

## PROJECT ABSTRACT

Name of Project:	<b>Redesur Transmission Project</b>
County:	Peru
Sponsors:	Red Electrica de Espana, S.A., Cobra Peru S.A., Abengoa Peru, S.A., and Banco Santander Central Hispano S.A.
Project Cost:	Approximately US\$75 million
Size of A Loan:	Up to US\$18 million
Size of B Loan:	Up to US\$35 million
Status:	Due diligence
Date:	May 26, 2000

### I. Project Highlights

- 1.1 In January 1999, the Government of Peru awarded a concession (the “Concession” or the “Project”) to the Redesur consortium (the “Concessionaire” or the “Project Company”) to upgrade and construct a transmission system consisting of 431 km of 220 kV transmission lines and two new substations plus two extensions of existing substations. The Concessionaire will be responsible for the operation of the resulting system for a period of 30 years after a 2-year maximum construction period. The Concessionaire started construction of the transmission system in the first semester of 1999 and expects to complete construction in the first trimester of 2001.
- 1.2 The Concession provides that the Concessionaire will construct, as required, and operate the following assets located in the Interconnected System of the South (“SIS”) of Peru:
  - a. the transmission line comprising two circuits at 220 kV between the Socabaya and Moquegua substations with an approximate length of 110 km<sup>1</sup>.
  - b. a new transmission line comprising a single circuit at 220 kV between the Puno and Moquegua substations with a length of 197 km;
  - c. a new transmission line comprising a single circuit at 220 kV between the Moquegua and Tacna substations with a length of 127 km;
  - d. extension of the Socabaya and Moquegua substations, in addition to new substations at Puno and Tacna.<sup>2</sup>
- 1.3 A temporary joint venture between Abengoa and Cobra will be responsible for the construction of the transmission lines and substations through a turnkey construction contract. Red Eléctrica will be responsible for the design of the transmission lines and substations, and the supervision of the construction through

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1 the transmission line is already in place, having been originally designed for two circuits at 220kV, but is currently operated using only one circuit at 138kV.

2 Substations already exist at Puno and Tacna, but are restricted by size and nearby populated areas; consequently new substations will need to be constructed.

an engineering contract with the Concessionaire. A 32-year management contract (2 years during construction and 30 years of operation and maintenance) will be signed with Red Eléctrica as strategic operator.

## **II. Project Highlights**

- 2.1 The principal benefits of the Project are:
- (a) to strengthen the SIS with new electricity transmission lines, guaranteeing a steady flow of electricity from the SIS through the Mantaro-Socabaya interconnection line to other parts of the country;
  - (b) to increase the reliability of electricity transmission between generation companies and end users in the South of Peru; and
  - (c) to facilitate generation expansion in the South, increase competition among generating companies, and to establish price stability throughout the South of Peru.
  - (d) to extend the transmission system of 220 kV to the proximity of the frontiers with Chile (Tacna) and Bolivia (Puno), facilitating future international connections with these countries.
- 2.2 For several years, the Bank has played an active role in the reform of the electric power sector in Peru through different programs and this project is fully consistent with the Bank's and the Government of Peru's strategy to promote private sector investment in the sector. The Bank's participation in financing the Project is a key element to the provision of private long-term financing required for this type of project.
- 2.3 To date, the Project constitutes one of the largest private sector investments in electricity transmission in Peru, and one of the first projects in the Principal Transmission System. While many of the country's generation and distribution assets have been transferred to the private sector, transmission assets and projects remained almost entirely in state-owned hands until the two recent transmission concessions (Consorcio Transmanto and Redesur).
- 2.4 Finally, the consortium is comprised of a solid group of companies with extensive technical experience, and this project marks Spain Red Eléctrica's first international investment.