paper. The commission has had regard to the AER's draft guidelines in making our draft decision.

### Summary of our draft decisions

A summary of our draft decisions is outlined in the following table which reflect our proposed approaches to the commission's Trial Waiver Guideline. The reasons for our proposed approach are detailed in Chapter 2 of this paper.

| Draft decision  | Summary of commission's proposals   |
|---|---|
| Draft decision 1: Process for revising the commission's Trial Project Guideline     | We propose to publicly consult in line with our<br>Charter of Consultation and Regulatory<br>Practice. Consultation will be specific to<br>proposed amendments following the AER<br>making or amending its trial projects guidelines,<br>or amendments required by a trial waiver Order.                              |
| Draft decision 2: Identification of existing regulatory barriers                    | We propose to adopt the same approach as the AER and require an applicant to identify the regulatory barriers that prevent or hinder their project from proceeding in the Victorian framework.  |
| Draft decision 3: Form of trial waiver<br>applications and information requirements | We propose that trial waiver applications must<br>be made using a web portal via the central<br>regulatory sandboxing website, consistent with<br>the AER's approach. Trial waiver applications<br>must meet information requirements specified<br>in the application form. This is a similar<br>approach to the AER. |
| Draft decision 4: Exit strategy   | We propose to require trial waiver applicants to<br>have an exit strategy in place for their trial<br>project. The exit strategy may vary depending<br>on the type of trial project and activity they are<br>undertaking. This is a similar approach to the<br>AER which requires an exit strategy for all trial      |

|   | projects but is more focused on trials in the energy retail market.   |
|---|---|
| Draft decision 5: Timeframes for trial waiver applications  | We propose to aim to determine on trial waiver<br>applications within six months following receipt<br>of a complete application. This is similar to the<br>AER's approach which has a set timeframe of<br>six months.   |
| Draft decision 6: Eligibility requirements                  | We propose to adopt most of the trial waiver<br>eligibility requirements in the draft National<br>Electricity Rules and National Gas Rules in<br>order to align as far as appropriate with the<br>national framework. This means our approach<br>to assessing trial waiver applications against<br>eligibility criteria will be consistent with the AER.  |
| Draft decision 7: Victorian innovative trial principles     | We propose to include five additional innovative<br>trial principles from the national framework<br>which are not specified in the Victorian<br>legislation in order to align as far as appropriate<br>with the national framework. Trial principles are<br>what the commission must have regard to in<br>determining whether a trial project is genuinely<br>innovative. This means our approach to<br>assessing an application will be similar to the<br>AER. |
| Draft decision 8: Consultation on trial waiver applications | We propose to publicly consult on all trial<br>waiver applications in line with our Charter of<br>Consultation and Regulatory Practice. We may<br>also consult with other agencies such as the<br>AER, the Australian Energy Market Operator,<br>Energy Safe Victoria and the Energy and Water<br>Ombudsman (Victoria) where relevant. This is a<br>similar approach to the AER.  |
| Draft decision 9: Monitoring and reporting                  | We propose to determine reporting and<br>monitoring obligations on a case-by-case basis<br>when considering trial waiver applications so<br>that those requirements can be tailored to<br>specific projects. This may include regular<br>progress reports and outcome reports. This is a<br>different approach to the AER which proposes<br>mandatory reporting for all trial projects.   |
| Draft decision 10: Knowledge sharing                        | We propose to adopt the approach in the<br>national framework regarding reporting<br>requirements that promote knowledge sharing.<br>This means our approach to knowledge sharing<br>will be consistent with the AER.   |
| Draft decision 11: Confidential information                 | We propose to require applicants to identify any information they consider is confidential or   |
|   |   |

|  | commercially sensitive in their trial waiver<br>application and during the period of their trial<br>project should a trial waiver be granted by the<br>commission.   |
|--|--|
| Draft decision 12: Extension of trial waivers      | We propose to require trial waiver holders to<br>apply for an extension, where relevant, at least<br>six months before the scheduled expiry of the<br>trial waiver. This is a different approach to the<br>AER where trial waiver holders are required to<br>apply at least three months prior to the<br>implementation of the trial waiver holder's exit<br>strategy. An application for an extension must<br>include an interim outcomes report<br>documenting the trial project outcomes to date. |
| Draft decision 13: Variation of trial waivers      | The commission can vary the conditions of a trial waiver in certain circumstances. We propose to require trial waiver holders to apply in writing if they are seeking a variation by agreement with the commission. This is a different approach to the AER which is focused on variations as a result of non-compliance with trial waiver conditions.   |
| Draft decision 14: Revocation of trial waivers     | We propose to specify a range of reasons why<br>the commission may revoke a trial waiver<br>before its scheduled expiry. The reasons for<br>revocation are similar to those in the AER's<br>draft trial projects guidelines.   |
| Draft decision 15: Conditions for trial<br>waivers | We propose that trial waivers will generally<br>include conditions that are consistent with the<br>commission's standard licence conditions,<br>codes of practice and other rules in the<br>commission's framework. An exception to this<br>will be the obligations that the commission<br>determines will not apply to a particular trial<br>waiver.  |
|  | Conditions will be determined on a case-by-<br>case basis by applying consistent principles<br>and having regard to the commission's statutory<br>objectives. We will also have regard to the<br>nature of the proposed trial project, risks for<br>participants, and how the project proponent<br>intends to manage any risks, noting that these<br>will vary between projects and the activities that<br>a trial waiver authorises.  |
|  | This is similar to the AER's proposed approach<br>and how the national framework will operate by<br>relieving trial waiver holders of the obligation to  |

### Key milestones to implement regulatory sandboxing in Victoria

| Date          | Milestone  |
|---------------|--|
| 19 April 2022 | Regulatory sandboxing – Trial Project Guideline draft decision and draft guideline published                     |
| 17 May 2022   | Submissions close  |
| June 2022     | Regulatory sandboxing – Trial Project Guideline final decision and guideline published                           |
| 1 June 2022   | Energy Legislation Amendment Act 2021 comes into effect  |
| 1 July 2022   | Regulatory sandboxing – Trial Project Guideline commences  |
| Later in 2022 | Consideration of the AER's final Trial Projects Guidelines and potential amendment to the commission's guideline |

### How to make a submission

We welcome feedback on our draft decision and draft guideline. Stakeholder submissions can be made via Engage Victoria by 17 May 2022.

To promote an open and transparent decision-making process, all submissions will be made available on the Engage Victoria website, commission's website, except for any information that is commercially sensitive or confidential. Submissions should clearly identify information that is sensitive or confidential.

