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THAILAND

Newsletter

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Thailand's Energy Transition: ERC Sandbox Phase 2 for Green Innovation and Green Regulation Now Rolled Out

Introduction

Thai regulators continue to introduce initiatives to assist in the development of the energy transition. As new technologies have the potential to give rise to currently unknown business models, regulatory flexibility is essential in order to encourage the growth of new enterprises.

As a follow-up to the Energy Regulatory Commission (the "ERC") Sandbox Phase 1 which was launched in 2021 (see our previous newsletter [LINK](#)), the ERC issued the Notification of the Office of the ERC Re: Requests for Proposals to Participate in the ERC Sandbox Phase 2 on 1 June 2022.

The ERC Sandbox Phase 2 focuses on green innovation and green regulation. This Phase 2 aims to enable operators to test technology-related energy innovations within a limited geographical area but for a sufficient length of time so as to limit the potential negative ramifications on consumers and the electricity system as a whole. Projects tested under the sandbox environment would also facilitate the ERC in preparing proposals for amendments to regulations on new industry structures which could foster innovation and competition in the power market. Certain conditions under the Energy Industry Act 2007 may be waived to accommodate the testing by operators in the sandbox.

The key details of the ERC Sandbox Phase 2 are set out below.

Project scope

The scope of projects under the ERC Sandbox Phase 2 covers testing of the following:

1. Projects under the ERC Sandbox Phase 1 which conform to objectives of the ERC Sandbox Phase 2 that the developers wish to further develop within the framework approved by the National Energy Policy Council;

2. Platforms (e.g., websites, apps, programs, software or computer-based algorithms) developed for sale and purchase of products and services (i.e., online marketplace), or innovations for sale and purchase of electricity from renewable energy, carbon credits, REC (Renewable Energy Certificate) and MRV (Measurement, Reporting and Verification), which may be in the forms of central/national or decentralized platforms;
3. Innovations relating to smart grids or enhancement of flexibility of electricity network systems to support (i) an increase in reliance on renewable energy and (ii) new models of sale and purchase of electricity, and regulations concerning third-party access to electricity network systems and determination on relevant service fee rates (e.g., wheeling charges), and studies of new technologies (e.g., electronic vehicle charging stations and energy storage systems);
4. New forms of power purchase agreements (PPAs), e.g., virtual PPAs and sleeved PPAs (utility green tariffs with respect to specific sources of energy) which could deploy electricity from renewable sources in accordance with measures implemented by other countries to combat climate change and to support renewable energy consumption that is aligned with mechanisms on greenhouse gas reduction (such as RE100); and
5. Any schemes which promote green innovation and green regulation that conform to the objectives of the ERC Sandbox Phase 2.

Project period

The project period will be proposed by the participants, but the ERC regulatory exemption will be given not more than one year from project commencement.

Eligible candidates and selection criteria

Eligible candidates are 1) government agencies, 2) juristic persons incorporated in Thailand, or 3) educational institutions. The candidates may request to participate alone or in collaboration with other parties and are not limited to participants of the ERC Sandbox Phase 1.

The selection criteria include: 1) innovation creation, 2) positive impact on power users and power businesses, 3) necessity to amend relevant regulations and types of supports required by the candidates, 4) sustainability and prospects, 5) readiness of candidates (e.g., capital and collaboration with partners such as customers and other relevant service providers), and 6) mitigation plans related to risks which may arise during the testing and impact on environments and stakeholders.

Timeline

| Timeline | Activity |
|---|--|
| 1 - 30 June 2022 | Project proposal submission |
| 16 June 2022 | A seminar on the ERC Sandbox Phase 2 |
| Within 45 days from the date following the deadline for the project proposal submission | Announcement of selected participants |
| Within one month from the date following the announcement of the selected participants | Signing of memorandum of understanding for the approved projects |

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