Distribution system operators response

**Current COVID-19 related concerns and preventive/ remedy measures undertaken in DSOs**

The coordination platform of distribution system operator ECDSO-E[[1]](#footnote-1) a the meeting on 15 April 2020 exchanged views on managing the challenges invoked by threats to public health from COVID-19 and introduced prevention and containment measures, in order to define action points of common interest.

The summary of the issues of concern for the DSOs is based on the elaborations provided by distribution system operators (Albania: OSHEE; Bosnia and Herzegovina: Elektroprivreda Bosne i Hercegovine, Elektroprivreda Hrvatske zajednice Herceg Bosna, Elektroprivreda Republike Srpske, Komunalno Brcko; Georgia: Energo-Pro; Kosovo\*: Kosovo Energy Distribution and Supply; Moldova: Premier Energy Distribution; Montenegro: CEDIS; North Macedonia: Elektrodistribution; Serbia: EPS Distribucija; Ukraine: DTEK.

1. The framework

In all Contracting Parties were adopted legislative acts declaring state of emergency or extraordinary measures aimed at preventing the spread of pandemics.

In all Contracting Parties the declared emergency measures have resulted in explicit restrictions on operation regime of DSOS, due to respecting social distance and safeguard of personnel.

In most Contracting Parties, explicit or implicit tolerance to non-payment was declared, by means of guaranteeing no-disconnection and/or no accrued interest for non-payments.

In addition, such promises of forfeiting accrued interests and of no disconnection for non-payment during the emergency were not elaborated in a way to clearly define who would bear the costs and if leniency toward non-payment would be applied only to end users (households and their suppliers) or along the supply chain (to DSOs, TSOs, wholesalers, generators)

In addition, the declared emergency status or force majeure triggers implementation of respective provisions of network codes and general conditions applicable for DSO.

All DSOs reported that uninterrupted delivery to core services and households is their priority during the crisis, in order to contribute to public security and public health.

Most DSOs have developed written procedural and operational rules for emergency, which are being implemented during this crisis.

Where DSOs have not finalized their unbundling process, the introduced or declared measures raise concerns that initiated restructuring plans and reforms may be put to halt and independence of DSOS postponed indefinitely.

1. Network operation and maintenance

Summarizing the reported operational regimes, it is obvious that DSOs have managed to adapt in a fast and efficient manner, providing their service despite all restrictions. In the following section are presented procedures and measures implemented by DSOs in order to perform their task.

Restrictions on movement and social distancing are implemented, albeit in different operating procedures.

Protection and sanitary procedures are put in place. Protective equipment is provided for all key staff, consisting of hygienic and sanitary items, masks and glove, regular disinfection of equipment. Some DSOs provided sanitized overalls for field teams, especially engaged in meter reading.

Physical segregation of staff and offices is implemented in all DSOs.

Nevertheless, infection did occur affecting the key staff too.

1. Organization and safety of personnel

Key staff is identified in all DSOs, in order to ensure performing core functions of distributing system, safety of network facilities and public interest.

Security and safety of dispatch centers and its staff, as a top priority, are ensured by means of:

Isolated teams in dispatch centres with back up teams on stand-by in isolation

Restricted access to dispatch centers and to stand-by units.

Segregation measures in place enabled to limit the impact and so far the key staff in dispatch centers remains fully operational.

Work from home or annual leaves are enabled whenever possible for administrative staff.

Maintaining safety of key staff safe from infection, insufficient number qualified and trained key staff for extended work in the long run and wear of key staff remain critical. Some DSOs consider call-on teams created of retired staff.

1. Organisation of work and maintenance activities

Regular maintenance activities and field work are restricted to minimum, with priority on repair and restoration.

The maintenance planning is revisited in order to minimize interruption for the sake of public safety and public health.

Planned interruptions, for regular maintenance are either suspended, postponed or implemented with limited duration.

Mobile intervention teams are also established as a back-up for field units.

Quality of service may be at risk if planned repair and maintenance is postponed too long.

1. Supplies Critical materials, vital spare parts and equipment

All DSOs reported that current supplies of vital spare parts, tools and equipment is sufficient to ensure repair and urgent remedial maintenance.

Some DSOs have central warehouse or centrally managed stock system, enabling more efficient use of available vital spare parts, material, tools and equipment.