Our approach to consultation is set out in our Stakeholder Engagement Framework.<sup>6</sup>

<sup>&</sup>lt;sup>6</sup> Essential Services Commission, 'Stakeholder engagement framework – Charter of Consultation and Regulatory Practice', June 2018.

# Context

### Overview

From 1 June 2022, the commission will be establishing a new regulatory sandboxing function that enables innovators to trial new products and services in the energy market.

Under the Energy Legislation Amendment Act 2021, which makes amendments to the Electricity Industry Act 2000, the Gas Industry Act 2001 and the Essential Services Commission Act 2001, the commission can grant a time-limited trial waiver to innovators who sell, supply, generate or transmit electricity and gas.<sup>7</sup> This will allow the trialling of innovative technologies, approaches, business models, products and services in the Victorian market. The new framework will give the commission the power to place enforceable conditions on trial waivers.

Trial waivers will operate alongside licences and licence exemptions as a distinct authorisation category that enables entry into Victoria's energy market.

The commission is required to publish a Trial Project Guideline by 1 July 2022. This sets out our approach, information and process requirements and explains how decisions on trial waiver applications will be made. This chapter provides a brief overview of regulatory sandboxing and our role. The commission's role and objectives are further explained in **Appendix A**.

#### Energy Ministers' endorsement of regulatory sandboxing

On 26 September 2019, the Australian Energy Market Commission (**AEMC**) released its final report on regulatory sandbox arrangements to enable proof-of-concept trials in the national electricity and gas markets for the purpose of testing, in a controlled setting, whether changes should be made to energy rules on a more permanent basis.<sup>8</sup>

At its meeting on 22 November 2019, the former Council of Australian Governments' Energy Council (**the Council**) agreed with the AEMC's recommendations to introduce a regulatory sandbox toolkit. The Council asked the AEMC to provide further advice on rule changes, including stakeholder feedback on the proposed rule drafting provided in the AEMC's final report, as well as a final recommended package of rule changes.

<sup>&</sup>lt;sup>7</sup> Energy Legislation Amendment Act 2021: <u>https://www.legislation.vic.gov.au/bills/energy-legislation-amendment-bill-</u> 2021.

<sup>&</sup>lt;sup>8</sup> AEMC, Market Reviews Advice – Regulatory Sandboxes, available at: <u>https://www.aemc.gov.au/market-reviews-advice/regulatory-sandboxes</u>.

This package of reforms is now being implemented across jurisdictions that the commission, the AER and the AEMC regulate.

As Victoria has some different arrangements to regulate energy markets, Victorian-specific legislation, the Energy Legislation Amendment Act 2021 was passed in September 2021 to give effect to regulatory sandboxing from 1 June 2022 in Victoria.<sup>9</sup>

# Development of a trial project guideline

Under both the Victorian and national frameworks, the commission and the AER are required to develop a Trial Project Guideline to support the regulatory sandboxing framework. The commission's draft Trial Project Guideline provides Victorian-specific guidance to innovators on:

- the requirements to trial a project in Victoria
- · how the commission will administer trial waivers in Victoria
- the trial waiver application requirements.

The commission is required to make and publish a final guideline by 1 July 2022.

The commission is also required by legislative changes coming into effect on 1 June 2022 to have regard to the AER's final guidelines when making our Trial Project Guideline. **Appendix B** contains an overview of the matters the commission is required by Victorian legislation to include in our Trial Project Guideline.

As the national rules and law changes have been delayed, the AER has not yet been able to finalise its Trial Projects Guidelines. Therefore, the commission is not yet able to have regard to the AER's final guidelines at this stage.

The delay of the national framework will not impact the commencement of the Victorian framework set for 1 June 2022. The commission will consider the AER's final guidelines once they are made, as required by legislation, to determine if amendments to the commission's guideline are required. If amendments are needed, we will consult on our proposed amendments to the guideline.

However, the commission has been engaging closely with the AER to establish the regulatory sandboxing framework, including in relation to our draft Trial Project Guideline. The commission has had regard to the draft trial projects guidelines issued by the AER for consultation in developing our draft Trial Project Guideline, and in doing so, we have sought to achieve

<sup>&</sup>lt;sup>9</sup> Energy Legislation Amendment Act 2021: <u>https://www.legislation.vic.gov.au/bills/energy-legislation-amendment-bill-2021</u>.

consistency where possible and appropriate.<sup>10</sup> The commission has also presented at the AER's stakeholder workshops as part of its consultation on its Regulatory Sandboxing Issues Paper and had regard to the submissions the AER received.<sup>11</sup>

Our draft Trial Project Guideline adopts the same structure and much of the same content as the AER's draft guidelines, and only contains differences to reflect:

- the different legislative framework
- the commission's statutory objectives
- some minor policy differences that are outlined in this draft decision
- changes to terminology and wording for clarity and consistency with the legislative framework.

The Victorian draft Trial Project Guideline includes notes at the start of each section referencing the equivalent section of the AER's draft guidelines and the key provisions that contain material differences from the AER's draft guidelines. The key differences are also explained in this draft decision.

In particular, we note that Victorian trial waivers will cover all activities that require a gas or electricity licence (i.e. electricity retail, generation, distribution and transmission, and gas retail and distribution). This means that there are differences in some terminology and content of our draft guideline as compared to the AER's guideline to reflect the scope of activities included in the Victorian sandboxing framework.

#### Our proposed approach

This draft decision outlines the commission's proposed approach to the Trial Project Guideline for regulatory sandboxing in Victoria. Our proposal includes consideration of the AER's final guideline as required by legislation and amendments to the commission's Trial Project Guideline if necessary, once the AER's final guidelines are made.

<sup>&</sup>lt;sup>10</sup> AER draft Trial Projects Guidelines and explanatory statement, available at: <u>https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/trial-projects-guidelines-regulatory-sandboxing/draft</u>

<sup>&</sup>lt;sup>11</sup> AER Regulatory Sandboxing Issues Paper, available at: <u>https://www.aer.gov.au/networks-pipelines/guidelines-</u><u>schemes-models-reviews/trial-projects-guidelines-regulatory-sandboxing</u>.

# Other key differences between the Victorian and national frameworks

#### Separate trial rule function

The Victorian regulatory sandboxing framework deviates from the national framework with respect to a separate trial rule function.

