

**CREDIT OPINION**

25 February 2025

Update



**RATINGS**

**Alfa Transmisora de Energia S.A.**

Domicile	Chile
Long Term Rating	Baa3
Type	Senior Secured - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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**Alfa Transmisora de Energia S.A.**

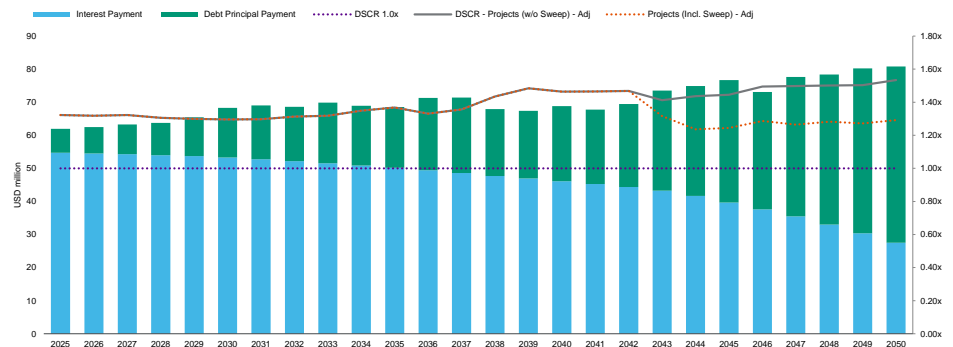
Annual Update

**Summary**

The credit profile reflects the project's diversified transmission assets with low operating risk, evidenced by high availability ratios and low capital reinvestment needs. The project benefits from predictable availability-based revenues over a 30-year period. However, it faces high leverage and refinancing risk due to a partially amortizing debt profile, with a 50% balloon payment and a cash sweep mechanism to reduce it to 40%. This refinancing risk and back-loaded amortization justify a notch down on structural features.

High leverage is mitigated by creditor protections, including first-priority pledges over assets, debt service and O&M reserves, limitations on additional indebtedness, dividend restrictions, and a well-defined cash waterfall prioritizing note repayment.

Exhibit 1  
**DSCR to average 1.4x in the legal amortization scenario in the management case**



Source: Alfa Transmisora de Energia S.A. and Moody's Ratings

## Credit strengths

- » Strong asset features
- » Good cash flow visibility
- » Supportive regulatory environment
- » Solid operating track record of acquired assets & experienced operator

## Credit challenges

- » High Leverage
- » Repricing and recontracting risks at dedicated contracts' maturity
- » Refinancing risk

## Rating outlook

The outlook is stable, reflecting our expectation of sound operations and visible and stable cash flows derived from predictable regulated and contractual revenues that will provide an average DSCR of 1.25 times over at least the first 10 years of the transaction.

## Factors that could lead to an upgrade

Given the stable outlook and expected stability of revenues coupled with high initial debt levels, the back-loaded debt amortization profile and refinancing risk, an upgrade of the ratings is unlikely in the near term. However better than expected performance of the assets' cash flows leading to an average DSCR consistently above 1.40 times could lead to an upgrade of the ratings.

## Factors that could lead to a downgrade

Downgrade pressure on the ratings could emerge if the operating performance of the assets or its cash flow generation capacity, either from higher than expected expenses, lower contracted revenues or an unexpected adverse change in the regulatory framework for transmission companies, are below expectations such that the average DSCR is below 1.20 times.

## Issuer & Transaction Profile

Alfa Trasmisora de Energia S.A. ("Alfa", the Issuer) is a special purpose entity incorporated to acquire a portfolio of transmission assets in Chile from Colbun S.A. (Colbun Transmision S.A.). The transaction price was \$1,172.5 million; the acquisition was financed by the issuer through the issuance of a senior secured bond that matures in 2051 for an amount of \$1,098.6 million.

