



RESHAPING THE ENERGY WORLD – COVID AND ITS IMPACT

June 15, 2020

Written by

Pratishtha Bhatia
Assistant Vice President,
Utilities Academy, EXL

lookdeeper@exlservice.com

Covid-19 has impacted all industries globally. The energy industry is also under pressure to provide reliable services to their customers, while safeguarding the sustainability of their business. In this paper we will cover key trends and their impacts across the industry and introduce potential solutions to alleviate this pressure.

DECLINING DEMAND CURVE

It makes sense that commercial demand will decline when all but essential services are closed. As these industries contribute immensely to the demand of electricity, the overall demand will see a decline, though it can be offset somewhat through a marginal rise in demand from residential customers stuck at home. For instance, Italy witnessed a decrease in demand by more than 18% in the first week of lockdown itself. It is expected that on an average the overall demand will reduce by more than 10%. Suppliers are now required to be more vigilant and accurate while forecasting the demand to ensure minimum losses.

DROP IN PRICES

COVID-19 has created a crisis for oil and gas industry as demand for oil is likely to decrease by 23.1 million barrels per day in Q2 of 2020. The UK energy industry is witnessing a decrease as wholesale energy prices have collapsed. The cheapest energy tariff in the UK has fallen by £32.60. Markets are also anticipating disturbances in price caps this summer, further pressuring the already struggling industry. However, UK households could be facing a 37% increase in their energy bills, as 72% were using more energy during the lockdown, according to new research.

CYBER SECURITY

Ensuring employee safety has meant more people working remotely, but this also exposes the energy industry to new cyber-risks. Scammers and hackers have become active and are making the most of this opportunity. In the U.S.,

the Tennessee Valley Authority reported an increase of 130% in phishing attacks. Exelon's internal IT systems were also impacted recently by a cyber-attack.

Organisations need to secure themselves, which includes increasing awareness among their workforce, customers and partners. Regulators' scrutiny will increase to the degree they desire a detailed view of how organizations are protecting sensitive data and critical operations.

REGULATORY CHANGES

Energy regulators are stepping in by making decisions that help people who are experiencing financial uncertainty during this time and are worried about their energy supplies. For example, Brazil's energy regulator ANEEL (Agência Nacional de Energia Elétrica) is ensuring that energy companies will not be allowed to shut down the electricity of residential customers who fall behind on payments for at least 90 days. In the UK, following are Ofgem's key priorities for suppliers:

- Meeting needs of all customers, specially the most vulnerable
- Treating customers fairly
- Maintaining an uninterrupted, secure and safe energy supply

DECREASE IN CASH FLOW

The shutdown of the industrial and commercial establishments has negatively impacted the energy suppliers as these are the main source of their revenue.

“Six Impacts of COVID-19 on utilities,,

Reduction in demand, and crash in prices has resulted in reduced revenue generation. With increasing furloughs and layoffs, more residential customers are also becoming vulnerable, which creates a financial impacts and regulatory obligations. Smaller suppliers might further struggle with sustainability which creates urgency for them to analyze and prioritize there spending along with investments to maintain a healthy portfolio.

OFGEM will continue to ensure suppliers meet their regulatory obligations. However, the government also recognizes, this will be a challenging time for many supply businesses. The UK government has set out a package of targeted measures to support businesses through this period of disruption caused by COVID-19, including £330 billion for companies to access loans, a business rates holiday, and help for small firms without insurance.

CONSUMERS

Consumers globally are anticipating lasting effects from COVID-19. The prevailing economic assumptions suggest an increase in the numbers of vulnerable customers. Consumers are also opting out of direct debit as a payment method to be in control of the money going out of their accounts and want suppliers to come up with customized and better payment options which could also include cheaper tariffs to help support them during this crisis. Many energy companies have also released statements of intent about helping customers who might be struggling.

Citizens Advice also have tips on what to suggest for those struggling with payments, including:

- Alternative payment plans
- Installing a prepaid meter
- Applying for emergency grants
- Paying fixed amounts over a set period of time

- Paying off debt through Fuel Direct Scheme

Suppliers must explore all possible ways to engage with their customers. They ought to strategize and analyze the data to provide tailored solutions to help them maintain or regain consumer trust.

WORKFORCE DISRUPTION

Because the energy sector is an essential service during the pandemic, workforce is the most critical element of the business. Lockdown across the globe has resulted in work from home being the new normal. Suppliers would need to evaluate and segment work which is critical and also have relevant risk mitigation plans in place. In order to maintain health and safety maintenance and field work is restricted, with repair being prioritized. Planned interruptions are postponed, or executed with a limited duration, and mobile intervention teams can be established as a back-up for field units.



Four recommendations to Energy Suppliers

Energy suppliers are facing significant challenges for which, they not only need to respond resiliently but also think innovatively to thrive in the business.

