9th workshop of the Eastern Partnership

CEER COVID-19 WG: Analysis of the COVID-19 pandemic’s effects on the energy sector

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COVID-19 Interim Report

• Objectives
  ► **Mapping the effects** of the COVID-19 pandemic on the electricity and gas systems, consumers and energy companies in CEER countries;
  ► Identifying a first set of **lessons learned and best practices** from 2020.

• Approach and data collection
  ► **Questionnaire** on the effects of the pandemic on the energy system as a whole, consumers, energy suppliers and network operators;
  ► **28 NRAs provided input**: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Estonia, Finland, France, Georgia, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, North Macedonia, Norway, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden;
  ► Comparing the results of that exercise with **findings from other institutions** (IEA, OECD, EC, ACER/CEER).
**Impact on the electricity and gas systems 1/2**

- **Electricity**
  - **Demand and prices** fell markedly over the spring months 2020 that coincided with restriction measures, such as lockdowns.
  - **E.g.: fall in global electricity consumption** per month in March-June 2020 in selected countries, compared to the same month of 2019.

<table>
<thead>
<tr>
<th>Country</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria (pure COVID-19 effect)</td>
<td>-6.5%</td>
<td>-11.8%</td>
<td>-7.1%</td>
<td>-6.5%</td>
</tr>
<tr>
<td>Belgium</td>
<td>-6.8%</td>
<td>-13.2%</td>
<td>-9%</td>
<td>-3.8%</td>
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<tr>
<td>Czech Republic</td>
<td>-1.2%</td>
<td>-11.6%</td>
<td>-11.6%</td>
<td>-4.8%</td>
</tr>
<tr>
<td>Germany</td>
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<td>-9.3%</td>
<td>-10.6%</td>
<td>-6.9%</td>
</tr>
<tr>
<td>Greece</td>
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<td>-9.8%</td>
<td>-6.9%</td>
<td>-13.5%</td>
</tr>
<tr>
<td>Hungary</td>
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<td>-10.5%</td>
<td>-8.7%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>-3%</td>
<td>-7.2%</td>
<td>-6%</td>
<td>-3.9%</td>
</tr>
<tr>
<td>Malta</td>
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<td>-9.8%</td>
<td>-8.3%</td>
<td>-17.9%</td>
</tr>
<tr>
<td>Portugal</td>
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<td>-16%</td>
<td>-8%</td>
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<tr>
<td>Slovenia</td>
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<td>-15%</td>
<td>-13%</td>
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<tr>
<td>Spain</td>
<td>n/a</td>
<td>-18%</td>
<td>-13%</td>
<td>n/a</td>
</tr>
</tbody>
</table>
Impact on the electricity and gas systems 2/2

• Electricity (continued)
  ► As regards prices, the COVID-19 pandemic was one of the causes, but not the only cause. Depending on the country, other factors were at play (e.g. weather conditions).
  ► Second wave restrictions (winter 2020) seem to have had less of an impact than first wave restrictions (spring 2020).
  ► Renewable energy sources (RES): Several countries saw an increase in the RES share of their electricity mix, which the system was able to handle.

• Gas
  ► Demand and prices were already low in Q1 2020, but reached new lows concomitantly with restrictions.
  ► Gas trends varied more widely over all respondent countries, again due to other factors, such as weather conditions.
Impact on energy consumers

• Risk for consumers
  ► Restrictions entailed business closures, income and even job losses.
  ► Risk of inability to pay energy bills and of losing energy supply.

• Types of measures put in place to support consumers
  ► Moratorium on disconnections: the most widespread measure (reported by 18 NRAs);
  ► Staggering or deferral of consumer energy bills;
  ► Social welfare measures: mostly not specific to energy expenditure;
    • But: in some countries, direct subsidies for energy costs, fuel vouchers (Great Britain, Ireland), facilitated access to social tariffs (Italy, Spain), excise duty reduction on electricity and gas (Estonia);
  ► Aid for businesses: mostly not linked to energy supply;
    • But: in some countries, suspension or reduction of contracted capacity (Ireland, Portugal, Spain), energy bill refund (Malta), deferred payments for utilities (Romania).
Impact on energy companies

• Energy suppliers
  ► Mirror image of disconnection bans: several NRAs reported or expected an increase in unpaid energy bills.
  ► Suppliers reported losses due to drops in electricity demand and prices.
  ► Measure taken to support suppliers in some countries: staggering and deferral of network tariff bills.

• Network operators
  ► Lockdown measures entailed delays to network development and smart-meter roll-out.
  ► Some NRAs already anticipated / reported a slight decrease in tariff revenue.
  ► At the time of writing, the majority of NRAs had not yet taken any measures to support network operators.
    • In some countries: easing of quality of service obligations and penalties, consideration for pandemic-related costs.
Lessons learned & best practices

- Resilience of the energy sector;
  - Ireland: some generation units set aside to ensure availability in winter;

- Ensuring good and swift information flows;
  - Finland: centralized task force including all relevant parties;

- Adapting procedures and deadlines where necessary;
  - Germany: legislation adopted to adapt deadlines and enable digital solutions in planning and approval procedures;

- Key measure: preventing disconnections of consumers;
  - Spain, Lithuania, Portugal: possibly the most impactful measure;

- Sharing the burden more widely within the sector;
  - Italy: for suppliers, partial suspension of tariff bills and ad hoc financing.

- Remote operations and digitalisation;
  - Luxembourg: restrictions have pushed digitalisation efforts ahead.
Deliberation of the French energy regulator (CRE) on the 2020 effects of the COVID-19 on network operators (March 25, 2021)

- Overall good capacity of network operators regulated by CRE to adapt to the COVID crisis:
  
  (i) a **business continuity plan** to maintain essential activities with no recourse to State’s furlough scheme;
  
  (ii) a **high level of quality of service and supply** despite the disruption to their activities and;
  
  (iii) a **return to a normal level** of activity by the summer for most of them;

- Effects of the crisis reported by the operators:
  
  (i) a **drop** in consumption and subscriptions;
  
  (ii) a **delay** in certain investment projects and grid connections;
  
  (iii) **limited impacts** on operating expenses.
Follow-up on impacts on network operators (2/2)

- Deliberation of CRE (France) on the 2020 effects of the COVID-19 on network operators (March 25, 2021)

  - Network operators were protected from the financial consequences of the crisis by the tariff regulation framework (safeguarding total revenue of electricity operators and almost total revenue of gas operators):
    
    (i) The **scope** of the accruals and deferrals account (CRCP) and its **size** have proven to be well suited to capturing the other impacts of this crisis;
    
    (ii) Consequently, there is **no need to revise the tariff trajectories or to modify the regulatory framework**.

  - **In the short term**, CRE believes that the **calculation of certain quality of service indicators should be adjusted** (meter reading and installation).
Thank you for your attention!

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