achieve | knowledge

Covid-19: An opportunity for Utilities to learn and prepare for future emergencies

By the Enzen Knowledge Studio

Key takeaways

1. *The Covid-19 crisis has created unprecedented challenges for utilities – and they need to be better prepared for similar future crises.*

2. *Creating teams dedicated towards management and response of emergencies is crucial to strengthening resilience.*

3. *In similar global health emergencies in future, there should be a focus on workforce safety and security while ensuring backup measures in case large parts of the workforce are unavailable.*

4. *Measures must be introduced to ensure business continuity in case supply chains are affected.*

5. *Financial reporting mechanisms need to change to accommodate similar challenges in future.*

6. *Forging effective partnerships is critical to a better understanding of various needs during times of crisis.*

The Covid-19 crisis has created an unprecedented situation for utilities to deal with. Even though most have extensive disaster preparedness plans in place, the current pandemic is unlike anything we have seen in decades and utilities are having to surmount rising challenges in order to guarantee normal supply of critical resources like electricity, water and gas for the communities they serve.

Utilities must take lessons from this crisis to further strengthen core systems and operations in order to ensure business continuity now, and in future. From increasing automation to creating teams dedicated towards planning for future emergencies that may be far worse than even the current pandemic, utility leaders need to act quickly, ramping up disaster preparedness and response mechanisms, building in added inherent resiliency to ensure continued operations in difficult times.

"Utility leaders need to act quickly, ramping up disaster preparedness & response mechanisms, building in inherent resiliency"

Covid-19: an opportunity for utilities to learn and prepare better for future emergencies

Crisis management and response systems need to be ready for future emergencies

The widespread disruption caused by the Covid-19 crisis means utilities may need to build added flexibility into existing business-continuity mechanisms to make them even more robust and adaptable to future crises.

Such utilities deliver critical services like electricity, gas and water to communities, and as a result must remain operational and resilient in the face of

adversity, even if a large portion of the workforce is unavailable due to health concerns. Utilities also need to keep contingency plans in place in case one crisis is compounded by another anomaly such as a natural disaster.

Utilities must fall back on the age-old tradition of resource sharing and cooperation during emergencies. As the scale of the crisis worsens, utilities need to ramp-up partnership efforts to accommodate the unavailability of critical resources like field workers.

From best-practice dissemination for personnel safety to re-allocation of workers between utilities to keep essential services online, organisations need to look beyond normal working practices in

order to adapt to any crisis.

 Utilities also need to keep communication channels open with regulators who can provide much-needed guidelines on dealing with global emergencies. Two regulators in the United States recently released Covid-19 preparedness guidelines to its member compan companies which will come in very handy when dealing with increasing adversity.

Greater flexibility is needed in workforce capability

The utilities industry faces a unique challenge with its workforce during this crisis that some other sectors don't – a large portion of the workforce is critical to the continued supply of critical utilities such as gas, water and electricity and the continued operation of utility businesses.

Although the industry is accustomed to relying on aid from other sources when required, the current pandemic may limit the capacity of partners to provide the required assistance. Additionally, the threat of cyber security has become even more pronounced for utilities at a time like this.

> "Adding flexibility to core business operations is critical to business continuity in times of crisis"

Workers have higher levels of remote access to core systems and employees and management could also be more susceptible to social engineering efforts during a crisis.

As more people start working remotely, it is critical for utilities to put suitable measures in place to ensure the safety of their workforce while ensuring cyber security.

These companies should evaluate staffing for business units considered critical to operational stability and put risk mitigation measures in place for employees who need to work in large groups at common work locations.

Meanwhile, non-essential staff should have flexible work arrangements where possible. Utilities should find ways to use automation and emerging technologies to minimise human contact while still getting the work done.

To strengthen cyber security, companies should remind employees to be wary about opening emails from unknown sources to prevent phishing or otherwise compromising corporate e-mail accounts, while conducting phishing exercises themselves aimed at revealing gaps in the layers of protection.

If required, utilities need to invest in added security infrastructure to identify detect threats before they are realised. As employees start to work from home, utilities need to transition rapidly to secure remote working models within days rather than months in order to protect themselves from attacks to core systems.

Supply chain and operations need to include backup mechanisms

Regulated utilities generally have mandates that give them access to essential supplies during emergencies. However, the current pandemic has created shortages of these supplies due to constrained production in countries that have been highly affected by the virus.

Developers of renewable energy projects are already facing delays due to supply shortages from suppliers especially in Asian countries that produce critical components like PV modules. Additionally, utilities across the world are also facing reduced demand due to lockdown measures while some customers have been unable to pay their bills due to pandemic-induced financial difficulties.

Utilities need to acquire a clearer picture from suppliers about the current or expected production scenarios due to the ongoing pandemic in these countries. This will enlighten them regarding possible delays in the fulfilment of critical goods.

enzen

Utilities should also draw on the culture of mutual assistance in order to share physical resources that might be in short supply due to the disruption in the global supply chain. Companies should also revisit their business continuity plans and emergency response protocols and possibly accelerate these processes in order to maintain critical operations.

These measures could include the provision of remote-work, quarantining personnel, restricting travel or keeping backup crews in place to carry out critical maintenance activities.

Financial reporting methods need to adapt to the changing global environment

Utilities face disruptions across various business units due to the Covid-19 pandemic. These are caused by supply-chain anomalies, workforce disruptions and reduced revenues which will have implications on financial reporting.

Some utilities may even miss various financial reporting deadlines due to these challenges.

At this time, it is essential that utilities evaluate whether risk factor disclosures need to be added or modified to address pandemic-related risks and their impact on various business units, while also considering secondary effects such as reduced demand due to businesses being shut down.