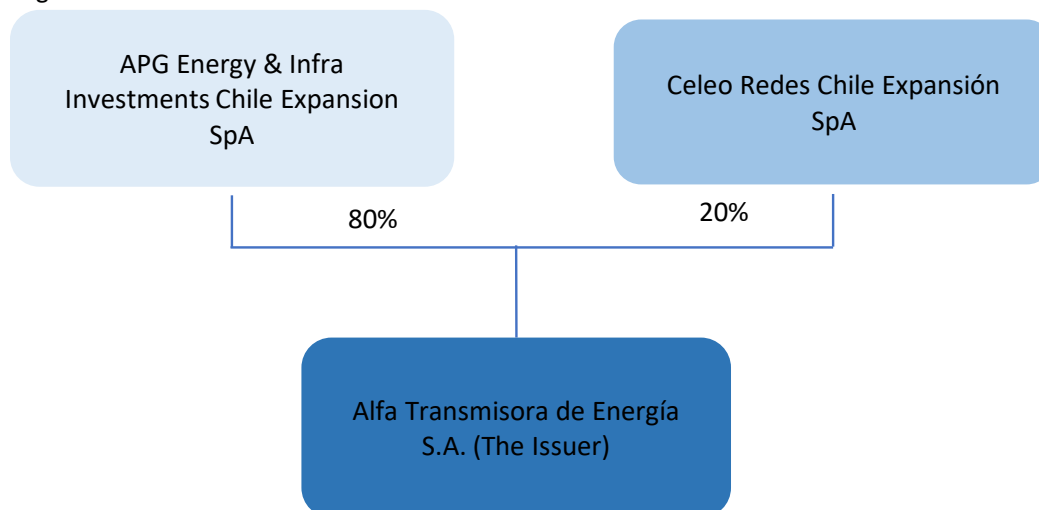
Alfa Trasmisora de Energia S.A. is fully owned by APG Energy & Infra Investments Chile Expansion SpA (80%, wholly-owned by APG) and Celeo Redes Chile Expansión SpA (20%). Elecnor SA indirectly owns 51% of Celeo Redes while APG owns the remaining 49%.

APG was established in the Netherlands and is one of the largest pension funds with global footprint and approximately 537 billion euros assets under management. Nearly 75% of the portfolio allocation is on cross border investments, with some concentration on developed and emerging market equities. In September 2014, APG acquired a 49% stake of Celeo Redes, S.L. (co-owned by Elecnor with 51%) to increase its exposure to the Latin American Transmission sector.

Celeo Redes is headquartered in Spain; the company was formed in 2011 through the consolidation of all Elecnor's transmission activity that had been operational since 2002. The company has operations in Chile, Brazil and Peru, where it developed a robust track record in the development and operation of major transmission projects with an asset base estimated in over USD 2 billion.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Exhibit 2

**Organizational Structure**

Source: Alfa Transmisora de Energía S.A. Offering Memorandum

Alfa's transmission assets are well diversified within the Chilean territory, serving the metropolitan region of Santiago where approximately 74% of the population lives. Most of the assets are in operations and have a robust track record evidenced by average availability levels of above 99%. O&M is performed by Celeo Redes Chile Limitada, a fully owned subsidiary of Celeo Redes (unrated) with over 10 years' worth of experience in conducting similar works in Chile for a separate transmission line portfolio.

The amortization schedule has been originally designed to target a minimum DSCR of 1.20x, stepping up to a minimum of 1.35x for the portion of regulated revenues subject to tariff reviews and to 1.40x for the dedicated contracts after the renewal period.

The project benefits from the project finance features embedded in the transaction, including six-month debt service reserve account and a three-month O&M reserve account backed by a letter of credit (LC); restrictions on business activities and M&A; a security package that benefits senior creditors, with first-priority pledges over material assets, accounts and insurance; a distribution test subject to DSCR of 1.15x; limitations on additional indebtedness and; a well-defined onshore and offshore cash waterfall that prioritizes the notes repayment.

