



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

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Dear colleague

Impact of COVID-19 on Network Utilities – an enabling framework for regulatory flexibility

First, I want to thank you for all the efforts by you and your workforce during this crisis, which are critical to keeping essential energy supplies flowing to consumers.

I write following our recent work with all network companies on the above subject. I would like to set out how Ofgem plans to facilitate and help provide clarity to network companies to prioritise work sensibly and respond to the impacts of COVID-19 on their customers, workforce and supply chains.

Our overarching objectives in working with network companies during this period of extraordinary measures to combat COVID-19 are: to ensure that customer needs are met, particularly the most vulnerable; to maintain secure, reliable and safe supplies of energy to consumers in the short to medium term (ie through to the end of next winter); and to ensure the safety and protection of consumers and the workforce.

Network utilities and their workforce provide an essential function to the economy. Within the range of works and services that are delivered by them, there may be a need in the weeks and months ahead to make a distinction between those works and services that are

most essential to delivering the above overarching objectives (“High Priority Works and Services”); and those that are less so (“Lower Priority Works and Services”). We expect that companies will ensure the wellbeing of their workforce is at the centre of how they plan for the delivery of these activities. Network companies may temporarily de-prioritise (ie suspend or post-pone) certain Lower Priority Works and Services, in response to current Government advice (e.g. on social distancing), 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. In such circumstances, we wish to enable network companies to de-prioritise Lower Priority Works and Services without undue fear of regulatory enforcement or penalties.

To aid clarity, in the Annex to this letter, I have set out a broad categorisation of High Priority and Lower Priority Works and Services for each network sector, based on input received from the Energy Networks Association on behalf of all the network utilities. I would like to thank the ENA and the network companies for their constructive engagement in helping develop this framework.

This applies the definitions above to current network activity, and is intended to be illustrative rather than exhaustive. It is also likely to be dynamic, in that as time goes on, it is entirely possible that activities could shift from being Lower Priority Works and Services to becoming High Priority Works and Services (for instance, planned maintenance may be deferred for a while without impact on reliability or security of supply, but at some point, it may become necessary to carry it out to avoid interruptions to supply). For this reason, we would expect network companies to keep their prioritisation decisions under regular review, to ensure that at all times, the focus is squarely on the overarching objectives. Through our on-going monitoring of COVID-19 impacts on network companies, we would expect companies to self-report, explaining any de-prioritisation decisions they decide to make within this framework.

Where network companies can demonstrate that any issues related to compliance with their licence obligations have arisen as a result of prioritising High Priority Works and Services over Lower Priority Works and Services, and/or to protect consumers from immediate harm, we will take full account of this in considering these issues. So long as they do this openly and with the clear intention of protecting consumers from immediate harm and/or maintaining the security of supply, Ofgem should be in a position to support these decisions and should not need to take any enforcement action against network companies. In a similar vein, we will provide relief from penalties under our RII0-1 incentive schemes for any shortfalls in performance against targets associated with such de-prioritised work during this period of COVID-19 measures, provided the same tests above are satisfied. To

the extent that any re-prioritisation of work leads to the deferral of expenditure, we will seek to make appropriate adjustments to network company revenues if necessary for this in the close-out of the price controls, to ensure consumers are suitably protected. Decisions on what, how and when to prioritise are for individual network companies to make, based on their own circumstances at any point in time. Not all sectors or companies may need to utilise the regulatory flexibility provided in this letter, but it is there should they need it. Nothing in this letter obliges network companies to stop or suspend Lower Priority Works and Services, so long as these can be carried out in accordance with Government guidance (including guidance from the Scottish Parliament and the Welsh Assembly where applicable).

Assuming there is no material change in circumstances, this framework of regulatory flexibility will remain in place for an initial period of three months until 30 June 2020. As we approach that time, we will review the case for extending and/or amending the framework, based on circumstances at the time.

This enabling framework deals with the customer-facing aspects of network company activity. We are aware that network companies also need to engage on a range of regulatory processes (such as reporting performance, setting new price controls and responding to charging reviews). These are not the focus of this letter, but we will make announcements on Ofgem's own work prioritisation in respect of such matters in due course.

