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INTERVIEW

COVID-19 & the role of energy regulators



5 QUESTIONS TO CLARA POLETTI

By Máximo Micciniolli
CERRE Energy Director

When on 23 February 11 municipalities in Northern Italy were declared “red zones” for the Coronavirus crisis, no one imagined that in two weeks this would have evolved into a full lock-down of the country.

On 11 March, the Italian government adopted unprecedented measures to handle the COVID-19 crisis. The same day, the WHO labelled it a “pandemic”.

In this difficult context, ARERA, the Italian Regulatory Authority for Energy, Networks and the Environment reacted quickly, issuing a series of extraordinary measures with the aim to protect both consumers and operators.

Máximo Miccinilli, Energy Director at the Centre on Regulation in Europe (CERRE) interviewed Clara Poletti, Commissioner at ARERA, the Italian Regulatory Authority for Electricity, Gas and Water, and Chair of the Board of Regulators for Acer.

This 5-question interview sheds light on the special measures taken by ARERA in the context of the COVID -19 crisis.

1 HOW DID THE COVID-19 CRISIS EVOLVE IN ITALY AND WHAT IMPACT DOES IT HAVE ON YOUR WORK AS ENERGY REGULATOR?

Clara Poletti

First, it is important to note that the development of the epidemic has not been uniform all over the country.

This has an impact when we discuss the measures to be taken and how to adapt regulation.

On 23 February the government decided for the lock-down of

eleven municipalities in the northern half of the country.

Those municipalities were considered as the outbreaks of the virus in Italy, the so-called “red zones”.

Then, the same measures were extended nationwide. It was a step by step approach.

From a regulatory perspective, we should also keep in mind that since the beginning of the crisis, we did not know for certain the length and the duration of the emergency.

It is therefore very difficult to establish regulatory measures without a clear timeline.

2 WHAT ARE SOME OF THE MEASURES YOU HAVE TAKEN FOR CONSUMERS AND OPERATORS?

In parallel with the full lock-down of the country, we started issuing extraordinary measures. It is work in progress. Every day we are preparing new provisions, here are some examples of those.

First, it is important to be able to communicate to consumers and operators on what you are doing. We have created a dedicated website section on COVID-19, where all our related decisions, press releases, and other information for operators are published.

A special task force composed by Board members and directors was set up in order to identify the most urgent needed measures for all the sectors that ARERA regulates.

We want to make sure that we have a coherent approach across sectors.

There is a strong need for cooperation between institutions.

At this point in time, we see a strong need for cooperation between institutions.

Looking at final consumers, we decided on a standstill of disconnections of electricity and gas supply due to delays of payments for households and small businesses.

We extended by 60 days the deadline for the request of the social bounds for low-income families and consumers in need.

We have established a special account to provide financial resources for the regulatory interventions made in favour of final customers.

This account is financed by transferring up to 1.5 billion euros from other accounts that are now used mainly to finance renewables, energy efficiency and other public policies. These resources will then have to be returned to the accounts of origin.

Moreover, we have also decided to postpone most of the deadlines for the collection of data. All inspections and sanction procedures have also been put on hold.

We are also working on our quality of service regulation. We will then to provide incentives to recover very quickly in order to go back to the previous standards.

3 HOW DO YOU COOPERATE WITH OTHER REGULATORS?

Cooperation is very important in such situation.

At this point in time, a lot of the best practice sharing takes place at CEER level.

This is probably because of the nature of the measures that we are taking that are mostly related to the retail market, a competence of national

regulators and CEER.

I would like to highlight that the independence and the powers of national regulators are different in each Member State.

In some countries, regulators don't have direct power. I think it is important to have enough of flexibility to act very quickly on the regulatory side.

Giving a direct role to regulators helps ensuring that the system adapts very quickly.

Regulation is a powerful tool, it can that bring benefits and help to consumers very rapidly.

4 DO YOU SEE THIS CRISIS AS A TURNING POINT FOR REGULATORS IN THE SHORT TERM AS WELL AS TO DEAL WITH THE POTENTIAL ECONOMIC CRISIS THAT WILL FOLLOW?

Regulators, all regulators in Europe, should have autonomous regulatory power.

They should be in a position to rapidly adapt the rules, having a direct role.

The role of regulators is more technical: implementing the best mechanisms to fulfill and to reach the objectives. They should have the flexibility to decide and implement the tools.

Regulators should be in a position to rapidly adapt the rules.

5 WILL CRISIS MODE BE OUR NEW NORMAL? WHAT RECOMMENDATIONS WOULD YOU PROVIDE TO DECISION MAKERS?

I think this may be an extreme view.

In any case, we have learned is that we have to be ready and resilient even to scenarios that we were considering as very unlikely.

We were initially working with a step by step adaptation of our system. We are seeing now that the system can be disrupted.

This is something that we should consider more thoroughly in our regulation.

To conclude, I would like to share a message with the EU.

We are all in this together. In fact, this is an opportunity for the EU to show that Europe has a value: solidarity.

In fact, this crisis is an opportunity for the European Union to show that Europe has a value: SOLIDARITY.