## Detailed credit considerations

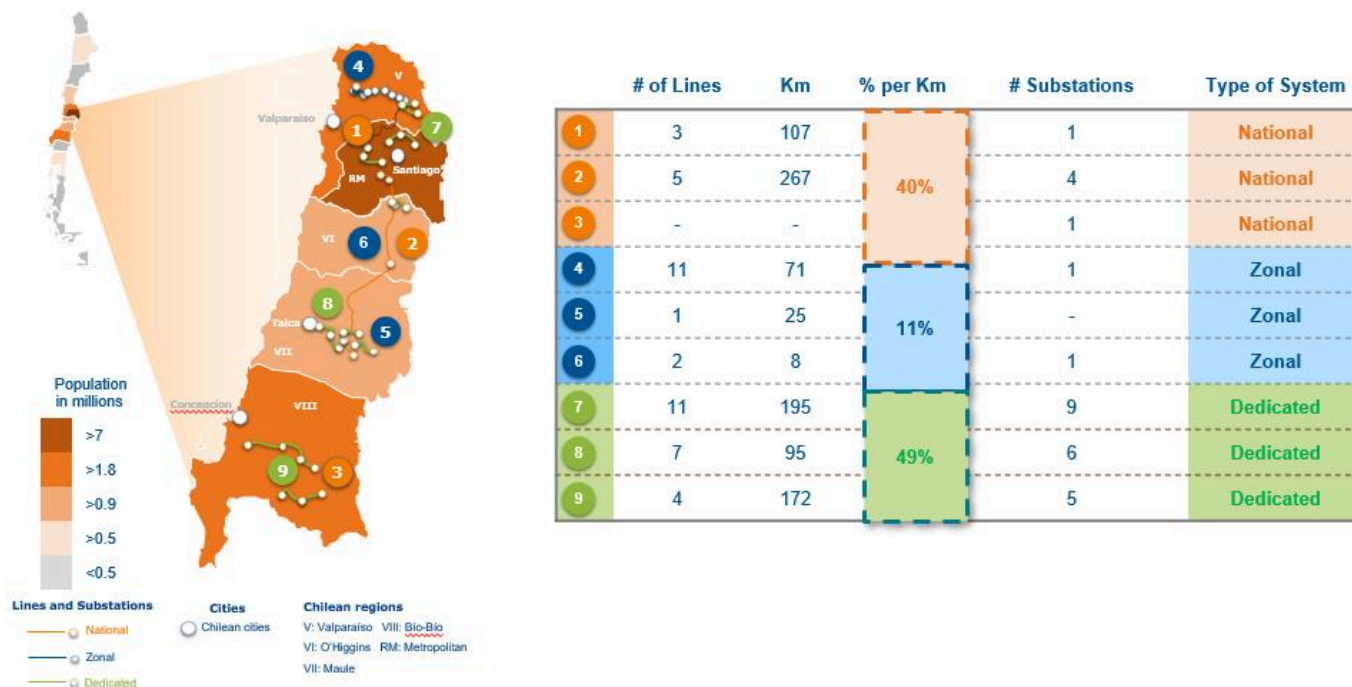
### Strong assets features with no material construction risk and pre-funded pending investments

The company's assets consist of a portfolio of operating electric transmission assets in Chile and associated expansion projects. In total, the portfolio consists of 940 km of national, zonal and dedicated transmission lines and 28 substations, distributed along 5 regions in Chile.

The portfolio consists of relatively young assets, with less than 30 years of operations, except for a few km of zonal 44 kV lines that are older. In general, major substation and transmission line equipments typically have useful lives of between 40 years and 60 years, if properly maintained and operated, which is our expectation under Celeo's operation.

The portfolio of transmission assets is part of the Sistema Eléctrico Nacional (SEN), which serves 98% of the country's population. The regulation divides the transmission network into three categories: the dedicated, the national and the zonal systems.

Exhibit 3  
Asset's Location



Source: Alfa Transmisora de Energia S.A

As Chile's electricity demand continues to grow and renewable projects are built, there will be continued requirements for expanding the existing transmission infrastructure. Alfa Transmisora has participated in tenders to grow its asset base through expansions, some of which are still underway within the project. Debt documentation limits further expansion works beyond those mandated by the regulator. While there is no maximum capital spending budget limit for these mandated expansions, by regulatory definition they must be critical for the system, and in practice generally below USD 20 million of investments. Any potential mandatory regulated investment in the national or zonal system will be fully recovered by the tariff mechanism applicable to regulated assets.

The capital spending plan included an initial maintenance capex cycle and still the pending expansion capex to be executed until the end of 2025 amounting to around USD 26.2 million and supported by a LC, with no recourse to the project. Upon completion of these projects, the expansion assets will be categorized as regulated national or zonal projects and be subject to a regulated tariff (regulated return on the investment).