From our discussions, I know the importance you are attaching to following Government guidance, public health advice and safety legislation more generally, which we fully expect you to continue to do. 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 look forward to continuing to work closely with you in these challenging circumstances to ensure that energy consumers continue to be protected.

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

Jonathan Brearley
Chief Executive

ANNEX A

ELECTRICITY DISTRIBUTION NETWORK OPERATORS (DNO) HIGH PRIORITY AND LOWER PRIORITY WORKS AND SERVICES

Table A1: High Priority Works & Services

Activities necessary for short to medium term security of supply, and/or for the protection and safety of consumers and utility workers.

Emergency Response & Critical Repairs , dealing with faults involving loss of electricity supply to customers, including critical unmetered faults.
Operation of the network control rooms and call centre functions , including support for those customers in vulnerable circumstances.
Safety critical work that impacts on the integrity of the electricity network, the safety of the general public or presents a significant environmental risk , including Smart Meter Cat A (emergency) initial response, B11 fused neutral removals, safety related overhead line patrols and site inspections, critical link box inspections, civil repairs to substations, such as fences, substation inspections and safety critical maintenance, engineering work, idle services and ESQCR climbable trees.
Planned Works necessary for the short to medium term security of supply and ensuring network resilience , including inspections, maintenance, cutting trees that may lead to power cuts and work to prevent significant environmental impacts.
Essential connections work as part of the response to the COVID-19 outbreak e.g. for care homes, telecoms providers, hospitals, health centres or any such sites assisting in medical care, food shops, distribution centres, water utilities, customers in vulnerable situations, sites of critical national infrastructure & defence and any other such sites in line with the latest Government advice.

Table A2: Lower Priority Works and Services

Activities that do not fall in the above category of High Priority Works and Services. These will be risk assessed on a case-by-case basis by DNOs, taking account the risk of infection to employees, customers and the general public, and may be carried out in accordance with a safe method of work and the latest Government, PHE and HSE guidance.

Engineering works , not necessary for short to medium term security of supply, including reinforcement and diversion works.
Routine repairs and maintenance , that are either not necessary for the short to medium term security of supply, or where the work itself brings material network risk whilst it is being undertaken.
Routine, non-safety related survey, condition assessment and inspections works.
Meter work , other than High Priority works.
Connections work , including quotations, other than in respect of essential connections.

Disconnections and Alterations, except where they relate to High Priority Works.

Granting/termination of wayleaves and easements except in relation to High Priority Works.

General enquiries work except where it relates to High Priority Works.

ANNEX B

GAS DISTRIBUTION NETWORKS (GDNs) HIGH PRIORITY AND LOWER PRIORITY WORKS AND SERVICES

Table B1: High Priority Works & Services

Activities necessary for short to medium term security of supply, and/or for the protection and safety of consumers and utility workers.

Emergency Call Handling (0800 111 999) and Emergency Dispatch
Emergency Response Service , responding to and making safe reported gas escapes, including replacement of faulty meters and Smart Meter Cat A (emergency) initial response.
Emergency Repair and Replacement Service , repairing leaking gas mains/service/risers that present a danger to life and property.
Undertake time critical maintenance and defect repairs.
Supply Interruption / Restoration works , minimising the extent and duration of gas supply interruptions, including during a significant loss of supply incident.
Operation of the network control rooms and call centre functions , including support for those customers in vulnerable circumstances.
Essential connections work as part of the response to the COVID-19 outbreak e.g. for care homes, telecoms providers, hospitals, health centres or any such sites assisting in medical care, food shops, distribution centres, water utilities, customers in vulnerable situations, sites of critical national infrastructure & defence any other such sites in line with the latest Government advice.
Essential Safety related pipeline inspections, GS(I&U)R cut offs, Plant Protection.
Statutory Independent Undertakings (SIUs) and ensuring sufficient stock levels of critical components and fuel.

Table B2: Lower Priority Works & Services

Activities that do not fall in the above category of High Priority Works and Services. These will be risk assessed on a case-by-case basis by GDNs, taking account the risk of infection to employees, customers and the general public, and may be carried out in accordance with a safe method of work and the latest Government, PHE and HSE guidance.

