

Distribution system operators' response to Covid-19 crisis:

Actions taken and concerns expressed

21 April 2020

At its most recent meeting, the coordination platform of Energy Community distribution system operators, ECDSO-E, exchanged views on managing the challenges invoked by the COVID-19 crisis and the prevention and containment measures introduced. ECDSO-E members also raised issues of common concern.

This document summarizes the issues of concern based on elaborations provided at the ECDSO-E meeting by the following distribution system operators (DSOs): OSHEE (Albania); Elektroprivreda Bosne i Hercegovine, Elektroprivreda Hrvatske zajednice Herceg Bosna, Elektroprivreda Republike Srpske, Komunalno Brcko (Bosnia and Herzegovina); Energo-Pro (Georgia); Kosovo Energy Distribution and Supply (Kosovo^{*1}); Premier Energy Distribution (Moldova); CEDIS (Montenegro); Elektrodistribucija (North Macedonia); EPS Distribucija (Serbia); and DTEK (Ukraine).

The framework

Legislative acts declaring a state of emergency or extraordinary measures aimed at preventing the spread of COVID-19 were adopted in all Energy Community Contracting Parties. Equally, in all Contracting Parties, the declared emergency measures have resulted in explicit restrictions on the operation regime of DSOs, due to respecting social distancing and safeguarding the health of personnel.

In most Contracting Parties, an explicit or implicit tolerance of non-payment of energy bills was declared, by means of guaranteeing non-disconnection and/or foregoing of accrued interest for non-payments. These declarations were not elaborated in a way to clearly define who would bear the costs and if leniency towards non-payment would be applied only to end-users (households and their suppliers) or along the supply chain (to DSOs, TSOs, wholesalers and generators).

In addition, the declared emergency status or force majeure triggered the implementation of respective provisions of network codes and general conditions applicable for DSOs. **All DSOs that participated in the meeting reported that uninterrupted delivery to core services and households is their priority during the crisis in order to contribute to public security and public health.** Most DSOs have developed written procedural and operational rules for emergencies, which are being implemented during this crisis.

Where DSOs have not finalized the unbundling process according to the Third Energy Package, the introduced or declared measures raise concerns that initiated restructuring plans and other reforms may be put to a halt and the independence of DSOs postponed indefinitely.

¹ * This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

Overview of implemented measures

Summarizing the reported operational regimes, it is obvious that DSOs have managed to adapt in a fast and efficient manner, continuing to provide their services despite all restrictions. The following section provides an overview of the procedures and measures implemented by DSOs in order to perform their tasks during the COVID-19 crisis.

Restrictions on movement and social distancing is being implemented, albeit according to different operating procedures. The physical segregation of office staff is implemented in all DSOs.

Protection and sanitary procedures were put in place. Protective equipment is provided to all key staff, consisting of hygienic and sanitary items, masks and gloves. Equipment is regularly disinfected. Some DSOs provided sanitized overalls for field teams, especially the ones that are engaged in meter reading.

Nevertheless, several cases of infection did occur, also affecting key staff.

Organization and safety of personnel

Key staff was identified in all DSOs in order to ensure the continuation of the core functions of the distribution system, safety of network facilities and public interest.

Security and safety of dispatch centres and its staff, as a top priority, are ensured by means of:

- Isolated teams in dispatch centres with back-up teams in isolation on stand-by;
- Restricted access to dispatch centres and to stand-by units;
- Work from home or annual leave were enabled whenever possible for administrative staff;
- Some DSOs are considering standby teams created of retired staff in order to maintain the safety and prevent the wearing out of key staff and address the issue of lack of qualified and trained key staff.

Thus far, the segregation measures in place have helped to limit the impact of COVID-19 and key staff in dispatch centres remains fully operational.

Organization of work and maintenance activities

DSOs have adopted the following maintenance related policies to ensure continuous electricity supply:

- Regular maintenance activities and field work are restricted to a minimum, with repair and restoration being prioritized.
- Maintenance planning is reviewed in order to minimize interruption for the sake of public safety and public health.
- Planned interruptions for regular maintenance are either suspended, postponed or implemented with limited duration.
- Mobile intervention teams were also established as a back-up for field units.

DSOs underlined that **the quality of service may be at risk if planned repair and maintenance is postponed for too long.**

Supplies, critical materials, vital spare parts and equipment

All DSOs reported that current supplies of vital spare parts, tools and equipment is sufficient to ensure repair and urgent remedial maintenance. Some DSOs have a central warehouse or a centrally managed stock system, enabling more efficient use of available vital spare parts, material, tools and equipment.