### Overall Supportive regulatory framework

The regulatory framework in Chile is well developed. Regulation has been in place since 2006 (Transmission Law, TxL), with ulterior modifications implemented by the TxL in 2016, which eliminated inefficiencies of the previous regulations and modified the payment allocation for transmission. The 2016 TxL changed the transmission system remuneration from a volume-based system to an annuity payment (take or pay) over the zonal system transmission assets, thus eliminating exposure to volume risk.

Despite social tensions in the country in recent, that led among other measures to the temporary suspension of electricity tariff's indexation, we take comfort from the country's solid institutional framework that provides for a long track record of adequate return on private investments. For example, inflation adjustment of regulated tariffs was suspended by the price stabilization mechanism since the end of 2019, however the missing indexation was accumulated until the new tariffs (2020-23 cycle) were enacted after a significant delay in February 2023, but the new tariff was retroactively applied from January 2020 onwards. According to the terms of the Notes and pursuant to the sale and purchase agreement (SPA), this event triggered and upward adjustment to the purchase price

for approximately \$116 million. The price adjustment was paid in April 2023 with funds provided by the sponsors. In turn, Alfa issued the equivalent to \$112 million local notes to repay the sponsor's loan.

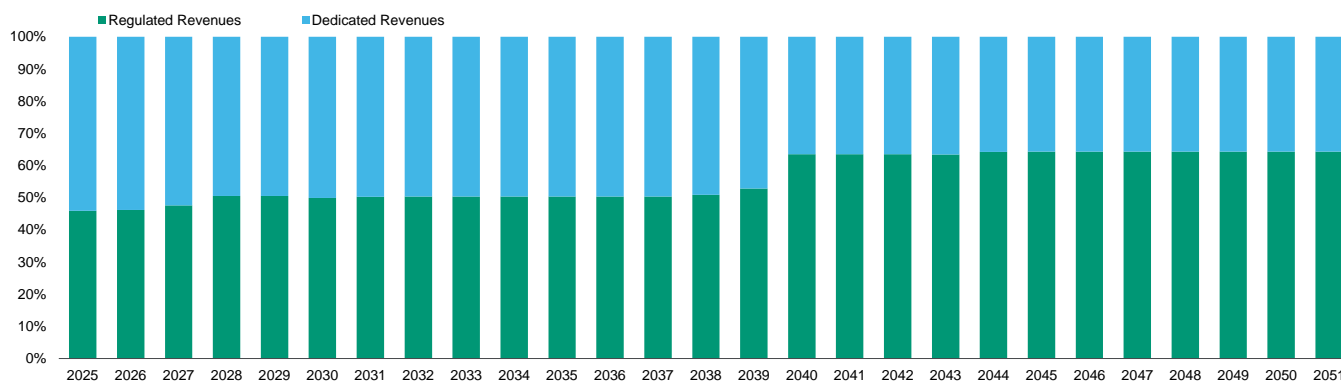
Given the lengthy review process in the previous tariff cycle, the current tariff cycle (2024-2027) is also experiencing delays but the recent conclusion of the previous tariff studies would make the delay shorter than that in the previous period.

### Good visibility on long-term cash flows

The project benefits from two main sources of revenues: regulated (growing from around 37% to 66% of total revenues over the life of the debt) and bilateral agreements. The proportion of unregulated revenues is anticipated to gradually decrease over time reaching around 35% of the portfolio by 2040, as a combined result of the completion of regulated expansion projects and re-classification to the national system of some unregulated contracts. Our credit view recognizes the predictability of the project's availability-based revenues during the life of the transaction. Overall, we believe that the tariff review process is transparent and provides good predictability over regulated revenues with adequate mitigants against volatility arising from market risk. Further enhancing cash flow visibility is the contracted revenue indexation mechanism that provides for monthly adjustments to reflect changes in the Chilean inflation rate and in the exchange rate CLP/USD, effectively reducing the project exposure to key market risks.

Exhibit 4

#### Total revenue breakdown



Source: Alfa Transmisora de Energia S.A. and Moody's Ratings

Most of the project's **unregulated revenues** are contracted until 2039 and as such revenues are exposed to some repricing risk. The credit profile considers that the project will be able to absorb more than 60% reduction in these contract's revenues to be in break even. Additionally, approximately 13% of the revenues relates to the network connection with Colbun's Santa María coal plant that was expected to be retired by 2040, in accordance with the Chilean's Government decarbonization goals. However, Colbun has announced that the main contract supporting Santa María's generation with (PPA with Codelco) has been amended. According to the amendment Colbun will gradually start supplying Codelco with renewable power instead of through the Santa María's coal-based production. Nevertheless, our credit view incorporates the contractual arrangements supporting the connection of the Santa María coal plant that will remain in place. In addition, our view considers the potential "nationalization" (i.e. incorporation to the national transmission system) of the associated transmission line due to the connection needs in the geographical area where the Santa María coal plant is located; the CNE plan of works (new sub-stations) in the area also supports the high likelihood of the incorporation of the Santa María transmission line to the national system.