In the national framework, the AEMC will have a new power to make temporary rule changes to allow trial projects to proceed. Due to differences in the regulatory framework this is not a feature of the Victorian framework. In Victoria, a trial waiver holder will not be automatically subject to the obligations of a licensee or an exempt person. However, a trial waiver is subject to any conditions the commission considers appropriate. Unless otherwise determined by the commission, the conditions of a Victorian trial waiver will include conditions that are consistent with the commission's standard licence conditions for the activity covered by the trial waiver.

#### **Commission's objectives**

The commission must have regard to a range of statutory objectives and considerations when exercising its powers and performing its functions with respect to trial waivers – these are not identical to the statutory objectives to be taken into account by the AER. These include the objectives of the commission under the Essential Services Commission Act 2001, Electricity Industry Act 2000 and Gas Industry Act 2001.

The commission's overarching objective is to promote the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services. The objectives and other matters the commission must have regard to in achieving its statutory objectives outlined in **Appendix A** will be considered when it is exercising its powers and performing its functions for trial waivers. The commission will also have regard to these objectives when considering potential conditions for trial projects.

# **Regulatory sandboxing framework**

In order for the sandboxing framework to apply to Victoria's energy market, new provisions in the Electricity Industry Act 2000, the Gas Industry Act 2001 and the Essential Services Commission Act 2001 will commence on 1 June 2022. These legislative amendments will provide the commission with new powers to waive eligible trial projects from Victorian regulatory obligations for a time-limited period. This will allow trial applicants to conduct proof of concept trials of an innovative technology or business model by temporarily waiving specific regulatory obligations. This framework enables proof-of-concept testing of new technologies and services which enables regulators and legislators to determine if permanent rule or law changes should be made to the energy framework.

# Key aspects of trial waivers

In Victoria, trial waivers will operate alongside licences and licence exemptions, as a distinct authorisation. They will authorise a person or entity to undertake any of the activities that normally require an electricity or gas licence pursuant to section 16 of the Electricity Industry Act 2000 and section 22 of the Gas Industry Act 2001.

#### **Innovative trial principles**

Trial waivers require project proponents to demonstrate that their project meets the innovative trial principles and eligibility criteria specified in the legislation and in the commission's Trial Project Guideline.

The commission must have regard to the innovative trial principles specified in the legislation and the Trial Project Guideline when determining whether a trial project is genuinely innovative in connection with granting a trial waiver. This also applies where the commission is considering whether a trial project continues to be genuinely innovative in connection with extending the duration of a trial waiver. The innovative trial principles and eligibility requirements are outlined in draft decisions 5 and 6 of this paper.

#### **Duration of trial waivers**

Trial waivers have a maximum duration of five years with the possibility of a once-off one year extension. The commission may grant an extension if it is satisfied that the trial project continues to be genuinely innovative and if there is a need for the trial project to continue while regulatory or legislative changes are made to transition the product or service involved in a trial project into the regulatory framework on an ongoing basis.

#### Conditions

The trial waiver provides an opportunity for innovators to experiment in a real-world environment, by temporarily waiving specific regulatory obligations required for licensed or exempt activities.<sup>12</sup> The commission will have regard to a trial project and waiver application on a case-by-case basis to determine what conditions will apply to trial waiver projects.

<sup>&</sup>lt;sup>12</sup> There are licence exemptions specified in the 2017 General Exemption Order for persons who undertake certain electricity activities and meet the conditions of the exemption.

#### Trial waiver determinations and register

The commission will make a written record of its decision in relation to a trial waiver application by way of trial waiver determination.

A copy of the trial waiver and determination, excluding any confidential or commercially sensitive information, will be published on the commission's website as soon as practicable after a trial waiver determination is made.

The commission is required to establish and maintain a register of trial waivers.<sup>13</sup> The register will be published on the commission's website. The register will contain:

- the name of the trial waiver holder
- a description of the activity that will be undertaken under the trial waiver
- the date of expiry of the trial waiver
- information about where a copy of a trial waiver may be accessed
- any other information the commission determines appropriate.

#### **Trial Waiver Orders**

The Energy Legislation Amendment Act 2021 provides that the Governor in Council, by Order published in the Government Gazette, may:

- specify matters the commission must have regard to when determining whether to:
  - grant a trial waiver
  - extend the period of a trial waiver
  - vary a trial waiver including conditions of a trial waiver
  - revoke a trial waiver
- specify innovative trial principles that the commission must have regard to
- specify conditions that the commission must or may make a trial waiver subject to
- specify the process for the making or amendment of the commission's Trial Project Guideline.

At the time of publishing this draft decision, the Governor in Council had not made a Trial Waiver Order. Should an Order be made and published before the commission's final decision, we will assess whether complying with the Order requires changes to our Trial Project Guideline. In the event an Order is made and published after the commission's final decision is published, we have

<sup>&</sup>lt;sup>13</sup> Section 67(1) of the Electricity Industry Act 2000 (Vic).

outlined our proposed approach to incorporating it into our guideline at draft decision 1 in this paper.

# Working with other market bodies and jurisdictions

The commission is consulting closely with the AER to ensure that where possible and appropriate, there is a common approach to considering trial waiver applications and consistency between the national and Victorian regulatory sandboxing frameworks.

The commission may also, where appropriate, consult with other market bodies in relation to trial waiver applications, including Energy Safe Victoria, the Australian Energy Market Operator and the Energy and Water Ombudsman (Victoria).

# New regulatory sandboxing website and portal

The AEMC's final recommendations included the establishment of an Innovation Enquiry Service. While not required by the package of legislative and rule changes in the national framework, the AER is developing a website for regulatory sandboxing across all participating jurisdictions (including Victoria) to support the regulatory sandboxing framework. This website will include resources such as case studies, market maps and other information to help innovators navigate the regulatory frameworks relevant to their project.

The website will also house the Innovation Enquiry Service and the trial waiver application portal. The portal will provide a centralised hub for innovators to submit enquiries and seek informal feedback specific to their trial project. The portal will also enable innovators to apply for a trial waiver for projects in Victoria and nationally.