DSOs reported that **if the crisis continues, replenishing supplies may become critical due to possible trade (export / import) restrictions, specific procurement procedures, transport issues, manufacturing, as well as longer lead/lag times and financing.**

They also underlined that **network and staff safety could be affected if supplies were not replenished in accordance with needs.** In times of trade and transport restrictions, providing sufficient sanitary and protective supplies for key staff and premises may become a problem.

Communication and reporting

DSOs adopted the following special communication arrangements during the crisis:

- All physical meetings were postponed or cancelled.
- Field work is limited and restrictions apply as regards access and gathering in public places and field work stations.
- Contacts with customers are to take place via call centre, e-mail and press releases only. All physical contacts were eliminated or limited.

DSOs underlined that **where seasonal differentiated tariffs are applied, more customer complaints on estimates may be expected.**

Financial operation

Consumption, billing and collection rates (including special arrangements)

In all Contracting Parties, the extraordinary regime was introduced from the second half of March 2020. Therefore, it is difficult to make a precise assessment of the changes in consumption and payment patterns. A decrease in industrial consumption and a slight increase in residential consumption was observed in the last week of March, continuing in the first week of April 2020.

The last week of March saw a decrease in the collection rate in all Contracting Parties. It is yet to be seen how it will be reflected on the DSOs. The declared bans on disconnection and waiver of interest will increase the costs for DSOs. Their revenues will be decreased and, if the crisis continues, their financial status will deteriorate.

A network tariff review is required to take into account the changes in the physical parameters affecting the tariff level as well as costs of financing operation.

In all but two Contracting Parties, disconnections for reasons of non-payment are excluded during the crisis, as continuous supply is a public security issue. The DSOs in general support this

approach, in particular for the non-disconnection of households. They continue to perform core public services and have put all efforts to ensure continuous supply. Some Contracting Parties have introduced or declared, without an explicit decision of the competent authority, the possibility of waiving interest in case of default.

The impact of introduced payment leniency measures on DSOs will depend on the contractual arrangements between the DSO and the supplier. So far, none of the Contracting Parties explicitly defined who will bear the costs of financing this debt.

Where businesses (network and supply) are unbundled, the introduced measures often do not define payments to the network operator and to other operators along the supply chain (e.g. TSO, wholesale supplier, generator).

The DSOs, as any other economic operator, need to be aware of the expected burden placed on them. If an allowance or privilege is granted for the sake of social cohesion, it should be defined who will bear the burden and which contractual rights and obligations in the supply chain are affected and how.

In terms of metering and billing arrangements, DSOs have different practices in place. Limitations and delays occur where remote meter reading is not possible. In most of the Contracting Parties, regular meter reading was replaced with a combination of estimates, self-reading and remote readings.

In general, less meters were read than usual. Industry / big customers are mainly covered by remote reading systems, but access to some small businesses and households was limited.

Impact on cash flow and short-term liquidity

Most DSOs have available working capital to finance their regular operation and are able to provide short-term financial stability. However, **the continuation of the crisis with decreased consumption and payment will endanger their financial position and ability of the operators to settle their current liabilities**. Additional working capital will be needed for all DSOs to support delayed payments and non-payments if the situation continues.

While the estimates of the impact on liquidity are still not finalized, a few DSOs have already initiated the process of obtaining or already contracted a loan for working capital.

Additional short-term liabilities (new procurement regime, advance payments, etc.) are expected as a result of trade and transport restrictions, as well as restricted operations by manufactures of supplies and equipment. The same is apparent for outsourced services, the availability and cost of which are at question too. The general observation is that the costs of procured goods and services will increase and hence the need for additional capital.

In two to three months' time, if the situation continues as envisaged, all DSOs expect to face a lack of working capital to finance short-term liabilities for regular operation.

Investment activities

Initiated projects

All DSOs reported postponements, delays or slowing down of the majority of initiated activities. The contracting and procurement of goods and services for initiated projects were also slowed down. Many DSOs suspended all non-essential investments.

New projects

All DSOs are undertaking new projects only if they are of ultimate importance for security, public health or operational network security. New connections are either cancelled or postponed, with difficulties in completing the necessary documentation.

A review of concluded contracts is required to ensure the applicability of force majeure. The final impact cannot be assessed at this time, in particular considering the objectives defined in the network development and investment plans.

Cyber intrusion to the IT/OT systems during the work from home regime

Most DSOs organized the separation of essential IT equipment and communication from other communication lines, encryption systems and security measures for communication with staff working from home.

DSOs do not expect major intrusions, but IT systems remain alert. Problems in e-mail operation of home-based staff was noted by some DSOs.