**Regulated tariffs** on the other hand are paid according to a regulated return (VATT), comprising an annualized regulated return on investments costs (AVI, 7% post-tax), as well as compensation for operating costs (COMA), which is designed to make a transmission owner whole for their expenses. The AVI is annualized from the initial acquisition and installation costs (VI), subject to an established discount rate and useful life.

The VATT tariff is adjusted monthly, considering US and Chilean inflation, as well as exchange rate. The weight of inflation indexation factor varies between national and zonal systems and depending on the asset type. New assets are entitled to a 20 year-fixed tariff

scheme ("fixed tariff period"), after which the tariff is subject to a reset every 4 years from the review. For the resettable period, the CNE and an independent panel of experts will carry studies for a revaluation assessment of the asset base component (VI) and COMA. This adds some uncertainty to cash flows on the long run, because the VI is based on the assets' value of new replacement (VNR), but always considering the same technology of the existing assets which mitigates the risks of a major technology shift in the valuation process.

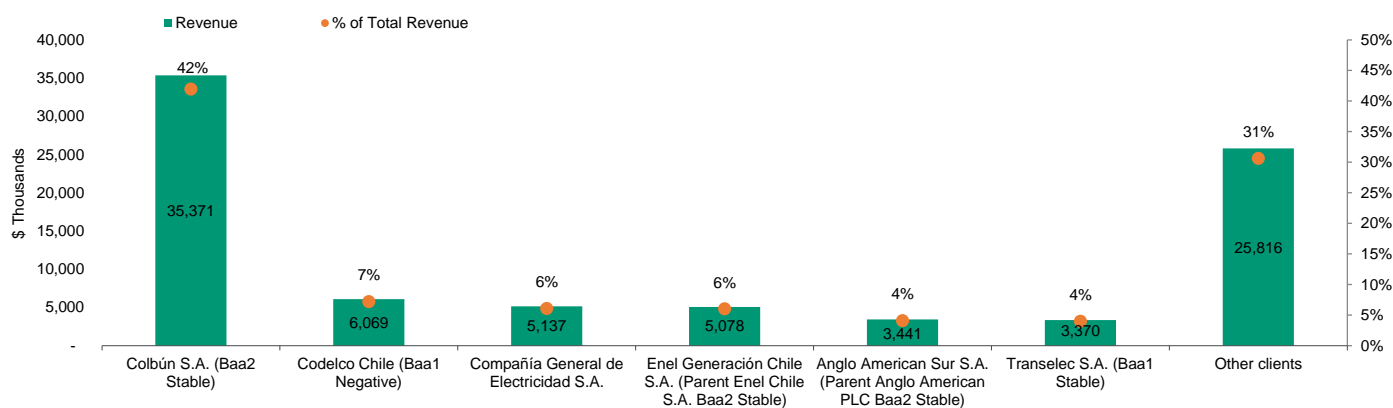
**Satisfactory counterparty risk from bilateral contracts**

Revenues from bilateral agreements are exposed to a diversified client's base. Generation plants are expected to yield 38% of the portfolio total revenues with a majority of contracts signed directly with generation plants of [Colbun S.A.](#) (Baa2 Stable). The other dedicated contracts with generation companies represent a small amount of revenues.