Additionally, due consideration needs to be given to the impact of recent events on current and future judgements and estimates that are commonly used in financial reporting (debt covenants, impairments, receivables collectability).

Finally, these organisations need to closely examine the current and potential future impact on operations, liquidity and capital resources (including trends and uncertainties generated by the pandemic).

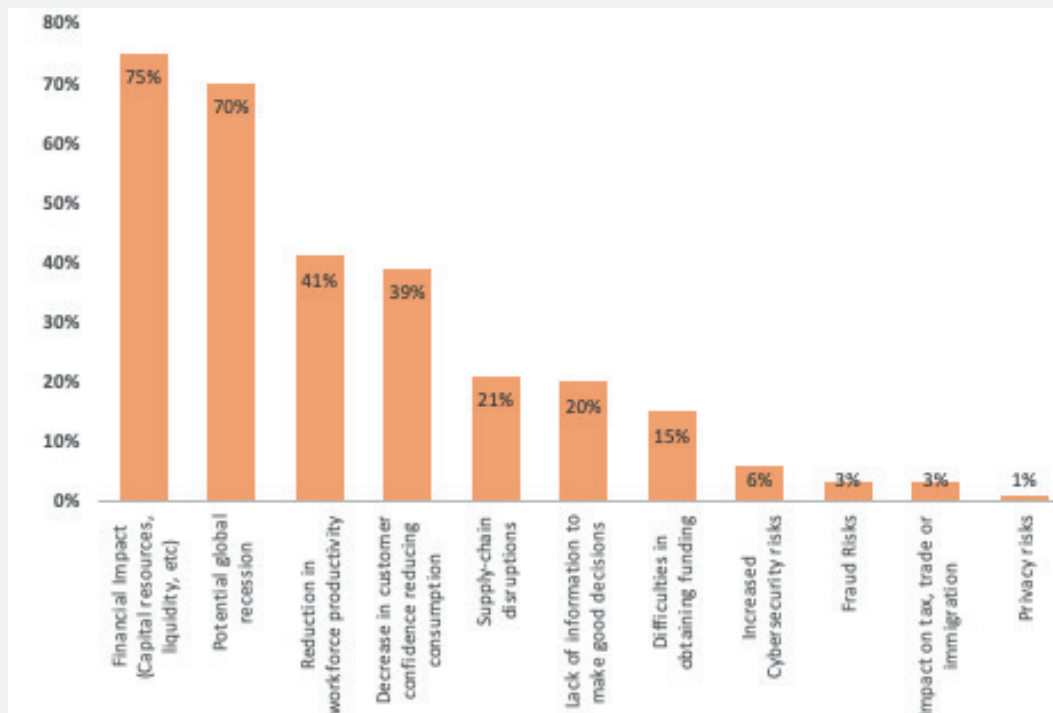**Strategies to strengthen utility enterprise resiliency**

While utilities face numerous challenges to keep operations normalised due to the ongoing global pandemic, utility leaders must make decisions today in order to protect themselves tomorrow as they prepare for life after the crisis is over. Ensuring long-term resilience will require companies to prioritise the safety of their workers, customer satisfaction and financial robustness.

It is widely accepted that a rapid and well-coordinated response is critical when adapting to an evolving global environment. Critical factors to success include unifying the response team, establishing clear priorities and communicating with consistency.

All personnel across the various business units within a utility must understand their roles and responsibilities. A unified cross-functional response team should be established that has

one incident leader. The role of this team would be to align response objectives and coordinate the resources required to support the various business units like field crews, call centre workers and control room operators.

"Internal and external partnerships will create a more holistic approach towards building core system resiliency and make utilities better equipped to deal with increasingly complex global challenges"

Top 3 concerns of utility leaders regarding Covid-19[1]

Create a team that specifically works towards formulating long-term strategies

The complications due to the Covid-19 pandemic has highlighted the need for utilities to have teams that are tasked specifically for planning long-term strategies.

These teams should model different scenarios focused on how various emergency situations will impact the company 12 to 24 months down the line. The gaps or challenges identified in these scenarios will help to identify key considerations when developing short-term and long-term strategies for utilities.

Identify partnership opportunities with stakeholders to understand various needs

Lockdowns across the world are severely affecting supply chains and workforces for utilities. They have also caused a shift in demand, with consumption patterns of electricity and water more focused in residential sectors as families stay at home.

State and local legislators are announcing newly developed mandates on a regular basis to deal with the crisis, prioritising the protection of communities they serve.

In situations like this, it is key for utilities to look for partnerships with varying stakeholder groups to understand their needs and set business operations and continuity plans accordingly.

Utility leaders need to act now in order to secure the future

At a time when the Covid-19 crisis has resulted in most of the world grinding to a halt, utilities are one of the few industries that still need to function as they provide critical services essential for human survival. Amid rising challenges to the sector, utilities and their leaders need to make the correct decisions that will secure operations today and prepare them better for the future and life after the crisis ends.

With this in mind, utilities need to allocate dedicated resources towards planning for similar future emergencies with the aim of keeping normal operations running even in the most adverse of circumstances. For all we know, Covid-19 crisis is not the last major threat utilities will have to deal with in the near future, so it is time to start planning now to guarantee that tomorrow will be secure.

1 - Top 3 concerns of utility leaders regarding Covid-19 (Source: PWC, COVID-19: What it means for the power and utilities industry. Link: https://www.pwc.com/us/en/library/covid-19/how-covid-19-is-impacting-power-and-utilities.html)

Our Global Locations

Established Office
- India
- UK
- USA
- Australia
- Turkey
- Spain
- Middle East
- Africa

Enzen
Blythe Valley Innovation Centre
Central Boulevard
Blythe Valley Park
Solihull
B90 8AJ
United Kingdom

enzen.com