

Briefing: COVID-19 and the Energy Sector

On 13th May 2020, Carbon Connect held an online briefing with parliamentarians, independent experts, industry representatives and policy-makers. This document was produced as a post-event write-up by Policy Connect. While it is based on the roundtable discussion, it does not necessarily represent the views of all those in attendance.

Summary

- So far, much of the energy sector has been mostly **resilient** to the current situation and **energy generation continued** across the country. The industry **took several protective measures** to continue effective service provision.
- **Electricity demand has been lower** by 15-20% and **renewables' penetration** of the grid **has been very high** which had to be managed by the systems operator. **Lessons from the current low carbon operation can help to achieve the 2025 zero coal and 2050 net zero target.**
- The action of the **Government and the energy industry to ensure that customers can keep receiving energy was welcome as a positive development**, however, **further steps were recommended to ensure that everyone can access the support available.**
- Roundtable participants emphasised the **connection between net zero and the recovery from COVID-19**, with **net zero representing a good opportunity for economic recovery post-COVID.**
- Participants highlighted their **commitment to keep delivering net zero**, but also emphasised that continued 'regulatory unblocking', long-term policy signals, clarity, transparency, funding and **support from the Government are also crucial for this.**
- **People need to be put at the heart of net zero measures and the green recovery.** Raising awareness, providing advice and consulting with people is crucial for this. As COVID-19 also means that there will be more households with financial worries, we need to deliver net zero in the most cost-effective way. Action is needed to tackle fuel poverty.

Main discussion points

- Challenges facing the energy sector and the sector's response
- Implications for consumers
- Action on climate change, net zero and the green recovery

Challenges facing the energy sector and the sector's response

So far, much of the **energy sector has been resilient to the current situation** and **energy generation continued across the industry**.

Key priorities for the sector were the **health and safety of workers**, as well as **keeping the service and maintenance up and running** to ensure sites are reliable.

The continued dialogue with BEIS and Ofgem and the pragmatic approach taken was welcome. This includes measures that critical workers' children can go to school, and the non-implementation of the 2 m rule when it's not possible (with continued risk assessments being carried out).

Some of the sectors' response measures include:

- Restricting international travel, limiting contact with key workers, limiting access to sites
- Temperature testing when people enter at the gatehouses
- Increased cleaning
- Segregation of teams with shift team handover being done behind glass screens by using mobile phones to communicate
- Perspex screens in permitting offices, and using 2m queue gaps for workers upon getting the permit for jobs that need to be carried out
- Working from home wherever possible, flexible working arrangements, different times set for workers to arrive at sites.

There was a **fantastic response from many energy sector workers**. Fortunately the sector is not in that situation, but certain workers volunteered to be locked down at power stations and control rooms if people could not travel to ensure the continuity of service. Retired employees also volunteered to return to work if necessary.

BEIS Secretary Alok Sharma's open letter, recognising energy sector workers' efforts during COVID-19 was well-received¹.

Electricity demand has been reduced by 15-20% as businesses and industry shut down. Operating with low demand is more challenging for the network operator than operating with high demand. This was coupled with soaring renewables production in the system which is more challenging for the systems operator to manage because of lower system inertia.

To deal with this, the systems operator had to reprioritise activities in collaboration with the industry, which involved bringing forward balancing services to manage low demand. They also contracted with certain generators to reduce output and they have launched a new inertia product to get inertia from non-traditional sources.

¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/882426/beis-sos-letter-to-the-energy-sector.pdf

Implications for consumers

The pandemic has been **very disruptive to peoples' lives** and it is likely that many household will not be able to recover quickly from this financially. **13 million people have already been unable to pay, or expect to be unable to pay, at least one bill due to the coronavirus situation²** which also includes people who are unable to pay their energy bills. **If debt increases significantly, this draws a lot of problems for the future, including issues for the energy sector, because energy supply is not a large margin business.**

Therefore, **we need to be careful about how we withdraw financial support for households.** The recent announcements of the **furlough scheme extension was welcome** and crucial **to avoid people facing a 'cliff edge' if support is withdrawn too early.**

COVID-19 is likely to have negative implications on fuel poverty, through its impact on many people's income, increased household energy consumption, and the increase in the amount of time spent at home.