Exhibit 5

**As of September 2024, Alfa's unregulated revenues were concentrated in a small group of main clients.**

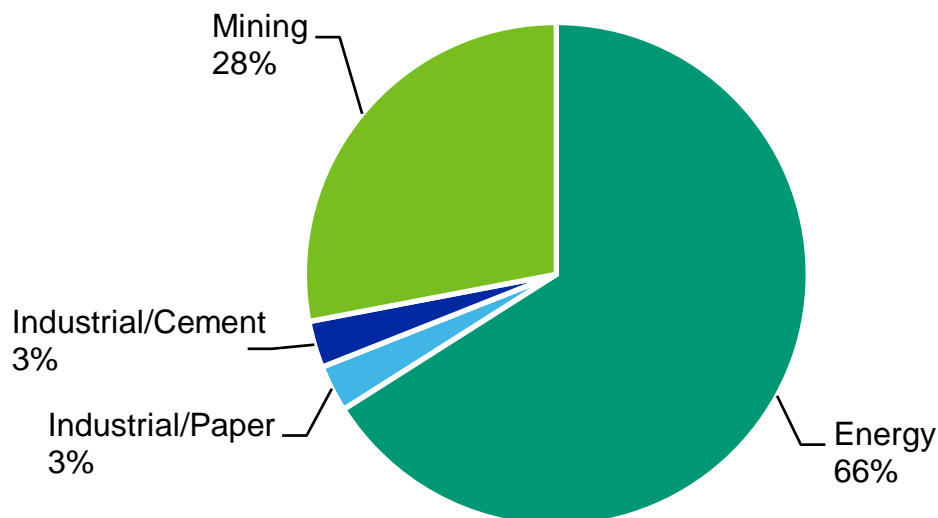
% Concentration of the 6 main clients is 69%



Source: Alfa Transmisora de Energía S.A.

Exhibit 6

## Revenue breakdown of unregulated assets



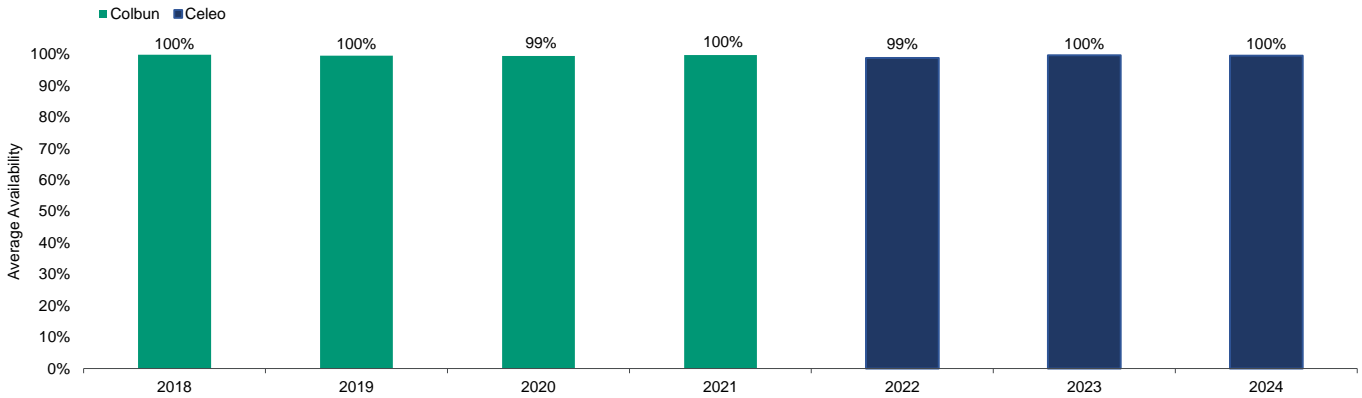
Source: Moody's Ratings

Colbun's generation assets are the most representative exposure within the portfolio. Pricing for these generation contracts varies, but are generally fixed and inclusive of an escalation factor to compensate for inflation. All contracts were signed for a 20 year period, most expiring by 2038, with 5 year successive automatic renewal under the same conditions (non-renewal must be notified with a 2 year notice prior to term ending). We believe these contracts are likely to be renewed because the project's assets are responsible for connecting 92% of Colbun's total electricity generation into the system and there are no other connection alternatives to the grid.

#### Operating track record and high availability also support cash flow stability

The portfolio has been able to demonstrate overall high availability rates. Since Celeo started operating the assets, availability remained above 98.8%. While unavailability may lead to fines, typically they are levied only when there is a material negative impact to the system resulting from a prolonged outage event, which is rare in Chile given the network's configuration. Furthermore, the amount of penalties that may be imposed to a transmission company cannot exceed 5% of the company's annual income during the last year (equivalent to 5% of the VATT). In addition, according to the O&M contract, penalties and fines imposed by regulators for unavailability will be passed through to the operator (Celeo Redes), limited to 25% of annual O&M fee (30% could trigger an early termination).