# Trial Project Guideline draft decisions

### Legislative requirements and consistency with the national framework

The key processes and innovative trial principles set out in the Energy Legislation Amendment Bill 2021 are reflected in our draft Trial Project Guideline. We have also had regard to the content of the AER's draft trial projects guidelines in developing our proposed approach to our draft guideline.<sup>14</sup>

The draft guideline covers the following areas:

- Process for revisions to the guideline.
- Information about trial waivers and their relationship to other regulatory instruments.
- Process and requirements for making a trial waiver application, including the treatment of confidential information.
- Indicative timeframes for considering trial waiver applications.
- Eligibility requirements and innovative trial principles the commission will consider when making decisions regarding trial waivers.
- Circumstances in which the commission may terminate consideration of a trial waiver application.
- Consultation on trial waiver applications.
- Duration of trial waivers.
- Publication of trial waivers and application determinations.
- Monitoring of trial projects and reporting obligations.
- Extension, variation, and revocation of trial waivers.
- Requirements relating to participants being able to opt out of trial projects.
- Conditions of trial waivers.

If a trial project intends to operate in Victoria and in other jurisdictions, applicants are likely to need trial waivers from both the commission and the AER. Under Victorian legislation, the commission must have regard to the trial projects guidelines made by the AER under the National Electricity Rules. Where possible and appropriate, we will seek to achieve consistency between the commission's and the AER's guidelines.

<sup>&</sup>lt;sup>14</sup> AER draft Trial Projects Guidelines and explanatory statement, available at: <u>https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/trial-projects-guidelines-regulatory-sandboxing/draft</u>

Trial Project Guideline draft decisions

# Our draft decisions

This section of the document details our draft decisions. These decisions include contextual information regarding the legislative framework and our proposals regarding the commission's Trial Project Guideline. Some of our draft decisions relate to key differences between our draft Trial Project Guideline and the AER's draft trial projects guidelines.

#### Draft decision 1: Process for revising the commission's Trial Project Guideline

We will consult on any amendments to the Trial Project Guideline in accordance with our Charter of Consultation and Regulatory Practice, other than for minor or administrative amendments which may be made by publishing details of the amendments.

We propose to consult on proposed amendments following:

- the commission's review of the AER's final trial projects guidelines or any future amendments to the AER's trial projects guidelines, given the consultation that will occur as part of those amendments
- the making of a trial waiver Order under section 53 of the Electricity Industry Act 2000 or section 54 of Gas Industry Act 2001 which prescribes certain administrative matters the commission must include in the guideline.

We consider that this proposed approach will enable the commission to act promptly to update the Trial Project Guideline should minor or consequential changes be needed.

#### Draft decision 2: Identifying the existing regulatory barriers to trial projects

We propose to adopt the same approach as the AER and require an applicant to identify the regulatory barriers that prevent or hinder their project from proceeding in the context of the Victorian framework. This includes identifying the particular provisions of the Electricity Industry Act 2000, Gas Industry Act 2001, codes of practice, guidelines or other instruments that would prevent the trial project from proceeding without a trial waiver.

We propose that the conditions of a trial waiver will usually include conditions that are consistent with the commission's standard licence conditions and conditions that the trial waiver comply with codes of practice and guidelines that are relevant to the activities undertaken in the trial project, except for any provisions that the commission decides should not apply.

We consider that this will achieve an efficient and proportionate approach to setting the conditions of a trial waiver and provide clarity as to why a trial waiver is the appropriate authorisation for the activities, rather than the licensing or exemption frameworks, and which specific provisions should not apply to an applicant's project.

#### Draft decision 3: Form of trial waiver applications and information requirements

We propose that trial waiver applications must be made using a web portal located at the central regulatory sandboxing website, consistent with the AER's approach.<sup>15</sup> Trial waiver applications will be required to meet the information requirements specified in our guideline and application form for trial waivers in Victoria.

Our draft Trial Project Guideline outlines the key information required for a trial waiver application. The trial waiver application form will be available on the commission's website and the trial waiver application portal. The Victorian trial waiver application form will include some additional information that is required in the context of trial waivers in Victoria's regulatory sandboxing framework.

We consider this approach will provide an appropriate level of consistency with the national requirements, while accounting for the additional information requirements needed in the Victorian context and enabling flexibility to update the application form over time, should the need arise.

As a first step, trial project proponents should utilise the resources on the new regulatory sandboxing website, including the Innovation Enquiry Service to determine what regulatory barriers may exist for their project. Once applicants have identified the regulatory barriers and have decided to apply for a trial waiver, they are encouraged to discuss their proposed trial project and application with commission staff prior to submitting the application through the online portal. This will assist applicants to understand the application process and information requirements.

Applicants are also encouraged to consult with AEMO, Energy Safe Victoria, the Energy and Water Ombudsman (Victoria) or any other relevant bodies regarding the trial project and their proposed risk management plan for the project prior to submitting their application. Applicants will be required to provide the commission with details of any consultation they have undertaken with these bodies as part of the application process.

#### **Draft decision 4: Exit strategy**

We propose to require an applicant to have an exit strategy in place for their project. The exit strategy will describe the arrangements the trial proponent will put in place so that all trial project participants will revert to their pre-existing supply arrangement or move onto suitable alternative arrangements that comply with all relevant regulatory requirements when the trial ends for any reason.

<sup>&</sup>lt;sup>15</sup> The regulatory sandboxing website is currently under development.

Trial Project Guideline draft decisions

We consider this will be relevant to the commission when deciding on a trial waiver application given that trial projects will only be in effect on a time-limited basis. This proposed approach is similar to the AER's draft trial projects guidelines, except that the requirements for the exit strategy are described in more general terms given the broader scope of activities that could be covered by a trial waiver under the Victorian legislative framework (i.e. not all trials will include retail customers).

We also consider that an exit strategy will assist in providing certainty for all parties regarding transitioning participants out of the trial project and note that requirements to have an exit strategy have been utilised in the British and Singaporean regulatory sandbox frameworks. This is particularly relevant where the commission or government do not implement a regulatory or legislative change, respectively, to remove any barriers for a particular project on an ongoing basis.

The exit strategy should be able to be implemented if the trial ends early, as well as where the trial ends due to the trial waiver expiring. The approach for an exit strategy may differ depending on the nature of the trial project.

#### Draft decision 5: Timeframe for considering trial waiver applications

The legislation requires the Trial Project Guideline to set out the period within which the commission will aim to make a trial waiver determination We propose to adopt a similar approach to the AER regarding timeframes for decisions for trial waiver applications. The commission will aim to make a determination regarding a trial waiver application within six months once the application meets the commission's information requirements and has been accepted.

The commission will not count the time taken for an applicant to provide the commission with additional information in order for the commission to assess the application.

