

CEER Citizens' Q&A

First Analysis of the COVID-19 Pandemic's Effects on the Energy Sector

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Based on feedback received from the energy national regulatory authorities (NRAs) of 28 participating countries (27 CEER Members and one CEER Observer), the report presents CEER's first analysis of the COVID-19 pandemic's effects on the energy sector and seeks to highlight the pandemic's impact on the electricity and gas markets as a whole and on energy companies in particular. Furthermore, it summarises the approaches taken in the different countries to protect energy consumers during these extraordinary times.

1 What is the pandemic's impact on the energy system as a whole?

More than one year has passed since the first cases of COVID-19 were registered in Europe. After a first wave in the first half of 2020, several countries in Europe have experienced a second or even a third wave of COVID-19 cases since then. Some of the effects are yet unknown and may become visible only later this year or even further in the future. That being said, some observations can be made.

In the first half of 2020, concomitantly to restrictions imposed by governments to curb the spread of the coronavirus, energy demand receded, and electricity and gas prices fell in several countries (even if the pandemic was not the only cause at play). However, the overall energy system has proven resilient and as such continued operating with normal service levels. With electricity demand falling, several countries also saw the share of renewable energy sources in their electricity mix temporarily rise, as fossil generation was crowded out.

Network operators implemented their business continuity plans, where appropriate organised their workforce in bubbles, and prioritised essential tasks such as interventions on incidents and resolving safety issues, while deferring other activities such as non-essential maintenance work.

2 What is the impact on energy customers?

In the first half of 2020, the first wave of the pandemic paralysed much of public life in various countries and affected businesses, workers, and consumers. The loss of income and revenues, and the inability to continue paying their energy bills put professional and household consumers alike at an increased risk of losing their energy supply and of falling into energy poverty.

Preventing the disconnection of consumers during the periods of acute crisis (lockdowns, states of alarm etc.) was therefore crucial. This was by far the most widespread measure across CEER countries, as it was reported by 18 NRAs.

Other than such disconnection moratoriums, energy consumers also benefited from other measures to help them weather the crisis. While many of those measures were directed at households and the economy at large, a few countries also introduced measures with a specific focus on energy costs or energy supply: They included the possibility for business and household consumers to defer or stagger the payment of their energy bills, to change the contracted capacity or even to suspend their energy supply contract altogether, or to benefit from partial reimbursement, energy price caps or free vouchers.

Measures to protect energy consumers included:

- **Financial interventions:**
 - **disconnection moratoriums**
 - **staggering and deferral of energy bills**
 - **social welfare measures for households**
 - **aid for businesses**
- **Regulatory interventions** on the execution of energy contracts

3 What is the impact on energy companies?

Energy companies had to prove flexible by reorganising their operations and transferring a major part of their work to the digital space. Their staff shifted to *working remotely* (teleworking) to a large extent, and digitalisation efforts were pushed ahead at a rapid pace. Despite the challenges, suppliers and network operators were generally able to maintain normal operations. In some countries, digital tools, such as an electronic self-service environment, were essential to ensure continuity of processes (e.g. allowing electronic applications for system connection upgrade or electronic approval of construction design).

4 What first lessons can be drawn at this stage?

In many countries, with the pandemic still ongoing, the effects of the pandemic on the energy system and on energy stakeholders are not yet fully known, let alone fully investigated. This is why this interim report constitutes a mere “snapshot” of what could already be observed over the course of 2020. That being said, many NRAs have noted that, as a first conclusion, the energy sector has so far demonstrated its resilience. In addition, NRAs point to the following findings:

Throughout the pandemic, *adequate coordination, and swift exchange of information* between governments, NRAs, and industry, as well as with stakeholders in neighbouring countries, have been crucial in addressing the impact of this health crisis on both the electricity and gas sectors. Hence, an important lesson learnt for NRAs is that ensuring good and swift information flows between all stakeholders is key to tackle future challenges in the energy sector.

Another key feature that helped the energy sector through the crisis is *flexibility*. NRAs added that the *rapid and pragmatic changes to reporting, notification and implementation obligations and procedural deadlines* have proven helpful. These changes enabled energy companies to focus on the crisis while being guaranteed legal certainty by the authorities.

Finally, several NRAs reported that the *greater shift to teleworking and digitalised operations* was one of the positive lessons learnt from the crisis. In some countries, the pandemic accelerated the acceptance of smart meters. Consumers that might have been wary of smart meters before the crisis learnt that implementation of these devices is an efficient and comfortable method to limit the contact between consumer and employees of energy operators.