Sandbox and Derogation PAB Training

Rachel Norberg

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Introduction and Overview



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REC Sandbox and Derogation Overview

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REC Sandbox and Derogation Overview

Two controlled routes for addressing REC obligations while protecting market and consumer outcomes

REC Derogation

A temporary exemption from, relaxation of or exception to one or more REC obligations.

Used where a Party can evidence why it cannot meet an obligation, for example while a change or internal solution is implemented. PAB decides whether to grant it and may set conditions, scope and duration.

REC Sandbox

A controlled trial of a new product, service or business model where usual REC rules might otherwise apply.

It can provide a route to derogation, generate evidence about benefits and impacts, and inform whether a REC Change Proposal should follow.

What is not a Derogation or Sandbox?

- Not a way to avoid an obligation simply because an organisation disagrees with it.
- Not a permanent amendment to the REC. Permanent changes should use the REC Change Management process.
- Not an ungoverned trial or automatic approval. Applications are assessed, decided by PAB and monitored.

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What’s New to REC Sandbox and Derogation

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What’s New to REC Sandbox and Derogation

1. New dedicated resource - Sandbox and Derogation Lead
2. Involving RECCo's Market Strategy and Design team at earlier
3. Involving the Cross Code Steering Group (CCSG) in the process
4. New Risk Assessment Methodology

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Sandbox and Derogation Lead

- Single point of contact
- Clear ownership and accountability
- Coordinated stakeholder engagement
- Consistent risk and impact management
- Effective trial oversight
- Regular reporting to PAB
- Supports DSP design and testing

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Involving RECCo's Market Strategy and Design team

- Brings valuable industry knowledge
- Aligns proposals with RECCo’s strategy and objectives
- Identifies wider market impacts and opportunities
- Connects work with other RECCo initiatives
- Supports informed and consistent decisions
- Helps develop effective, future-focused solutions

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Involving the CCSG in the Process

- Strengthens cross-code collaboration
- Identifies impacts on other codes early
- Addresses risks before proposals reach PAB
- Provides wider industry insight
- Supports joined-up decision-making
- Raises awareness of Sandboxes and Derogations

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New Risk Assessment Methodology

Proportionate, repeatable and focused on real-world impact.

Three lines of defence

1
Applicant assessment
Owns risks and mitigations

2
Code Manager challenge
Tests assumptions and proposes controls

3
Governance oversight
Decides acceptability and approval route

Design principles

Simple & consistent

One common template for Sandbox and Derogation.

Risk-based

Focus on consumer, market, cross-code, operational and compliance impacts.

Controlled

Set conditions, monitoring, success criteria and exit triggers.

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New Risk Assessment Methodology Continued

Assessment and decision framework

Five common categories, one scoring method and clear approval routes.

Consumer
Outcomes & safeguards

Market
Processes, data & systems

Cross-code
Dependencies & change

Operational
Delivery & resilience

Compliance
Legal, security &assurance

Scoring

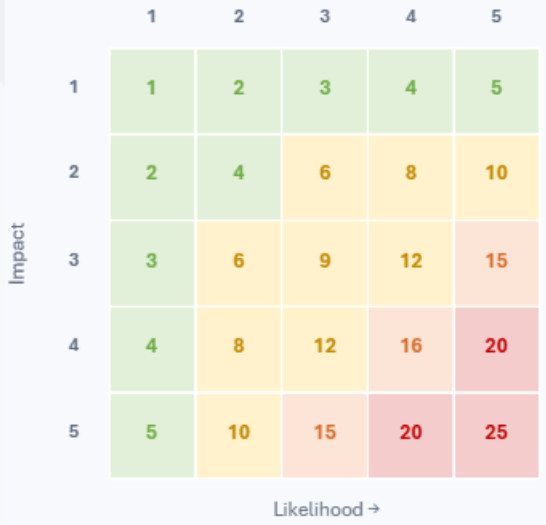
Likelihood × Impact = Risk score

Each factor scored 1–5

- 1 Negligible
- 2 Minor
- 3 Moderate
- 4 Significant
- 5 Severe

Professional judgement remains essential where consumer harm or cross-code impact is material.

5 × 5 risk matrix



Decision route

GREEN — Approve with standard monitoring

AMBER — PAB review with conditions

RED — Reduce or tightly control risk before approval

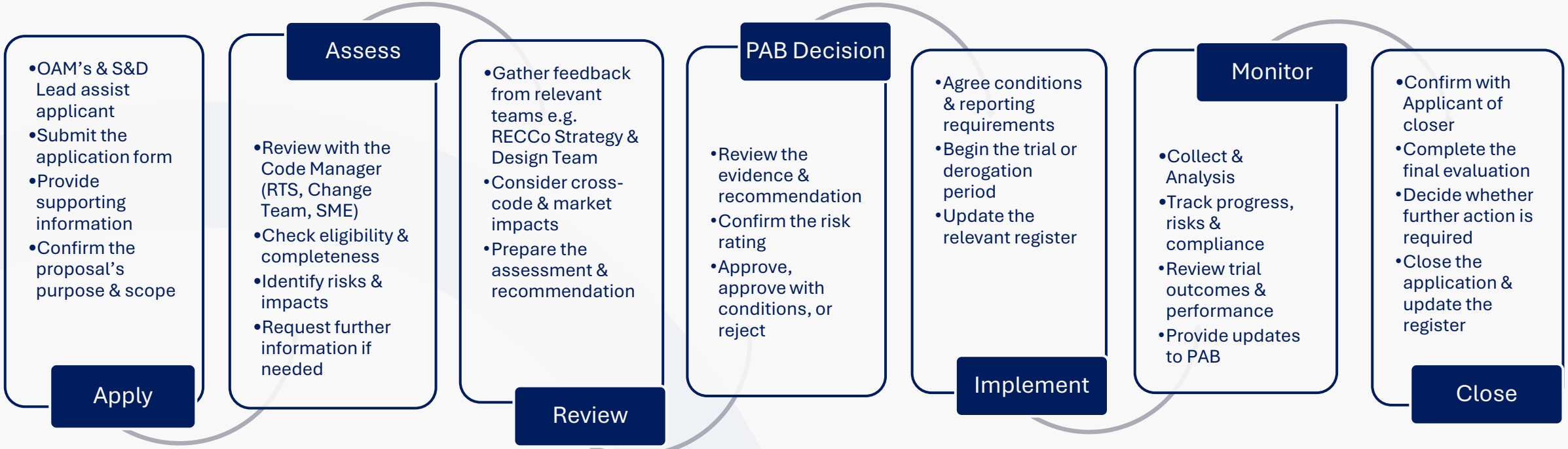
All approvals require monitoring, success criteria, failure triggers and exit criteria.

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Process Outline

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Process Outline



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What does this mean for PAB

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What does this mean for PAB

- Review the Code Manager's recommendation
- Consider the supporting evidence
- ADDED- Confirm the risk rating
- Challenge risks or gaps where necessary
- Approve, approve with conditions, or reject
- Monitor progress and outcomes
- Provide ongoing governance and assurance

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Questions and Answers

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Useful resources

APPENDICES	Sandbox Process Map – Appendix A Derogation Process Map – Appendix B Trial Period for Sandbox and Derogation Process Map – Appendix C REC Sandbox Risk Assessment Document Final 1.0 - Appendix D

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