#### **Draft decision 6: Eligibility requirements**

We propose to adopt all of the eligibility requirements specified in the draft National Electricity Rules except for the criteria relating to adverse impacts on the electricity system as it duplicates an innovative trial principle we are proposing to include in the commission's guideline.<sup>16</sup> As outlined in draft decision 11, we are proposing to adopt the requirements regarding confidential information. Our proposed to approach to the other eligibility requirements is outlined in the following section.

<sup>&</sup>lt;sup>16</sup> Section 8.15.4 of the Regulatory Sandboxing – Draft Rules – Consultation Version – September 2020, available at: <u>https://web.archive.org.au/awa/20210603165248mp\_/https://energyministers.gov.au/sites/prod.energycouncil/files/public</u> <u>ations/documents/Regulatory%20Sandboxing%20-%20Draft%20Rules.pdf</u>.

#### Development of regulatory and industry experience

The draft national rule amendments include 'whether the carrying out and monitoring of the trial project is likely to contribute to the development of regulatory and industry experience.'

We propose to adopt this eligibility requirement in our Trial Project Guideline. We consider that consistency with the national framework is appropriate and also that this requirement will help ensure that proposed projects meet the intent of the regulatory sandbox framework.

#### Safety, reliability or security of supply risks

The draft National Electricity Rules amendments include 'whether the trial project may have an adverse effect on the safety, reliability or security of supply of electricity and the measures that the applicant will take to avoid or mitigate such risks.' The draft National Gas Rules and National Energy Retail Rules amendments include similar eligibility criteria that refer to 'natural gas' or 'energy' instead of 'electricity'.

We propose to adopt this eligibility criteria. We consider safety, reliability and security of supply to be important considerations for the commission when assessing applications for trial waivers.

Adverse effect on operation of the power system and market

The National Electricity Rules amendments include 'whether the trial project may have an adverse effect on the Australian Energy Market Operator's operation of the power system and market, and the measures that the applicant will take to avoid or mitigate such adverse effects.'

We do not propose to include this eligibility criteria as it duplicates an innovative trial principle we are proposing to adopt in our Trial Project Guideline at draft decision 7 of this paper.

#### Draft decision 7: Victorian innovative trial principles

#### Context

The Victorian innovative trial principles differ slightly from innovative trial principles specified in the national framework. The Electricity Industry Act 2000 and Gas Industry Act 2001 provide that in deciding to grant a trial waiver, the commission must be satisfied that the trial project is genuinely innovative.

Under the Electricity Industry Act 2000, the commission must have regard to the following innovative trial principles when determining whether a trial project is genuinely innovative:

- Whether the trial project is focused, or will continue to focus, on developing new or materially improved approaches to the use or supply of, or demand for, electricity.
- Whether the trial project is likely to contribute to the achievement of the objectives of the commission under Electricity Industry Act 2000 and the Essential Services Commission Act 2001.
- Whether the trial project is able to demonstrate, or will continue to demonstrate, a reasonable prospect of giving rise to materially improved services and outcomes for customers who purchase electricity.
- Whether the trial project maintains, or will continue to maintain, adequate customer protections for customers who purchase electricity, including whether the trial project may involve risks to such customers and, if so, how those risks might be mitigated.
- Whether the trial project is unable to proceed, or continue to proceed, because of the Electricity Industry Act 2000 or any instrument made under that Act.
- Any other principle specified under a trial waiver Order.<sup>17</sup>

#### **Proposed approach**

We propose to include five additional innovative trial principles in our Trial Project Guideline to align the Victorian innovative trial principles with those in the impending national legislation and regulations:<sup>18, 19</sup>

<sup>&</sup>lt;sup>17</sup> These are set out in the new section 52 of the Electricity Industry Act 2000. Corresponding provisions are in section 53 of the Gas Industry Act 2001.

<sup>&</sup>lt;sup>18</sup> The innovative trial principles for gas trial waiver applications under the Gas Industry Act 2001 and in draft guideline are the same as those for electricity except where they specify the term 'gas' instead of 'electricity'.

<sup>&</sup>lt;sup>19</sup> Regulatory Sandboxing Legislation Consultation: <u>https://www.energy.gov.au/government-priorities/energy-ministers/energy-ministers-publications/regulatory-sandboxing-legislation-consultation</u>.

- Whether the trial project has moved beyond research and development stages but is not yet established, or of sufficient maturity, size or otherwise commercially ready, to attract investment.
- Whether the trial project may negatively impact the Australian Energy Market Operator's operation of the national electricity system, national electricity market or any relevant gas markets or systems and, if there are impacts, how those impacts can be mitigated.
- Whether the trial project is able to be trialled and evaluated.
- Whether there is potential for the trial project to be successfully expanded.
- Whether the trial project will provide for public sharing of knowledge, information and data resulting from the trial project.

We consider this approach will promote consistency between Victorian and national regulation in line with the commission's objectives under the Essential Services Commission Act 2001, as outlined in **Appendix A**.

Where a trial project does not meet all of the innovative trial principles, the applicant should outline the reasons for this to assist the commission with its consideration of the trial waiver application.

#### **Draft decision 8: Consultation on trial waiver applications**

#### Context

As required by the Electricity Industry Act 2000 and Gas Industry Act 2001, our draft Trial Project Guideline sets out the circumstances in which we may refuse to consider an application, or terminate our consideration of an application. These circumstances are consistent with the approach in the AER's draft guideline. For example, where the application does not contain the required information, does not demonstrate why the project cannot proceed without a trial waiver or is misconceived or lacking in substance.

#### **Proposed approach**

We propose to publicly consult on all trial waiver applications in line with our Charter of Consultation and Regulatory Practice and in line with the approach outlined below.

The commission will consider if an application meets the information requirements. If there do not appear to be grounds for terminating consideration of the application, the commission will publish the application and all supporting material provided by the applicant, other than confidential information.

In consulting on a trial waiver application, the commission will publish a notice on its website stating that an application has been received, and that submissions on the application are being sought from interested stakeholders.

Submissions generally must be in written form and will be published on the commission's website. In certain circumstances, the commission may accept verbal submissions (for example, through public forums or meetings), In these cases case, a summary of those submissions will ordinarily be published on the commission website.

We propose that the consultation period will generally be 20 business days. However, for more complex applications, additional time for consultation may be warranted. This is in line with the commission's Charter of Consultation and Regulatory Practice.

The commission may also consult with any person or organisation it considers relevant given the nature of the trial project, including:

- the AER
- AEMO in relation to whether the trial project may negatively impact AEMO's operation of the relevant electricity or gas markets and systems and how any such impacts can be mitigated
- Energy Safe Victoria in relation to whether the trial project may have an adverse effect on safety and how any such effects can be mitigated
- the Energy and Water Ombudsman (Victoria) in relation to dispute resolution processes for the trial project.