However, if crisis continues, replenishing may be critical due to possible trade (export / import) restrictions, specific procurement procedures, transport issues, manufacturing, as well as longer lead/lag time and financing.

Network safety, as well as safety of staff could be affected if supplies are not replenished in accordance with needs. In times of trade and transport restrictions, providing sufficient sanitary and protective supplies for key staff and premises may become a problem.

1. Communication and reporting (special arrangement during the crisis)

All physical meetings are postponed or cancelled.

Field work limited and restriction applies as regards access and gathering in public and field work stations.

Contacts with customers via call center, e-mail, pubic release, physical contacts eliminated or limited.

When seasonal differentiated tariffs are applied, more customers’ complaints on estimates may be expected

1. Financial operation
2. Consumption, billing and collection rates (any special arrangement)

In all Contracting Parties, extraordinary regime was introduced from second half of March 2020, therefore it was difficult to make precise assessment of changes in consumption and payment patterns.

Decrease in industrial consumption and slight increase in residential consumption in last decade of March is observed, continuing in the first week of April 2020.

Last week of March saw decrease in collection rate in all CPs, however it is yet to be seen how it will be reflected on DSOs.

Declared ban on disconnection and waiver of interest will increase the costs for DSO; revenues will be decreased, if crisis continues the financial status will deteriorate.

Network tariffs review is required to take into account the changes in physical parameters affecting the tariff level as well as costs of financing the operation.

In all but two CPs disconnections for non-payment are excluded during crisis, continuous supply is a public security issue.

DSOs in general support this approach, in particular no disconnection of household and core public services and have put all efforts to ensure continuous supply.

Some CPs introduced or declared, without explicit decision of competent authority, forfeiting (waiver) of interest for default.

The impact of introduced payment leniency measures on DSO will depend on the contractual arrangements between DSO and supplier. So far, none of the Contracting Parties explicitly defined who will bear the costs of financing this debt.

Where businesses (network and supply) are unbundled, the introduced measures often do not define payments to network operator and to other operators along the supply chain (eg. TSO, whole sale supplier, generator).

DSOs, as any other economic operator need to be aware of the expected burden placed on them. If an allowance or privilege is granted for the sake of social cohesion, it should be defined who would bear the burden and which contractual rights and obligations in the supply chain are affected and how.

DSO implemented different practices, as they differed as regards meters and billing arrangements. Limitations and delays occurs where remote meter reading is not possible.

In most of the Contracting Parties regular meter reading, was replaced with combination of estimates, self-reading and remote readings.

In general, less meters were read than usually. Industry / big customers are mainly covered by remote reading systems, but access to some small businesses and households was limited.

1. Impact on cash flow and short term liquidity

Most DSO have available working capital to finance regular operation and are able to provide short term financial stability.

However, continuation of crisis with decreased consumption and payment will endanger the financial position and ability of operator to settle its current liability

Additional working capital will be needed for all DSOs to support delayed payments and non-payments if situation continues.

The estimates are not still finalized, few DSOs have already started or contracted loan for working capital.

Additional short term liabilities (new procurement regime, advance payments, other) are expected as a result of trade and transport restrictions, as well as restricted operations by manufactures of supplies and equipment. The same is apparent for outsourced services, the availability and cost of which are at question too.

The general observation is that the costs of procured goods and services will increase and hence the need for additional capital.

In two to three months’ time, if situation continues as envisaged, all DSOs expect to face lack of working capital to finance short term liabilities for regular operation.[4]

1. Investment activities
2. Initiated project

All DSO reported postponement, delays and slowing down of most initiated activities.

Contracting and procurement of goods and services for initiated projects is also slowed down.

Many DSOs suspended all non-essential investments.

1. New projects

All DSOs are undertaking only new project of ultimate importance for security, public health and operational network security.

New connections are either cancelled or postponed, with difficulties in completing documentation.

Review of concluded contract is required to ensure applicability of force majeure.

Impact cannot be assessed at the time, in particular considering the objectives defined in the network development and investment plans.

1. Cyber intrusion to the IT/OT systems during the work from home regime

Most DSO organized separation of essential IT equipment and communication from other communication lines, encription systems and security measures for communication with staff working from home.

DSOS do not expect major intrusions, but IT systems remain alert. Some noted problems in mail operation of home-based staff.

1. The ECDSO-E is an integral part of the Security of Supply Coordination Group [↑](#footnote-ref-1)