Exhibit 7  
Strong historical availability of the assets



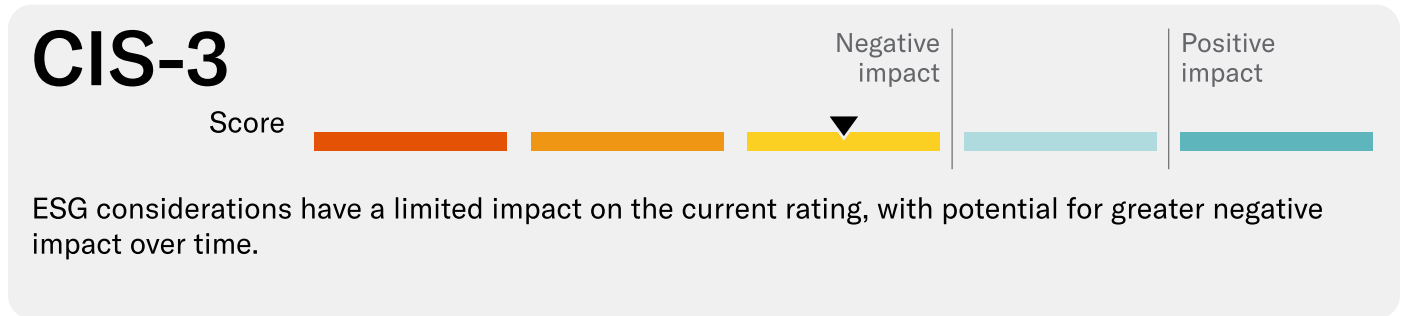
Source: Alfa Transmisora de Energia S.A.

The O&M agreement with Celeo targets high availability rates (99.9%), has a 10-year term with automatic 5-year renewal thereafter and a fixed fee structure, indexed to Chilean CPI. We believe this agreement contains adequately experienced counterparties and incentives to maintain a very high performance of the assets.

### ESG considerations

Alfa Transmisora de Energia S.A.'s ESG credit impact score is CIS-3

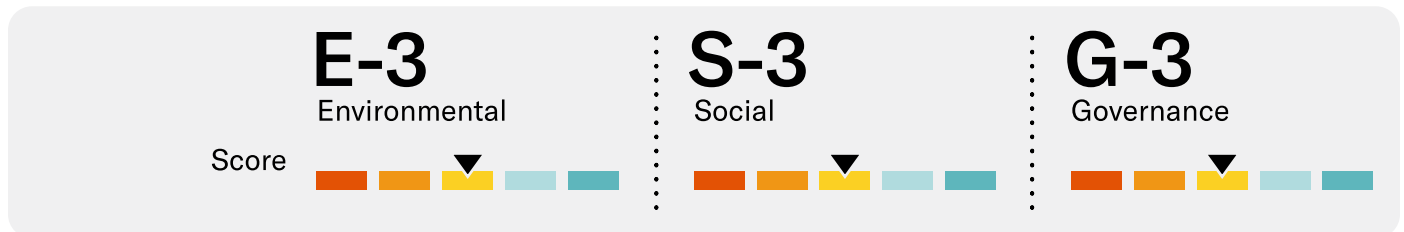
Exhibit 8  
ESG credit impact score



Source: Moody's Ratings

Alfa Transmisora de Energia S.A.'s **CIS-3** score, indicates that its ESG considerations have limited impact on the current credit rating with potential for greater negative impact over time.

Exhibit 9  
ESG issuer profile scores



Source: Moody's Ratings



**Environmental**

**(E-3)** Alfa Transmisora de Energia S.A.'s score is indicating exposure to physical climate risks common to transmission assets, given the increase in frequency and intensity of wildfires and natural disasters associated with climate change. As indicated by the **E-3** issuer profile score, the company's carbon transition exposure is minimal as it does not own any generation assets and its transmission assets are a significant contributor to the energy transition.

**Social**

**(S-3)** Alfa Transmisora de Energia S.A.'s reflects exposure to potential adverse regulations in Chile due to social pressures or public concern over affordability issues on regulated electricity tariffs.