#### **Draft decision 9: Monitoring and reporting**

#### Monitoring

We propose to determine, on a case-by-case basis, the requirements for monitoring the conduct and outcomes of trial projects for which a trial waiver has been granted. We also propose that performance and compliance will be assessed against the conditions of the trial waiver.

In most cases, the commission expects to monitor the conduct and outcomes of trial projects for which a trial waiver has been granted using the reporting obligations outlined in the section below. However, the commission may determine additional monitoring and reporting requirements for a trial project. In doing so, the commission will consider the identified risks resulting from the trial project, including:

- · risks to trial participants or other customers
- risks to the safe, reliable and secure supply of electricity or gas
- risks to AEMO's operation of the relevant electricity or gas markets and systems
- any other risks identified by the proponent in the risk management plan for the trial project.

#### Reporting

We propose to determine specific reporting obligations on a case-by-case basis in a way that takes into account the nature of the trial project. The reporting obligations will be a condition of the trial waiver.

Trial waivers may include conditions requiring successful applicants to submit progress reports and outcomes reports to the commission at certain intervals which the commission considers appropriate for a particular project. However, we would also consider the reporting obligations imposed by the AER on a trial project and would seek to be consistent where the commission considers it appropriate to do so.

The commission will also require trial waiver holders to report breaches of conditions of their trial waiver to the commission.

Some of the types of reports trial waiver holders may be required to submit to the commission include:

- progress reports at least once per year
- more frequent progress reports if specified as a condition of the trial waiver, for example where the commission considers this is necessary for monitoring or for knowledge sharing purposes
- an outcomes report documenting the trial project outcomes, which must be submitted to the commission by the date specified in the trial waiver conditions.

In determining reporting obligations for a trial project, the commission will have regard to the opportunity to utilise third-party reporting requirements in relation to the trial project, such as reports to the Australian Renewable Energy Agency (**ARENA**) for projects under that scheme.

Examples of matters that the commission may require to be addressed in progress and outcomes report are:

- whether the trial project is meeting the agreed indicators, milestones and success criteria
- · details of any complaints or issues raised by participants
- · the effectiveness of the trial project in promoting benefits to consumers
- any new risks arising during the trial project and how these are being managed
- insights on identified barriers to the relevant innovation associated with the trial project
- insights on potential amendments to relevant legislation, codes of practice, guidelines, exemption Orders or other instruments
- compliance with the trial waiver conditions, including measures the proponent has undertaken to ensure compliance with the trial waiver conditions, any breaches of the trial waiver conditions and actions taken to rectify the breach

 any other issues the commission requires to be included as part of a condition of granting a trial waiver.

#### Draft decision 10: Knowledge sharing

#### Context

Learnings from projects conducted under a trial waiver arrangement will help promote benefits to consumers and insights about barriers to innovation. This will in turn inform the potential for further design and reform of the regulatory framework.

The national rules include a knowledge sharing principle requiring the AER to consider whether the trial project will provide for public sharing of knowledge, information and data resulting from the trial project. To meet this requirement, the AER's draft trial projects guidelines include a range of reporting provisions.

#### **Proposed approach**

As outlined in draft decision 7 we have proposed to include an innovative trial principle regarding knowledge sharing to align with the national framework. We consider that there are benefits in having a similar approach to the AER when considering trial waiver applications and promoting consistency between national and Victorian frameworks.

We propose that the commission will determine the conditions for reporting obligations and knowledge sharing regarding trial waivers on a case-by-case basis. We consider this provides the commission with the flexibility to adapt these obligations to a particular project, so they are fit for purpose.

#### **Draft decision 11: Confidential information**

We propose that a trial waiver applicant must identify any information in their application that they consider to be confidential and/or commercially sensitive. We propose the same approach for any reports or other information provided to the commission by a trial waiver holder during the course of their trial. Further, an applicant or trial waiver holder must include reasons for claiming confidentiality over information or documents. As part of the application form for a trial waiver, the applicant will give its consent to the commission publishing the non-confidential parts of the application and supporting materials.

As discussed in draft decision 6 we propose to adopt most of the eligibility criteria specified in the draft amendments to the national framework.<sup>20</sup> These criteria include a requirement that the commission will have regard to whether the extent and nature of the confidential information claimed by the proponent may impair:

- the commission's ability to provide appropriate public transparency in relation to the conduct and outcomes of trial projects, or
- the appropriate development of regulatory and industry experience arising from the trial project.

We propose that a trial waiver applicant will be required, at the time of submitting their application, to give their consent to allow the commission to disclose information. This will include confidential information regarding a trial waiver to other government bodies or regulators, where relevant to a particular entity's functions. If the information being disclosed is confidential information, the commission will take all steps it considers reasonable to maintain confidentiality of that information with the recipient.

#### Draft decision 12: Extension of trial waivers

We propose that a trial waiver holder that wishes to extend the duration of a trial waiver must apply to the commission for an extension at least six months before its expiry. This will give the commission sufficient time to consider the application. This is a slightly different approach to that proposed in the AER's draft trial projects guidelines. In the AER's proposal, trial waiver holders are required to apply to the AER at least three months prior to the implementation of the trial waiver holder's exit strategy, rather than before the scheduled expiry of the trial waiver.

As the commission may require different types of exit strategies to reflect the scope of activities that may be undertaken in Victorian trial projects (refer to draft decision 4 in this paper), we consider six months is a more appropriate timeframe for a trial waiver applicant to seek an extension.

We propose that the trial waiver holder must provide:

- reasons why the trial waiver holder requires the trial waiver to be extended
- an interim outcomes report documenting the trial project outcomes to date

<sup>&</sup>lt;sup>20</sup> Section 8.15.4(4) of the Regulatory Sandboxing – Draft Rules – Consultation Version – September 2020, available at: <u>https://web.archive.org.au/awa/20210603165248mp\_/https://energyministers.gov.au/sites/prod.energycouncil/files/public</u> <u>ations/documents/Regulatory%20Sandboxing%20-%20Draft%20Rules.pdf</u>.

