



Making a positive difference  
for energy consumers

To Fintan Slye (Director  
Electricity System Operator) and  
other interested stakeholders

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Dear colleague

## **Impact of COVID-19 on the electricity system operator – regulatory expectations from 1 July 2020**

On 24 April 2020, we sent a [letter](#) setting out how Ofgem would facilitate and provide clarity to the electricity system operator (ESO) to prioritise work sensibly and respond to the impacts of COVID-19.<sup>1</sup>

This framework of regulatory flexibility– applicable to 30 June 2020 – provided a process for the ESO and us to have a common understanding on the need to temporarily de-prioritise certain Lower Priority Activities, in response to current Government advice, and/or to focus capacity on delivering High Priority Activities in the event of escalating impacts of Covid-19 on the capacity of its workforce.

It is now critical that we enter the next phase in transitioning towards a new normal and supporting a green recovery. Although we recognise that things have not yet returned to normal, the ESO's ability to comply with its licence obligations during the first phase of the pandemic and the wider context of the progressive removal of restrictions means that the approach needs to change. Accordingly, the approach we set out in the enabling framework

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<sup>1</sup> For further information, please refer to <https://www.ofgem.gov.uk/publications-and-updates/letter-electricity-system-operator-priorities-during-covid-19>.

will end on 30 June 2020 and be replaced with arrangements that are better suited to a progressive return to a more normal set of operating arrangements.

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, the ESO will be expected to meet all of its licence obligations.

The only exception to this position will be for activities that cannot be delivered to the required standard because of the need to comply with Government public health guidance to keep customers and staff safe. So far, the ESO has only identified one such exception: the GB implementation of Project TERRE,<sup>2</sup> which would not be able to be restarted in time to meet its implementation deadline of 30 June 2020. We note that it has stated that it expects that it will be able to join Project TERRE by October 2020 at the earliest.<sup>3</sup> This is due, according to the ESO, to the need for it to redeploy staff that would be working on the project to increase the resilience of the electricity national control centre (ENCC) as well as the difficulties for the ESO to train staff and implement the required IT changes while following Government public health guidance. We are continuing to engage with the ESO to reach a common understanding on when it will be able to join the TERRE platform. If in future the ESO believes that any further exceptions are needed, we are open to considering these.

Where possible and in line with our enforcement guidelines,<sup>4</sup> we expect the ESO to inform us of any anticipated difficulties in complying with its obligations in advance of the ESO encountering those difficulties, whether those difficulties relate to meeting the requirements of the Government's COVID related guidance or other issues.

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 the ESO operates.

The ESO's incentives scheme is based on the assessment of how far it delivers in line with, or above, expected baseline performance across its activities (excepting Electricity Market Reform, EMR), and we recognise that the advent of COVID-19 will continue to change some priorities and has the potential to make others more challenging. The incentive scheme already allows for prioritisation of activities in order to ensure that the ESO Forward Plan is deliverable and focuses on the right areas for consumers.<sup>5</sup>

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<sup>2</sup> Project TERRE is the implementation project of the European platform for the exchange of balancing energy from replacement reserves pursuant to Article 19 of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing. The EBGL came into force on 18 December 2017.

<sup>3</sup> For further information, please refer to <https://www.nationalgrideso.com/document/168006/download>

<sup>4</sup> For further information, please refer to The Enforcement Guidelines.

<sup>5</sup> For further information, please refer to the Electricity System Operation Regulatory Incentive Guidance.

Under this incentive scheme, we will keep under review areas where ESO priorities have shifted and assess the impact these changes have had on consumers. We will also review, as part of our incentive framework, the system operation actions the ESO has taken this spring and summer in response to COVID-19 and we will also identify any lessons. We expect the ESO to continue to engage with us through this process to ensure we have a common understanding on the impact of COVID-19 on its operations as well as to discuss the need to reprioritise any deliverable as part of its incentive framework. In particular, we are supportive of the ESO's plan to publish an amended Forward Plan to amalgamate any revised approaches and reprioritisations in the plan for this year.

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 the ESO, and we will be pragmatic in our response to unpredictable and changing circumstances.

The ESO and its workforce are at the heart of the electricity system and also provide an essential function to the economy and will be critical to the green recovery. I look forward to continuing to work closely with you in these changing times to ensure that our system fully support the next phase of the transition, whilst ensuring that energy consumers continue to be protected.



**Jonathan Brearley**  
**Chief Executive**