

PROJECT ABSTRACT

Project number	AR-0194
Project name	Yacyretá Transmission System: Second Stage
Country	Argentina
Sponsors	Líneas de Transmisión del Litoral S.A. (LITSA)
Total project cost	US\$ 176.9 million
IDB participation	IDB A-Loan: US\$ 43.0 million IDB B-Loan: US\$ 44.0 million
Department	Private Sector Department
Status	Approved by the Board of Executive Directors
Date	October 25, 1995

I. INTRODUCTION

The Project will provide the second link of the Yacyretá Hydroelectric Plant with the high voltage transmission network in Argentina. Yacyretá is a binational project of Argentina and Paraguay, partly funded by the Bank and the World Bank. It is the largest hydroelectric project undertaken by Argentina and also the world's largest civil works project, currently in its final stage. Even on a world scale, the magnitude of Yacyretá is considerable: an installed capacity of 2,700 MW, and twenty (20) turbine units of 135 MW each. The first turbine generator started commercial operation in September 1994, and each of the remaining 19 units will become operative every 72 days thereafter. In accordance with this schedule, the hydroelectric plant will be completed by the middle of 1998.

In October of 1994 the Argentine Republic awarded a construction, operation and maintenance Contract to Líneas de Transmisión del Litoral S.A. (LITSA) for the second phase of the Yacyretá transmission system. The first 500 kV line will extend from Rincón Santa María in the province of Misiones to Salto Grande (502 km). A second 500 kV line will extend from Rincón Santa María to Posadas (85 km) also in the province of Misiones, for a total of 587 km. The Project will also include the expansion of the substations at both Rincón Santa María and Salto Grande. Work on this Project has been initiated, but has not yet been completed.

The concession grants LITSA a 94-year contract to construct, operate and maintain the second stage of the Yacyretá transmission system. LITSA will receive a fixed monthly canon for the first ten years of commercial operation provided that the line is fully available, independent of the power flow on the transmission line. Fixed payments during the initial ten years of the concession will be pegged to U.S. inflation, adjustable semi-annually. Beginning from the 11th year after completion, LITSA will receive payment determined in accordance with the current transmission rates payable to an independent transmitter, as provided by the Secretary of Energy.

II. COMPANY AND SPONSORS

LITSA, is a national stock corporation constituted under the laws of the Argentine Republic. According to the terms and conditions of the Concession, LITSA's sole corporate objective is to construct, operate and maintain the second stage of the Yacyretá transmission system. The current shareholding structure of LITSA is set forth as follows:

COMPANY SHAREHOLDING

Jose Cartellone Construcciones Civiles S.A.
 (Cartellone) 40.5%
 Sideco Americana S.A. (Sideco) 30.5%
 Impresa Frate SpA. (Italy) (Frate) 12.0%
 Pirelli Consultora Conductores e Instalaciones
 S.A. (Pirelli) 5.0%
 Codi - Construcción Obras de Ingeniería S.A. (Codi) 4.0%
 Electroingeniería S.A. (Electroingeniería) 4.0%
 Polledo S.A. (Polledo) 4.0%

III. FINANCIAL PLAN

Based upon the total project cost, the proposed sources of financing for LITSA are:

US\$ (millions)	
%	
EQUITY	
Shareholders	
46.2	26.2
LOANS	
A Loan	43.0 24.3
B Loan	44.0 24.8
EXPORT CREDITS	
Finamex	43.7 24.7
TOTAL FINANCING	176.9 100.0

IV. IDB ROLE

Since 1978, the Bank has made four loans totalling US\$840.0 million to partially finance the Yacyretá Hydroelectric Plant. This binational Plant received funding from the World Bank. The Plant, one of the largest hydropower projects in the world, will possess an average generation capacity of 19,000 Gwh per year. The purpose of the hydroelectric generating plant is to satisfy an important part of the demand for energy in Argentina and allow Paraguay to sell its share of energy produced. Yacyretá presents important benefits both to Argentina and Paraguay, as extensively studied through the process of approval of four previous operations. The proposed loan will finance a transmission system that will link the Yacyretá Hydroelectric Plant with the transmission network in Argentina. Therefore, this Project will enhance the realization of benefits from Yacyretá.