REDUCING COSTS AND MAINTAINING LIQUIDITY

Companies need to prioritize what is critical to business, and maintaining the right liquidity is key to their success. Key considerations:

- Reduce all optional expenses.
- Rely on robust asset management plans
- Get a better understanding of asset data
- Assess the impact customer have on demand
- Assess customers' ability to pay
- Evaluate performance of operated and non-operated ventures

BUILDING OPERATIONAL RESILIENCE

More than 80% of the organizations were not fully prepared to face such a Pandemic, according to studies. One of the biggest lessons for organizations is to strengthen their BCP strategy and rework on their operating models in an extremely volatile and uncertain market environment in the short and mid-terms. Key considerations:

- Crisis management and response systems need to be ready if the situation worsens.
- Utilities should use automation and emerging technologies to minimise human contact.
- Business continuity plans should be reassessed in order to maintain critical operations.
- Work from home to be looked at as a viable long term option

DEPLOYING ANALYTICS

Harnessing the power of data delivering tailored solutions for all customer journeys in these uncertain times can truly come to the rescue. Analytics embedded with operations will enable delivery teams to generate customized solutions for the customers, prioritize tasks that are important and generate valuable insights. Potential use cases include:

- Segment populations to determine clusters of similar requirements.
- Utilizing smart meter reads to understand consumption patterns.
- Set up data filters to avoid exception generation.
- Help prevent outages for utilities.
- Using omni-channel engagement with customers backed by analytics

MOVING FROM HUMAN TO DIGITAL

More than 75% of the companies surveyed are planning significant investment in 2020, saying they are investing in digital workplace technologies to stay relevant with both their customers and their employees. According to recent research from HFS. Digital transformation is a key enabler for operational excellence and new revenue streams in a changing world where utilities are undertaking the shift of decarbonization and decentralization of their sources. Digital interventions for utilities could include:

- Geotracking locations via GPS data
- Real-time alerts.
- Remote monitoring of vital signs.
- Contextual assistance through online help

Conclusion

Throughout history global events have been the catalyst of innovation. Again post COVID-19 crisis, the world is set to change. Times like these get people to challenge the status Quo and think out of the box. As recession is hitting the roof, organizations need to think of solutions which can enable them to earn revenue, stay in business. Utilities will have to use analytics and digital tools to strengthen their customer experience, systems and operations. In the end energy companies need to ensure continuous support for their customers, while keeping their workforce upskilled and safe all times.

Links

1. <https://www.offshore-technology.com/investment/covid-19-creates-supply-and-demand-crisis-for-oil-and-gas/>
2. <https://www.energylivenews.com/2020/04/16/decline-in-wholesale-gas-prices-leads-to-cheaper-energy-tariffs/>
3. <https://www.thisismoney.co.uk/money/bills/article-8284439/Household-energy-usage-surges-37-lockdown.html>
4. <https://www.reuters.com/article/health-coronavirus-brazil-energy/brazils-energy-regulator-bans-cutting-electricity-for-90-days-due-to-coronavirus-idUSL4N2BH53A>
5. <https://www.wired-gov.net/wg/news.nsf/articles/health-coronavirus-brazil-energy/brazils-energy-regulator-bans-cutting-electricity-for-90-days-due-to-coronavirus-idUSL4N2BH53A>
6. <https://metro.co.uk/2020/03/28/coronavirus-uk-pay-household-bills-covid-19-lockdown-help-struggling-12469755/>
7. <https://www.citizensadvice.org.uk/consumer/energy/energy-supply/get-help-paying-your-bills/struggling-to-pay-your-energy-bills/>
8. <https://www.pv-magazine.com/2020/04/24/impact-of-covid-19-on-the-global-energy-sector/>
9. [deloitte-uk-er-covid-19-and-oil-price-crash-sector-impact.pdf](#)
10. [Enzen Covid-19 building future resilience in utilities.pdf](#)
11. <https://biztechmagazine.com/article/2020/03/how-analytics-can-power-modern-utility>
12. <https://vlocity.com/newsroom/a-case-study-in-utility-digital-transformation>
13. [digitalization-of-utilities-operations_web.pdf](#)
14. <https://aleasoft.com/fall-demand-prices-european-electricity-markets-due-covid-19-crisis/>
15. <https://www.iea.org/topics/covid-19>
16. <https://www.pwc.com/us/en/library/covid-19/how-covid-19-is-impacting-power-and-utilities.html>
17. <https://theenergyst.com/elexon-hit-by-cyber-attack>

EXL (NASDAQ: EXLS) is a leading operations management and analytics company that helps our clients build and grow sustainable businesses. By orchestrating our domain expertise, data, analytics and digital technology, we look deeper to design and manage agile, customer-centric operating models to improve global operations, drive profitability, enhance customer satisfaction, increase data-driven insights, and manage risk and compliance. Headquartered in New York, EXL has more than 32,600 professionals in locations throughout the United States, the UK, Europe, India, the Philippines, Colombia, Australia and South Africa. EXL serves multiple industries including insurance, healthcare, banking and financial services, utilities, travel, transportation and logistics, media and retail, among others.

For more information, visit www.exlservice.com.

© 2020 ExlService Holdings, Inc. All Rights Reserved.



GLOBAL HEADQUARTERS

320 Park Avenue, 29th Floor

New York, New York 10022

T +1 212.277.7100 F +1 212.771.7111

United States • United Kingdom • Australia •
Bulgaria • Colombia • Czech Republic • India
Philippines • Romania • South Africa

EXLSERVICE.COM

lookdeeper@exlservice.com