



Making a positive difference
for energy consumers

To chief executive officers of
Distribution Network Operators
(DNOs), Gas Distribution
Networks (GDNs) and
Transmission Owners (TOs)
Independent DNOs (iDNOs) and
Independent Gas Transporters
(IGTs)
Other interested stakeholders

Direct Dial: 020 7901 7000
Email: covid19@ofgem.gov.uk

Date: 16 June 2020

Dear colleague

Impact of COVID-19 on network companies – regulatory expectations from 1 July 2020

On 8 April 2020 I published an [open letter](#) setting out how Ofgem would facilitate and provide clarity to network companies to prioritise work sensibly and respond to the impacts of COVID-19 on their customers, staff and supply chains.

This enabling framework – applicable to 30 June 2020 – provided significant flexibility for network companies to temporarily de-prioritise certain Lower Priority Works and Services¹, in response to current Government measures to limit the spread of COVID-19, and/or to focus capacity on delivering High Priority Works and Services in the event of escalating impacts of COVID-19 on the capacity of their workforce.

Over the past three months we have seen a concerted effort from the network utilities to maintain security of supply and high levels of system reliability, and to continue to provide essential services to consumers, whilst ensuring a safe environment for all. I want to recognise and pay tribute to the considerable efforts by you and your workforce to lead the

¹ What we consider to be 'High Priority Works and Services' and 'Lower Priority Works and Services' in the context of the enabling framework that will endure until 30 June is set out in our open letter of 8 April 2020.

way in managing this crisis and supporting consumers through this difficult time. This approach has been critical in setting an example for others to follow.

I said in my previous letter that as we approach the end of the initial period of three months, we would review the case for extending and/or amending the framework, based on circumstances at the time.

Although we recognise that the effects of COVID-19 are far-reaching and difficult to predict, the strong performance of network companies during the first phase of the pandemic and the wider context of the progressive easing of Government COVID-19 related guidance means that the approach we set out in our letter dated 8 April 2020 needs to change. Accordingly, the approach we set out in the enabling framework will end on 30 June 2020 and be replaced with arrangements that are better-suited to a return to a more normal set of operating circumstances.

It is now critical that we build on the success of you and your workforce leading the way in managing this crisis and supporting consumers through this difficult time and move forward, with the networks continuing to take a leading role as we enter the next phase in transitioning towards a new normal and supporting a green recovery.

As such, from 1 July onwards:

- Rather than being guided by the crisis management-oriented objectives we set for the first phase of the pandemic, we expect network companies to comply with all of their regulatory obligations; and
- The only exceptions to this approach will be where works and services cannot be delivered to the required standards because of the need for the network companies, their supply chain, or their customers to comply with Government COVID-19 related guidance to keep customers and staff safe.

Network companies must make all reasonable endeavours to deliver works and services to the required standards in so far as they can within the constraints imposed by, and while complying with, any prevailing Government COVID-19 related guidance.

We will take the ongoing need to comply with Government COVID-19 related guidance into account when considering decisions to take enforcement action or to penalise under our price control arrangements for any shortfalls in performance. This includes issues around access arrangements to properties where this is specifically constrained by such compliance.

In taking this position we recognise that the circumstances and nature of any restrictions imposed by Government may vary according to the jurisdictions in which you operate.

Based on the discussions held to date with network companies, and the impressive performance they have delivered during what we hope will prove to be the most challenging period of the pandemic, going forward we anticipate that there will not be many situations in which networks companies will be unable to comply with their regulatory obligations by reason of constraints imposed by Government COVID-19 related guidance. In our view, the most likely scenarios in which the ability of network companies to comply with their regulatory obligations may be compromised are those in which network companies will rely on a significant amount of access to domestic properties, or a rapid scale up of a supply chain that may be impacted by Government COVID-19 related guidance. We do, however, recognise that there remains significant uncertainty about the way the relaxation of restrictions affects the work and services undertaken by the network companies.

We are aware that some networks will have built up a backlog of works and services that have been de-prioritised during the first phase of the pandemic in line with the approach outlined in our letter of 8 April 2020. Our expectation is that network companies will clear any such backlogs accumulated during the period from 8 April 2020 to 30 June 2020 at pace, whilst reasonably taking into account other competing demands from customers and continuing to work in line with Government COVID-19 related guidance.

Effective monitoring arrangements of COVID-19 impacts on network companies have already been established. We expect companies to continue to use this process of self-reporting, adapted to suit this revised approach, to identify and explain any shortfalls in performance on works and services, including any potential non-compliance with regulatory obligations. Where appropriate, all reasonable steps should also be taken to ensure companies remain transparent and communicate effectively around the delivery of their works and services with other key parties across the energy system.

The approach set out in this letter will apply from 1 July 2020 and will be reviewed periodically in line with any material changes in the COVID-19 situation. We will continue to monitor the impact of COVID-19 on the industry, including on network companies, and we will be pragmatic in our response to unpredictable and changing circumstances. This will be monitored through the reporting arrangements that will provide Ofgem with both an up to date view of the extent of any impact as it is being experienced and an early warning of any impending shortfalls in performance.

As a general rule, compliance with Government advice and guidance will take precedence over any provisions in this letter, should there emerge at any time any conflict between the two.

I now look forward to continuing to work closely with you in these changing times to ensure that our networks fully support the next phase of the transition, whilst ensuring that energy consumers continue to be protected.

A handwritten signature in black ink, appearing to read 'JBearley', written in a cursive style.

Jonathan Brearley
Chief Executive