Company: Unión Fenosa  
Country: Colombia  
Sector: Energy  
Project: Energía Social  

Summary: Energía Social, one of the companies of Unión Fenosa in Colombia, is the only electricity commercialisation company in Colombia and possibly the largest in Latin America, that has been created exclusively to provide its services in the low-income areas of the Atlantic Coast. Energía Social was created to provide a response to the unregulated conditions of electricity distribution and commercialisation in the poorest areas of the Atlantic Coast, which represents 69.7% of the population. The project got underway in early 2004, and a year and a half later Unión Fenosa has increased its impact on the benefiting communities, consolidated its position by obtaining more strategic alliances and hopes to scale this experience and replicate it in other Latin American countries.

Related links: http://www.unionfenosa.es

ENERGÍA SOCIAL

The main characteristics of Unión Fenosa in Colombia:

- The UNIÓN FENOSA group was already active in electricity generation and distribution in Colombia through the company Energías del Pacifico (EPSA) and in distributing and commercialising electricity in the Atlantic Coast through a controlling interest in Electrocosta and Electricaribe.
- In 2004, its shareholding in the stratified electricity market in the Atlantic Coast stood at 97%. 69.7% of its population were below the poverty line.
- Energía Social is a company that was created exclusively to commercialise energy to the so called “subnormal” districts of the Atlantic Coast, in other words invaded areas that were not electrically regulated and which consumed energy illegally.

The beginnings of Energía Social

- Energía Social was created as a response to the protests, blockades and disturbances in the streets and main roads of the Atlantic Coast that upset public order, as a result of the mass cuts that were being applied increasingly to the invaded sectors. Electricaribe explained that such action was due to the high level
of non-payment, given that 99% of these districts were not paying for their electrical energy provision.

- This illegal situation was costing the company close to 62,000 million pesos a year, given that they were not invoicing either the standing charge or the consumption to such users.
- The challenge of Energía Social was to reduce and eliminate the losses generated by these invaded sectors, which for decades had been secretly using the energy commercialised by the company, yet had never paid for it.

The first advances and challenges of Energía Social:

- The greatest advances for Energía Social were intangible ones. Closer ties with the community allowed Energía Social to develop various competitive benefits and control over a sector that was not being attended to by any other company.
- Evidently, Unión Fenosa was losing less in these districts once the Energía Social project had begun, since it had managed to increase its collection to 19%. Despite being a major achievement, it was not enough. In the 2005 results account there continued to be losses of 11.31% and energy sales failed to cover the costs. The costs derived from the purchase of energy and employees were fixed and therefore could not be reduced.
- Since reducing energy costs was not a possibility, in a new phase Energía Social set its objectives one step beyond this. It got involved in reducing consumption, promoting the legalisation and regulation of electricity consumption in the invaded districts and in developing projects to increase the communities' ability to pay. After one year in operation, the results were promising: Promoting the regulation of electricity consumption and the socio-economic development of these communities would be necessary in order to make Energía Social sustainable. It was also borne in mind that 18% of its consumers belonged to electrically sub-normal districts and 62% to low-income sectors with payment difficulties.

The major challenge facing UNIÓN FENOSA

- The strategic position of UNIÓN FENOSA with the control of electrically sub-normal districts of the Atlantic Coast gave the group plenty of scope to increase its regulated market, and in the future the unregulated market. However, many of the challenges were dependent on the regulation of the electrically sub-normal districts and this is where UNIÓN FENOSA focused its efforts.
- The skills developed by Energía Social could also be applied to other economic sectors that did not have 100% collection rates.
Business model

The business model of Energía Social is fundamentally based on the self-regulation of the billing and collection service within the communities themselves. The strong alliances with the communities allowed Energía Social to decentralise its functions while at the same time generate employment and involve the community in the challenges facing the company. Similarly Unión Fenosa’s close ties with the government and continued efforts were key to establishing the bases of the Energía Social business model.

The billing and commercialisation procedures were also modified and adapted to the limited economic capacities of the communities. Consequently billing was communal, covering the entire community and divided among the number of residential dwellings in accordance with a previously established minimum consumption. Collection was carried out within the community itself and it became possible to make small payments throughout the month.

The support of the Ministry of Mining and the local administrations was fundamental to structuring the bases of Energía Social. As soon as the electrically sub-normal districts had been regulated, Unión Fenosa Colombia began to collaborate on the commencement and development of the Energía Social project. In order to achieve greater communication and direct access to the communities, the aim of the project, Energía Social has established alliances with local leaders, who have informed the community about the Energía Social project and local small and medium-sized businesses, made up of community entrepreneurs, who have participated in the billing and collection tasks. The middle ground is occupied by the Community Action Councils (CAC), the service brigades and work bureaus, who represent the interests and needs of the communities before the small and medium-sized businesses and Energía Social.

Traditional energy commercialisation business model of Unión Fenosa

| Energy purchase from generator | Commercialisation | Final Client |
Business model of Energía Social

1. Local Administrations
2. Ministry of Mining & Energy
3. UNION FENOSA Colombia
4. Electricaribe and Electrocosta Energy distribution and commercialisation
5. Local businesses
6. Work Bureaus
7. Community Leaders
8. Service Brigades
9. CAC

Electrically Sub-normal districts (invasions)