- any changes in circumstances in relation to the trial project that may affect the commission's assessment of the trial project against the eligibility requirements and the innovative trial principles
- an updated exit strategy or evidence that the existing exit strategy remains appropriate

In deciding whether to grant an extension of a trial waiver, the factors the commission will have regard to include:

- the reasons provided by the trial waiver holder why a trial waiver should be extended
- whether the trial project continues to meet the eligibility requirements, innovative trial principles and any other matters required by the Electricity Industry Act 2000, Gas Industry Act 2001 or trial waiver Orders.

If the commission grants the extension of a trial waiver, changes to the conditions may be made where appropriate.

An extension of a trial waiver may only be granted once for a maximum period of up to one year in line with the legislative constraints on the duration of trial waiver extensions.

The trial waiver register will be updated to reflect any extension that is granted by the commission. This will include a record of the application for an extension, the commission's decision and any updated trial waiver.

#### **Draft decision 13: Variation of trial waivers**

#### Context

The commission may vary a trial waiver or a trial waiver condition. The commission may also impose further conditions or modify the existing conditions of a trial waiver.

The commission may make such variations:

- on its own initiative in accordance with section 60 of the Electricity Industry Act 2000 or section 61 of the Gas Industry Act 2001, after notifying the trial waiver holder of its intention to do so and after providing an opportunity for the trial waiver holder to respond
- by agreement with a person granted a trial waiver, under section 61 of the Electricity Industry Act 2000 or section 62 of the Gas Industry Act 2001.

The commission will consult with the trial waiver holder before imposing further conditions or modifying the existing conditions of a trial waiver. The trial waiver register will be updated to reflect any variation, including the commission's record of its decision to vary a trial waiver and updated trial waiver.

#### **Proposed approach**

We propose that where a trial waiver holder seeks to vary the conditions or other particulars of its trial waiver, it must make that application in writing to the commission. An application for a variation must provide sufficient information to enable us to assess the impact and significance of the variation with respect to the current conditions of a trial waiver. This is consistent with our approach to licence variation applications.<sup>21</sup>

#### **Draft decision 14: Revocation of trial waivers**

#### Context

The commission may revoke a trial waiver in accordance with the Electricity Industry Act 2000, Gas Industry Act 2001 and the commission's Trial Project Guideline.

#### Proposed approach

We propose to include the following reasons in our guideline regarding when the commission may terminate a trial waiver before its scheduled expiry date:

- non-compliance with any condition of the trial waiver
- non-compliance with any obligations under this guideline
- non-compliance with any relevant obligations under the Electricity Industry Act 2000 or Gas Industry Act 2001
- concerns about the ongoing safe, reliable and secure supply of electricity or gas
- concerns about the impact of the trial project on AEMO's operation of the relevant electricity or gas markets and systems
- concerns about the ongoing safety of trial project participants
- other risks to trial project participants, other consumers, or market participants that may emerge during the trial and cannot be mitigated to the commission's satisfaction through new or amended trial waiver conditions
- a permanent change to the Electricity Industry Act 2000, Gas Industry Act 2001 or relevant codes of practice, guidelines, exemption Orders or other instruments is made that addresses the identified barriers to the trial project and means the trial waiver is no longer required
- the trial waiver has been granted on the basis of false or misleading information
- insolvency of the trial waiver holder

<sup>&</sup>lt;sup>21</sup> Section 5.1 of the Essential Services Commission: Guide to Applications for Electricity Industry and Gas Industry Licences – Version 1.1 – 9 December 2020, available at: https://www.esc.vic.gov.au/cites/decuments/Guide%20to%20Applications%20for%20Electricity%20Indus

https://www.esc.vic.gov.au/sites/default/files/documents/Guide%20to%20Applications%20for%20Electricity%20Industry%20Industry%20Licences%20-%20December%202020.pdf

- the trial waiver holder notifies the commission that it wishes to end the trial project early
- any matter specified under a trial waiver Order as a matter the commission must have regard to in determining whether to revoke a trial waiver
- where the commission considers it appropriate for any reason, having regard to the commission's statutory objectives under the Electricity Industry Act 2000, Gas Industry Act 2001 and Essential Services Commission Act 2001.

If, having regard to these or any other matters, the commission decides to revoke a trial waiver, the commission will:

- notify the trial waiver holder that it intends to revoke the trial waiver and the reasons why, and invite the trial waiver holder to make submissions within a time specified in the notice, which will be at least five business days
- take account of any submissions or information provided by the trial waiver holder before deciding to revoke the trial waiver
- issue a notice to the trial waiver holder specifying the date on which the trial waiver will be revoked and require the trial waiver holder to implement its exit strategy by that date.

However, where the commission intends to revoke the trial waiver due to a safety, reliability or security of supply issue, the trial waiver holder must cease the trial project immediately upon notification that the commission intends to revoke the trial waiver.

As soon as practicable after revoking a trial waiver, the commission will publish a notice on its website specifying the date on which the revocation takes effect and the reasons for the revocation.

#### Draft decision 15: Trial waiver conditions and protections for participants

#### Context

A trial waiver under the Victorian legislative framework has a different legal effect to a trial waiver under the national framework. A trial waiver under the Electricity Industry Act 2000 or Gas Industry Act 2001 is an alternative to holding a licence. The activities covered by the trial waiver are regulated by the conditions of the trial waiver.

In contrast, an AER trial waiver only relates to specific provisions of the national energy laws and rules in relation to which the applicant seeks a waiver. Where a person is issued with an AER trial waiver, they are not required to comply with those provisions of the national energy laws and rules that are specified in the AER trial waiver, but all other provisions of the national energy laws and rules continue to apply.

This difference impacts the conditions of a trial waiver, with the conditions under the Victorian framework needing to cover a broader range of issues.

The conditions of a trial waiver will be determined by the commission in line with the legislative framework. The commission must also have regard to the achievement of its objectives, including promoting protections for customers.

#### **Proposed approach**

We propose that a trial waiver will generally include conditions that are consistent with the commission's standard licence conditions, codes of practice and other rules in the commission's framework. An exception to this will be the obligations that the commission determines will not apply to a particular trial waiver.

Trial waiver conditions will include protections for participants of a trial project and be determined on a case-by-case basis having regard to:

- the nature of the proposed trial project
- risks for participants
- how the project proponent proposes to manage any risks.

Consistent with the AER's draft trial projects guidelines, trial waivers will generally be subject to the three default conditions requiring the trial waiver holder to:

- · obtain explicit informed consent from trial project participants
- allow trial project participants to opt out of the trial project in accordance with an opt out process approved by the commission
- provide trial project participants with access to a dispute resolution process.