We have been fortunate that coronavirus struck under milder weather: its combination with colder weather and a flu outbreak could have made the situation much worse. We need to avoid any potential 'collision' of coronavirus with cold homes next winter.

Energy differs from a large number of essential service markets, as due to the large number of pre-payment users, the risks are greater. **If people cannot get out to a shop to top up (e.g. due to self-isolation) or they cannot afford to top up, they lose access to an essential service.**

The quick action of government to agree measures with energy industry stakeholders to protect and empower customers in vulnerable situations was welcome and was a very important step³. It was also highlighted as a very positive development that all UK domestic suppliers signed the industry agreement, taking responsibility. It was also seen very positively that the scheme came into effect immediately, early on in the coronavirus situation to ensure that pre-payment and pay-as-you-go customers remain supplied during these challenging times, and customers in financial distress remained supported.

Many people are supported through this scheme. However, there are currently still barriers to access this arrangement and not everyone can access the support that would be vital to them due to the following reasons:

- Despite the on-the-day marketing of the announcement, there are **issues with consumer awareness about the scheme's availability.**
- This is combined with the fact that the scheme emphasises **that customers need to contact their suppliers themselves** and ask for assistance, which means that many customers in need have not been able to access the support. Some vulnerable customers have been very reluctant to get in touch with their supplier, and in certain cases, there are long delays on the phone in getting through to suppliers.

² <https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/media/press-releases/millions-facing-financial-cliff-edge-when-coronavirus-protections-end2/>

³ <https://www.gov.uk/government/news/government-agrees-measures-with-energy-industry-to-support-vulnerable-people-through-covid-19>

Recommendations to eliminate these barriers to protect all those in need:

- **Increase the visibility of the support scheme to make people aware of the support available and provide more information:** potentially produce a cross-sector platform developed by third parties to accurately provide the information on what support is available.
- Reduce the need for customers to make contact with their supplier: besides customer 'applications', suppliers could also use their own intelligence about their customers and contact customers potentially in need of support and deliver that assistance

Other issues posing a risk to consumers:

- There is a lack of consistency in payment holidays and large variance in emergency credit levels which can have a big impact on customer's ability to access energy.
- There has been a **risk of self-disconnection** from pre-payment meters prior to the pandemic as well. During COVID-19 the issue has become more pressing with people not always being to top up, e.g. due to self-isolation or financial difficulties due to COVID-19, although the current scheme to protect consumers alleviates this problem temporarily to certain extent. This shows that we need to address this risk. **Smart meters** offer a lot more flexibility for consumers and we need to look at how the 'targeted install' of these appliances would look like to offer better solutions for people.

Action on climate change, net zero and the green recovery

There is a risk that COVID-19 will reprioritise certain goals, however, **roundtable participants agreed that we need to keep delivering on net zero. The importance of engaging with the 'non-like-minded' was also highlighted in order to build social consensus.**

Therefore, while we concentrate on the COVID-19 response, **we cannot afford net zero to fall off the agenda.** Despite coronavirus, climate change will not go away. **The way we tackle these two issues has to be interlinked and the recovery from COVID-19 has to be green to ensure** that what is done today under the label of 'recovery' will not have to be redesigned/'undone' later to reach our net zero goal for 2050. Consequently, **the May 2020 letter from the Committee on Climate Change (CCC) to the Prime Minister on building a climate change resilient recovery from coronavirus was welcome⁴.**

Net zero represents a great opportunity for economic recovery post-COVID. We have 'shovel-ready' plans and facilities which can boost the green recovery in terms of jobs, supply chains and keeping things on track for net zero – we need to use these.

Many energy companies continued their decarbonisation/net zero-related projects/constructions. It is a question whether there will be any supply chain issues in the future, but so far the industry has been mostly resilient.