Planned mains replacement works and service relays.
Survey and Non Critical Remediation of multi occupancy buildings.
Engineering works that are not necessary for short to medium term security of supply, including reinforcement and diversion works.
Routine repairs, maintenance and asset health works , that are either not necessary for the short to medium term security of supply, or where the work itself brings material network risk whilst it is being undertaken.
Connections work , including quotations, other than in respect of essential connections.

Disconnections and Alterations , except where they relate to High Priority Works.
Routine, non-safety related survey, condition assessment and inspections works .
Meter work , other than High Priority works.
CNI Upgrade Programme , except to safely close out work underway.
General enquiries work except where it relates to High Priority Works.

ANNEX C

ELECTRICITY TRANSMISSION OWNERS (ETO) HIGH PRIORITY AND NON-LOWER PRIORITY WORKS AND SERVICES

Table C1: High Priority Works & Services

Activities necessary for short to medium term security of supply, and/or for the protection and safety of consumers and utility workers

Operate 24/7 Control Rooms and Cyber Operations Centres.
Respond to and deal with network incidents which impact on public safety, security of supply and network resilience.
Undertake time critical maintenance and defect repairs , including risk mitigation measures where planned asset replacement is delayed on high-risk assets.
Undertake critical resilience improvements for NIS-D (Cyber Security), CPNI (Physical Security), and Environmental Agencies (Flood Defences).
Undertake statutory work, inspections and condition assessments.
Deliver asset replacement / refurbishment projects critical to the safe operation of the system in the short to medium term.
Process urgent new connection applications , where this is supporting to the drive to manage COVID-19.
Deliver critical customer connections, system reinforcement and system control projects to accommodate new generation and demand.
Deliver critical network control and voltage management capability.
Undertake surveys to support the development of future critical infrastructure and asset refurbishment/replacement projects where deferral will materially affect project delivery.

Table C2: Lower Priority Works & Services

Works that do not fall in the above category of High Priority Works and Services. These will be risk assessed on a case-by-case basis, taking account the risk of infection to employees, customers and the general public and may be carried out in accordance with a safe method of work and the latest Government guidance.

Capital Investment Programme , including customer initiated connection works, reinforcement works, asset, operational/non-operational control systems, and replacement/refurbishment works.
Issuing Connection / Modification Offers within the required timescales and associated customer interaction.
Undertake surveys to support the development of future infrastructure and asset refurbishment/replacement projects.

ANNEX D

GAS TRANSMISSION OWNER (GTO) HIGH PRIORITY AND LOWER PRIORITY WORKS AND SERVICES

Table D1: High Priority Works & Services

Activities necessary for short to medium term security of supply, and/or for the protection and safety of consumers and utility workers

Operate 24/7 Control Rooms and Cyber Operations Centres.
Maintain the Network Emergency Coordinator (NEC) role.
Respond to and deal with network incidents which impact on public safety, security of supply and network resilience.
Repair faults on the gas transmission network and on CNI-IT systems.
Undertake time critical maintenance and defect repairs , including risk mitigation measures where planned asset replacement is delayed on high-risk assets.
Undertake critical resilience improvements for NIS-D (Cyber Security), CPNI (Physical Security), and Environmental Agencies (e.g. emissions compliance, flood defences).
Undertake statutory work, inspections and condition assessments.
Deliver asset replacement / refurbishment projects critical to the safe operation of the system in the short to medium term.
Process urgent connection applications , where this is supporting to the drive to manage COVID-19 and critical customer connection engineering works.
Undertake surveys to support the development of future critical infrastructure and asset refurbishment/replacement projects where deferral will materially affect project delivery.

Table D2: Lower Priority Works & Services

Activities that do not fall in the above category of High Priority Works & Services. These will be risk assessed on a case-by-case basis, taking account the risk of infection to employees, customers and the general public and may be carried out in accordance with a safe method of work and the latest Government guidance.

Capital Investment Programme , including non-essential customer initiated connection works, reinforcement works, asset, operational/non-operational control systems, and replacement/refurbishment works.
Issue Connection / Modification Offers within the required timescales and associated customer interaction.
Undertake surveys to support the development of future infrastructure and asset refurbishment/replacement projects.