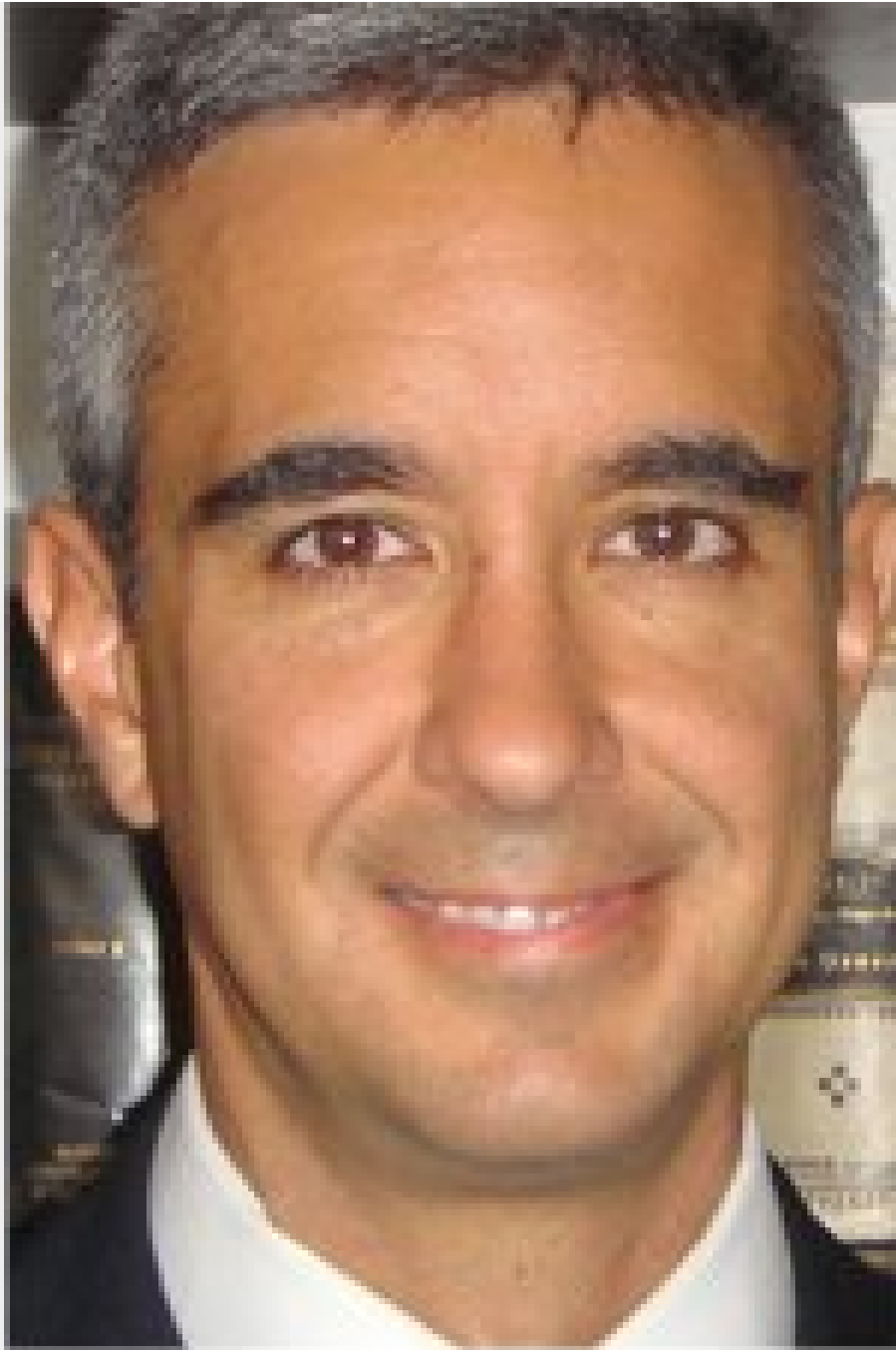


TAKING A SIMPLER LEGAL APPROACH TO THE ENERGY BUSINESS - IBERDROLA

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Andrés Campaña

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A commercial push following regulatory changes has meant redefining how Iberdrola manages the legal issues in the liberalised electricity and gas markets, says Andrés Campaña

Recent years have seen dramatic changes in the gas and electricity sectors in Spain including the liberalisation of both the household and industrial retail supply markets. For Andrés Campaña, Energy Management and Retail Legal Director at Iberdrola in Spain, this has meant a significant increase in the volume of legal issues now being faced but it has not fundamentally affected the substance of the work being handled.

"Our liberalised business extends to the management of gas, coal and fuel procurement in order to produce energy and the onward sale to the national pool, international wholesale markets and also to household, industrial and public administration retail customers – the work we do is broadly the same as before but there is now significantly more of it."

It is the retail sector where the major change has occurred, says Campaña. Householders and businesses are now able to choose their own direct energy and gas supplier and for Iberdrola the result has been an increase in supply and ancillary contract numbers from around 300,000 at the end of 2007 to closer to 13 million.

The size of the legal team has increased as a result, he explains, and each member now has a much more defined role. Campaña oversees a team of six lawyers and five paralegals, having recently added three lawyers. The need for extra capacity was driven, by the very specific issues arising out of the downturn and the debt supply.

"As a company we have no competitive advantage in the current climate the whole sector is dealing with the same pressures. The energy business is no more immune to the wider economic situation than any other and neither is our client base."

The legal team has however seen a significant rise in default and enforcement proceedings leading to the creation of a dedicated department. "But the focus is not only on householders, many of our industrial customers are also suffering and so are the local and regional public authorities – many administrations are facing serious debt issues."

As regards the local authorities, it is not however possible to simply switch off the supply and begin enforcement proceedings, Campaña explains. There is a specific administrative procedure that applies and it is the complexity of such issues that has meant the need to add a lawyer with dedicated expertise.

"We now have three lawyers focused purely on debt recovery work with their remits encompassing retail, industrial and public administration matters, while another three lawyers are focused purely on the issues that arise out of the energy wholesale and retail markets themselves including consumer protection – a major area of work in its own right."

Such a dramatic rise has meant a need to look for the most efficient work processes. "We had to better manage the day-to-day work so that we are still able to handle the higher value issues or

those matters with a specific regulatory element," he says.

The legal team has sought to draft and formalise the use of standardised practices in managing debt recovery and enforcement proceedings. But while Campaña's lawyers may have sought to manage more issues internally there is nonetheless a recurring need for external support. "We tend to use the major and most prestigious firms in Spain, in part because of the scale of the issues we have to face, but also because of the need for the very specific sector and litigation expertise we usually require."

An expanding area of work is related to corporate governance, he explains. "The unbundling of regulated and non-regulated activities and the need to operate within a new liberalised framework has meant a greater focus on compliance issues, and the Board of Directors is looking at the legal team to ensure this is done correctly."

There is also a greater focus on each division's legal team having a better understanding of the demands that one another faces, explains Campaña. Every three weeks the Legal Businesses Committee meets, chaired by Iberdrola's Business Legal Director, José Miguel Alcolea, involving the Group's businesses in Spain, UK, Latin America and the US.

"The crisis affects everybody and everything and it is important that we understand the pressures we are all facing. We have developed a best practice approach to share the expertise we have built up within the Group relative to what we do and to help each other overcome the challenges we all face."

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