Participants highlighted their commitment to keep working on net zero, but also emphasised that continued long-term support and 'regulatory unblocking' from the Government is crucial to enable these investments/projects to materialise, for example in the case of offshore wind or hydrogen. To continue on

⁴ <https://www.theccc.org.uk/publication/letter-building-a-resilient-recovery-from-the-covid-19-crisis-to-prime-minister-boris-johnson/>

the net zero journey, **long-term policy signals, clarity, transparency, funding and encouragement from the Government is absolutely vital.**

Over recent weeks, the penetration of renewables has been much higher than usual – renewable penetration levels were reached which were not expected for about another 5-10 years. The system was able to cope with this which gives comfort that it will be able to cope with the net zero transition that is coming. Moreover, **this has brought forward the deployment of many new solutions for managing the grid which is helpful for the low carbon transition.**

Thus, the current situation has been a helpful rehearsal for the 2025 coal free target, as well as net zero, helping us to get to better protocols for energy management and prepare for the long-term high presence of renewables in the system. Currently high carbon sources are needed to help balance the grid, but by 2025, it will be possible to operate without those high carbon sources. The current low carbon operation and operation over the summer will help to get to low carbon mode.

Beyond 2025, we need to get to net zero and what gets us to coal phase out will not be enough to get to net zero. That requires societal change, so we need to think about how we can build on the societal changes COVID-19 brought about to get to the 2050 target.

Besides ensuring that economic recovery is green, **the Government also need to make sure that people are at the heart of these plans.** There need to be honest conversations with people about the implications of net zero which is also crucial for keeping the **political legitimacy and consensus for net zero.**

This is because alongside its potential for the post-COVID recovery, **decarbonisation in certain areas means change to people's lives.** Therefore, we need to make sure they understand how this change will happen and ensure that they know where they can turn to for advice about the decisions they need to make or how they get help when things go wrong. As a December 2019 survey found, 82% of respondents were supportive of the net zero, but only over a third (38%) of them were aware that this requires changes to household heating⁵. This means that **there is a communications and awareness raising challenge ahead of use which we need to tackle in order to be able to reach net zero.**

We also need to **put appropriate consumer protections in place** which are crucial to give people confidence to take the necessary steps towards decarbonisation, including low carbon heating and energy efficiency (e.g. insulation).

Furthermore, the availability and visibility of local and impartial energy advice is also very important in this respect. **To ensure the delivery of net zero and a green recovery, people need to get localised, impartial and free energy advice.** England used to have a nationally coordinated, locally delivered energy advice service until 2012, which was followed by a national call centre, the current the 'Simple Energy Advice' website does not offer access to a trained adviser. It is now Citizens Advice and other organisations, such as the Energy Saving Trust that deliver energy advice. Scotland's regional energy advice services, which offer free home visits, provide a gold standard the rest of the UK to follow⁶.

Alongside the need to start delivering net zero urgently, **COVID-19 also mean that there will be more households with financial worries, so how we need to deliver net zero in the most cost effective way.** It is

⁵ <https://www.citizensadvice.org.uk/about-us/our-campaigns/all-our-current-campaigns/decarbonisation/>

⁶ <https://www.policyconnect.org.uk/research/uncomfortable-home-truths-future-gas-series-part-3>

important to note that certain measures needed to get to net zero will result in higher costs for consumers (which is currently the case for low carbon heating). However, there are other changes associated with decarbonisation, such as wind energy, which can lower bills, and there are also measures which do not represent a disruption to people's lives and are neutral in terms of consumers' costs.

Regarding the interlinkages of net zero and COVID-19, it is also important to note that **local governments need to spend more than expected due to the coronavirus outbreak** which can leave them with a funding shortfall. **It is important to tackle this funding problem**, as there is also a need for the active involvement of local government in the delivery of net zero.

Participants have also called for **the delivery of energy efficiency**. While **energy efficiency is a 'win-win' solution, in so many instances it has not materialised yet**, despite the vital need for energy efficiency on the road to net zero. It was highlighted that **it can play a very important role in the post-COVID recovery** due to its potential for job creation and skills development, making it a **'win-win-win' solution under the current circumstances**. The importance of 'low regret' energy efficiency measures, such as the insulation of external walls or lofts was also emphasised.

Finally, during the green recovery and net zero transition, it is important to **ensure that rather than 'chasing out' energy intensive industries off the UK and make them move abroad, we need to help them decarbonise and stay in the UK**, continuing to provide jobs, which is also an important consideration for the green recovery.