

## Tear Sheet:

# Alfa Transmisora de Energia S.A.

June 23, 2025

This report does not constitute a rating action.

**What's New:** Alfa Transmisora de Energia S.A. performed as S&P Global Ratings expected in 2024 and first-quarter 2025. Revenue climbed 3.8% to US\$92 million in 2024, reflecting relatively high inflation in the U.S., which together with Chile's Consumer Price Index, adjusts the project's tariffs. Availability levels remained steady at above 98% for all transmission lines, with no reported incidents. The project's debt service coverage ratio (DSCR) remained compliant with certificates as of March 2025 at 1.33x and 1.31x forward-looking, both squarely within our base-case projections. We maintain our expectations for the project's steady operating and financial performance.

Alfa had to construct some expansion projects related to the assets acquired from Colbun. Most projects have been completed or will be completed in 2025 and 2026. Alfa finances those projects with internally generated funds, and we don't think they increase the transaction's operational risk--therefore, we did not assign a construction phase stand-alone credit profile. We expect remaining projects to be completed within budget.

**Why It Matters:** Escalated tariffs earlier this year pressured global supply chains, fueling inflation expectations. We now incorporate slightly higher near-term inflation in our forecasts. We therefore expect a minimum DSCR of 1.31x (median 1.45x) for phase 1 (until refinancing in 2051) and 1.30x (median 1.34x) for phase 2 (after refinancing). The slightly higher phase 2 metrics compared to our previous forecast (1.26x and 1.31x, respectively) reflect the compounding effects of short-term inflation rate movements. Regardless, we anticipate steady operating and financial performance, supported by the sector's stable regulatory environment and Alfa's relatively straightforward availability-based model.

## Outlook

The stable outlook incorporates our expectation that the project will maintain high availability of its transmission lines without major events that would result in penalties due to extended unplanned outages, for instance. We forecast a minimum DSCR around 1.30x, and we expect that investments will remain on time and within budget. Therefore, we expect Alfa's cash flow will remain stable and predictable, enabling the project to execute the planned investments that the Chilean regulator has requested to improve the system's robustness.

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## Downside scenario

In the next two years, we could lower the rating if the project posts a minimum DSCR of 1.175x or lower, which could result from significant lower inflation adjustments over the contracts (either Chilean or U.S. inflation), higher operating expenses, or investments above the budget.

Although unlikely in the next 12 months, if we were to downgrade Colbun to 'BB+' or lower, the rating on the project would move in tandem, given that Colbun is Alfa Transmisora's largest individual offtaker. We would also lower the rating on the project if there were a higher dependency from another third-party contract.

## Upside scenario

We could revise our outlook to positive or raise our rating in the next 24 months if the project's DSCR is consistently above 1.40x because of higher Chilean or U.S. inflation, greater cost savings, or future investments that are lower than we expect. In addition, if contracts maturing throughout the notes' term are renewed under better terms than in our base-case scenario, we could raise the rating.

## Recent Research

- [Alfa Transmisora de Energía S.A. 'BBB-' Debt Rating Affirmed On Proposed Notes; Outlook Remains Stable](#), June 25, 2024

## Project Description

Alfa Transmisora de Energía S.A. (formerly known as Alfa Desarrollo SpA) is jointly owned by Celeo Redes Chile Expansion SpA and APG Energy & Infra Investments Chile Expansion SpA. In 2021, Celeo and APG acquired Colbun Transmisión S.A.'s assets through a newly created company, Alfa Transmisora, which is the issuer of the senior secured notes. Alfa Transmisora now owns all the operating assets of Colbun Transmisión:

- National assets (regulated): seven transmission lines totaling 374 kilometers (km) and seven substations.
- Zonal assets (regulated): seven transmission lines totaling 104km and two substations.
- Dedicated assets (nonregulated): 16 transmission lines totaling 462 km and 21 substations.

Currently, these assets have a market share of close to 5% in Chile. These lines are located across five regions that are home to 74% of Chile's population, generate close to 65% of the country's GDP, and account for 57% of the electricity demand in the country.

### Key strengths

- Stable and predictable cash flow, given a favorable regulatory framework in Chile and the company's revenue from availability, preventing volume risk.
- Adequate structural protections that include a six-month debt service reserve account, a three-month operations and maintenance reserve account backed by a letter of credit, and a prefunded interest reserve account during the notes' term.
- Transmission lines with low operational complexity and commercially proven technology.

- No currency mismatch, given that regulated tariffs are U.S. dollars and indexed to U.S. and Chilean inflation, assuming a guaranteed post-tax return, while debt will be issued in U.S. dollars, representing a natural hedge.

### **Key risks**

- Re-contracting risk: While regulated revenue (about 40% of total revenue in 2025) is not exposed to market risk, many dedicated contracts will come due before the notes mature in 2051, exposing the project to price volatility. The largest ones are with Angostura and Santa Maria, which will be reclassified as national assets in 2039 and 2040, respectively.
- Counterparty dependency: Unlike other transmission lines in Chile, which generate most or all cash flow from regulated revenue, the project earns most of its revenue from dedicated contracts with third parties. The largest counterparty is Colbun S.A. (BBB/Stable/--), from which the project generates about 30% of total revenue. Therefore, the rating on Colbun could cap our rating on the notes. The other counterparties represent individually less than 10% of total revenue, so we don't believe they influence the project's credit quality.

### **Operations counterparties**

The project has exposure to Chile-based generation company Colbun, which is the former owner of the transmission and substation assets that Alfa acquired. The project has dedicated contracts with Colbun's power plants, which represent about 30% of the project's total revenue. Because of the size of these contracts, the counterparty limitation keeps our rating on Alfa's debt no higher than 'BBB'. The project also has dedicated contracts with Anglo American PLC (BBB/Watch Neg/A-2), Empresas CMPC S.A. (BBB/Negative/--) and Corporación Nacional del Cobre de Chile (BBB+/Stable/--). These counterparties are the most relevant players in Chile and the largest contributors. Currently, we don't believe this affects the project's credit quality.

## **Rating Component Scores**

Operations phase SACP (senior debt)

- Operations phase business assessment: 4
- Preliminary operations phase SACP: bbb
- Downside resiliency assessment and impact: Moderate (Neutral)
- Median DSCR impact: Neutral
- Debt structure impact: Neutral
- Liquidity impact: Neutral
- Refinancing impact: Neutral
- Future value modifier impact: N/A
- Holistic analysis impact: Negative (-1 notch)
- Structural protection impact: Neutral
- Counterparty assessment impact: BBB, Neutral

Operations phase SACP: bbb-

Parent linkage and external influences (senior debt)

## Alfa Transmisora de Energia S.A.

- Parent linkage: Delinked
- Project SACP: bbb-
- Extraordinary government: Neutral
  - Sovereign rating limits: A
  - Full credit guarantees: Neutral
- Senior debt issue rating: BBB-

## Related Criteria

- [Criteria | Infrastructure | General: General Project Finance Rating Methodology](#), Dec. 14, 2022
- [Criteria | Infrastructure | General: Sector-Specific Project Finance Rating Methodology](#), Dec. 14, 2022
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions](#), March 8, 2019
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts](#), May 31, 2012
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

### Ratings Detail (as of June 23, 2025)\*

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

Senior Secured	BBB-/Stable
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US\$1.099 bil 4.55% bnds due 09/27/2051

Foreign Currency	BBB-/Stable
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\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country.

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