Under the Victorian framework, each condition of a trial waiver is a civil penalty provision for the purposes of the commission's enforcement framework. Contraventions of civil penalty provisions may lead to the commission taking enforcement action.<sup>22</sup>

#### Next steps

<sup>&</sup>lt;sup>22</sup> Part 7 of the Essential Services Commission Act 2001 (Vic).

# Next steps

### How to make a submission

We welcome feedback on our draft decision and draft guideline. Stakeholder submissions can be made via Engage Victoria by 17 May 2022.

To promote an open and transparent decision-making process, all submissions will be made available on the Engage Victoria website, commission's website, except for any information that is commercially sensitive or confidential. Submissions should clearly identify information that is sensitive or confidential.

Our approach to consultation is set out in our Stakeholder Engagement Framework.<sup>23</sup>

### Key milestones to implement regulatory sandboxing in Victoria

The key milestones relating to the implementation of regulatory sandboxing in Victoria are outlined in the following table.

| Date          | Milestone  |
|---------------|--|
| 19 April 2022 | Regulatory sandboxing - Trial Project Guideline draft decision and draft guideline published                     |
| 17 May 2022   | Submissions close  |
| June 2022     | Regulatory sandboxing - Trial Project Guideline final decision and final guideline published                     |
| 1 June 2022   | Energy Legislation Amendment Act 2021 comes into effect  |
| 1 July 2022   | Regulatory sandboxing - Trial Project Guideline commences  |
| Later in 2022 | Consideration of the AER's final Trial Projects Guidelines and potential amendment to the commission's guideline |

Next steps

<sup>&</sup>lt;sup>23</sup> Essential Services Commission, 'Stakeholder engagement framework – Charter of Consultation and Regulatory Practice', June 2018.

# Appendix A: Role of the commission

The commission is Victoria's independent economic regulator of essential services. Primary legislation passed by the Victorian Parliament sets out the objectives and expectations for the commission in the regulation of energy markets.

The Essential Services Commission Act 2001 (Vic) sets out the commission's overarching objective to promote the long-term interests of Victorian consumers.<sup>24</sup> In seeking to achieve this overarching objective, the commission must have regard to the following matters to the extent that they are relevant in any particular case:

- efficiency in the industry and incentives for long term investment
- the financial viability of the industry
- the degree of, and scope for, competition within the industry, including countervailing market power and information asymmetries
- the relevant health, safety, environmental and social legislation applying to the industry
- the benefits and costs of regulation (including externalities and the gains from competition and efficiency) for—
  - consumers and users of products or services (including low income and vulnerable consumers)
  - regulated entities
- consistency in regulation between States and on a national basis
- any matters specified in the empowering instrument.

The commission is also guided by objectives specified in the Electricity Industry Act 2000 and Gas Industry Act 2001.<sup>25</sup> The objectives of the commission in these Acts are:

- to the extent that it is efficient and practicable to do so, promote a consistent regulatory approach between the electricity industry and the gas industry
- to promote the development of full retail competition
- to promote protections for customers, including in relation to assisting customers who are facing payment difficulties.

#### Appendices

<sup>&</sup>lt;sup>24</sup> Section 8 of the Essential Services Commission Act 2001 (Vic).

<sup>&</sup>lt;sup>25</sup> Section 10 of the Electricity Industry Act 2000 (Vic) and Section 18 of the Gas Industry Act 2001 (Vic).

# Appendix B: Content required by legislation

# **Statutory requirements for the Trial Project Guideline**

The following table outlines the statutory requirements the commission must have regard to in making the Trial Project Guideline, pursuant to the Energy Legislation Amendment Act 2021 amendments to the Electricity Industry Act 2000 (**El Act**) and Gas Industry Act 2001 (**Gl Act**).

| Preparation and issue of Trial Project Guideline<br>pursuant to section 63 and 64 of the Energy<br>Legislation Amendment Act 2021                   | El Act<br>section | GI Act<br>section | Reference in<br>draft guideline                      |
|---|-------------------|-------------------|--|
| How an application must be made, including the steps proponents must take to identify confidential information submitted as part of an application. | 63(2)(a)          | 64(2)(a)          | 3.1 and 3.2  |
| The approach that the commission proposes to take<br>in performing its functions and exercising its powers<br>to grant a trial waiver.              | 63(2)(b)          | 64(2)(b)          | 4  |
| The timeline within which the commission will aim to make a determination of a trial waiver application.  | 63(2)(b)          | 64(2)(b)          | 4.1  |
| The process the commission proposes to follow when determining whether to refuse to consider a trial waiver application.                            | 63(2)(c)          | 64(2)(c)          | 4.3  |
| The consultation process that the commission must undertake on a trial waiver application.  | 63(2)(d)          | 64(2)(d)          | 4.4  |
| The process the commission proposes to follow for<br>the purpose of determining whether to grant an<br>extension to the period of a trial waiver.   | 63(2)(e)          | 64(2)(e)          | 6.1  |
| The process the commission proposes to follow for<br>the purpose of determining whether to revoke a trial<br>waiver.                                | 63(2)(f)          | 64(2)(f)          | 6.3  |
| The steps persons granted trial waivers must take to identify confidential information submitted to the commission as part of a trial project.      | 63(2)(g)          | 64(2)(g)          | 5.4  |
| Any matter that a trial waiver Order requires to be specified in the guidelines.  | 63(2)(h)          | 64(2)(h)          | At the time of<br>publishing this<br>draft decision, |

#### Appendices

|   |                   |                   | no such Order<br>has been<br>published in the<br>Government<br>Gazette. |
|---|-------------------|-------------------|---|
| Guidelines developed and issued by the commission<br>may specify any other matter that the commission<br>considers necessary including those relating to:   | 63(3)(a)          | 64(3)(a)          | Boxes 1, 2 and 3  |
| <ul> <li>applications</li> <li>decisions on applications</li> <li>termination of consideration of an application</li> <li>extensions of trial waivers</li> <li>variations of trial waivers</li> <li>revocations of trial waivers</li> </ul> |                   |                   |   |
| Consideration of AER's trial projects guidelines<br>pursuant to section 65 and 66 of the Energy<br>Legislation Amendment Act 2021   | El Act<br>section | GI Act<br>section | Reference in<br>guideline   |
| In preparing, issuing and amending the Trial Project<br>Guideline, the commission must have regard to the<br>AER's Trial Projects Guidelines (as defined in<br>Chapter 10 of the National Electricity Rules).                               | 65(1)             | 66(1)             | 1.6   |