**Governance**

**(G-3)** Alfa Transmisora de Energia S.A.'s financial profile is characterized by prudent financing planning and budgeting. However, the transaction involves high leverage and refinancing risk, given the partially amortizing debt schedule. The financing structure also limits changes in ownership, M&A activity or other discretionary management decisions that may influence performance and credit outcomes.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

### Leverage and debt service profile

The Baa3 rating reflects the project's high leverage yielding an average DSCR of about 1.25 and a partially amortizing debt profile with approximately 50% of the original debt amount to be refinanced at the bonds maturity in 2051. According to the latest report as of September 2024, historical DSCR was at 1.40x and the forward looking DSCR at 1.29x.

In addition to the legal amortization schedule, the financing contemplates a cash-sweep mechanism starting in 2043 that aims at reducing the balloon payment to 40% of the original debt amount with excess cash and therefore slightly decreasing the refinancing risk. Nonetheless, the large refinancing risk in the long term, justifies a one notch adjustment to the rating based on structural features.

On June, 2024 the company issued an additional UF (unidades de fomento) debt issuance for the equivalent of \$131 million senior secured notes in the Chilean market. The company used the proceeds from the additional notes to repay a loan provided by its shareholders, which was incurred for the payment of an adjustment to the company's purchase price resulting from the actualization of the regulated tariff that was pending at the time of the original notes' issuance and to pay for the acquisition of an additional asset (Transquillota) that was merged into Alfa in September 2024.

### Structural considerations and liquidity

The transaction includes several of the structural features typical of a project financing as detailed below:

- » Six-month debt service reserve account (LC backed)
- » Three-month operating and maintenance (O&M) reserve account (LC backed)
- » Restrictions on business activities and M&A
- » Distribution test subject to DSCR of 1.15x
- » Limitations on additional indebtedness
- » Well-defined onshore and offshore cash waterfall that prioritizes the notes repayment
- » A security package that benefits senior creditors with first-priority security interest over material assets; all equity interests in the Issuer; the collection rights under all material project documents; the transmission lines, substations and all tangible assets of the Issuer; the real estate rights of the Issuer in the sites where the Substations are located (including, easements and rights of way granted by any electrical concession); the project accounts; all related party subordinated loans to the Issuer and the guarantors, which will be subject to corresponding subordination agreements.

## Rating methodology and scorecard factors

Moody's evaluates Alfa Transmisora de Energia S.A.'s expected financial performance under the [Generic Project Finance](#) rating methodology. The grid indicated outcome (before notching adjustments) is Baa2; nonetheless, the large refinancing risk at maturity of the notes justifies a one notch adjustment based on structural features, resulting in a final outcome of Baa3, at the same level of the assigned rating.

Exhibit 10

### Rating factors

Alfa Transmisora de Energia S.A.

#### Generic Project Finance Industry Grid

##### Factor 1 : Business Risk (50%)

a) Market Position

A

A

b) Predictability of Net Cash Flows

Baa

Baa

##### Factor 2 : Operating Risk (20%)

a) Technology

Aa

Aa

b) Capital Reinvestment

A

A

c) Operating Track Record

Baa

Baa

d) Operator and Sponsor experience, support, and quality

Baa

Baa

##### Factor 3 : Leverage and Coverage (30%)

a) DSCR

1.24x

Ba

b) Project CFO/Adjusted Debt

4.80%

B

##### Notching Adjustments:

a) Liquidity

0

0

b) Structural Features

0

0

c) Refinancing Risk

-1

-1

d) Construction and Ramp-up Risk

0

0

e) Priority of Claim, Structural Subordination and Double Leverage

0

0

##### Rating:

Indicated Outcome before Notching Adjustments

Baa2

Baa2

Notching Adjustments

-1

-1

Indicated Outcome before Offtaker Constraint

Baa3

Baa3

Offtaker Constraint Applied?

No

No

Level of Offtaker(s) Constraint

Baa1

Baa1

a) Indicated Outcome from Scorecard

Baa3

Baa3

b) Actual Rating Assigned

Baa3

Baa3

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

Source: Moody's Ratings

## Ratings

Exhibit 11

Category	Moody's Rating
ALFA TRANSMISORA DE ENERGIA S.A.	
Outlook	Stable
Senior Secured	Baa3

Source: Moody's Ratings

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