



**Strengthening of Center – Middle South – South
Interconnection in 500 kV (Chilca – Marcona – Caravelí
Transmission Line)**



Opportunity

- a) The Chilca – Marcona - Caravelí Transmission Line is part of the Guaranteed Transmission System under which the concessionaire's revenues are secured.

The purpose of the Guaranteed Transmission System is:

- Ensuring the remuneration of the System's facilities
 - Granting stability and predictability of the revenues of the transmission concessionaires
 - Establishing payment obligations that encompass all users of the system.
- b) Legal stability contract for the investment to be made.
- c) Early recovery of tax sales for the pre-operative stage.
- d) Access to the tariff division for paying customs duties on imported goods.

Overview

Sector stakeholders

Lines of SEIN's Main Transmission System (2008)

Holder	N ° of transmission lines	Rated voltage (kV)	Length (Km)
REP	14	138 y 220	1,072.2
ETESSELVA	1	220	145.3
ISA PERU	4	220	261.7
TRANSMANTARO	2	220	603
REDESUR	3	220	427.7

Concessions granted during 2008

Transmission Line	Rated voltage (kV)	Length (km)	Concessionaire
Carhuamayo – Paragsha – Conococha – Huallanca – Cajamarca – Cerro Corona – Carhuaquero.	220	690	ABENGOA PERÚ S.A. (Spain)
Mantaro – Caravelí – Montalvo	500	760	CARAVELI COTARUSE TRANSMISORA DE ENERGIA S.A.C. (Spain)
Machu Picchu Cotaruse	220	204	
Chilca – La Planicie – Zapallal	500	94	CONSORCIO TRANSMANTARO S.A. (Colombia)

Overview

Growing power demand:

- Demand for power in southern Peru is expected to increase as large mining projects come on line in the region (Tía María, Los Chancas, Quellaveco, Antapaccay, Las Bambas and Hierro Apurímac).
- As these projects mature, an increase of more than 1000 MW is expected in the south of Peru during the 2009-2017 period.

Transmission capacity supply:

- The National Interconnected Electric System (SEIN) supplies electricity to most of Peru. It has expanded at a relatively fast pace, but geographic distribution is asymmetric, generating inefficiency in nationwide distribution.
- SEIN and regional load increases create the need not only for strengthening the 220 kV trunk transmission system, but also for projecting the system in the long term, with the commissioning of 500 kV lines.
- The following links are under construction to meet the demand growth and generation expansion requirements:

Area	Project
<i>Center – North</i>	Vizcarra - Huallanca – Cajamarca – Carhuaquero link works
<i>Lima South – Lima North</i>	Chilca - Planicie - Zapallal Transmission Line
<i>Center - South</i>	Mantaro – Caravelí – Montalvo Transmission Line

Chilca – Marcona – Caravelí Transmission Line: Project Profile

Summary and objectives:

- Concession of the “Strengthening of the Center-Middle South and South Interconnection in 500 kV (Chilca-Marcona-Caravelí)” project to the private sector.
- Goal: Construction of a strong interregional transmission structure, which connects the Center to the Middle South and South of the country.
- Grantor: Ministry of Energy and Mines
- The Concessionaire Partnership is responsible for the line’s and sub-stations’ layout, design, financing and construction, and for the subsequent operation and maintenance.
- Quality requirements are the ones set forth by laws and regulations in force.
- There are no significant risk sources.



Participation of the Concessionaire Partnership and the Franchisor

CONCESSIONAIRE PARTNERSHIP

- Designing, financing, building, operating and maintaining the “Strengthening of the Center-Middle South – South Interconnection in 500 Kv (Chilca – Marcona – Caravelí Transmission Line)”.
- The Concessionaire Partnership will accept all inherent business risks.
- To build and operate the system, the Concessionaire Partnership will meet the minimum quality, efficiency, operation and service continuity standards set forth in the applicable regulations in force.

FRANCHISOR

The Franchisor will assist the award winner in all formalities to obtain:

- The Definitive Electric Transmission Concession to operate the transmission facilities under the concession, including the Environmental Impact Assessments needed for obtaining the Definitive Concession.
- The Power Line’s easements once the path has been determined by the Concessionaire Partnership and the corresponding formalities have been fulfilled before the Ministry of Energy and Mines.
- Clear title to the properties needed for building and/or expanding the sub-stations.

Process main features

Pre-qualification requirements

Technical	<p>The Bidder, Operator or its Related Companies must certify that they directly operate with power transmission systems under the following conditions:</p> <ul style="list-style-type: none">▪ Length: Not lower than 1,000 km in voltage higher or equal to 220 kV; and,▪ Transformation capacity: Not lower than 500 MVA in sub-stations with voltage higher or equal to 220 kV.
Financial	<p>The Bidder, Operator or Consortium to which it belongs, or the Related Companies which figures or experience are submitted to qualify, must have, individually or as a whole, in the most recently concluded year:</p> <ul style="list-style-type: none">▪ Net equity of at least US\$ 50 million, and,▪ Total assets of at least US\$ 150 million.
Legal	<p>The Bidder will produce documented certification or an affidavit declaring its personnel has not been engaged professionally with PROINVERSION during the Competitive Bidding, that it is not legally impeded to enter contracts with the Government of Peru, that it shall not have recourse to diplomatic means for solving claims, that the companies it represents are properly incorporated and existing, and that it fulfils any other requirements established by Peruvian law.</p>

Process main features

Concession contract:

Purpose	<p>Designing, financing, building, operating and maintaining the Project to Strengthen the Center- Middle South - South Interconnection in 500 kV (Chilca – Marcona - Caravelí TL).</p> <p>The purpose is creating a solid interregional transmission structure to link Central load centers to Middle South and South centers in Peru.</p>
Modality	Comprehensive Project Tender.
Concession Term	30 years in addition to the building period (30 months).
Financial-Economic Balance	Reestablishment of financial-economic balance is considered in case the State passes applicable regulations or laws that affect the concessionaire's profit or costs.

Guarantees:

Validity, Effectiveness and Seriousness Bond	US\$ 4 million	<ul style="list-style-type: none">▪ The guarantee's term of effect will be 120 calendar days as from the date of the award.
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Project main features

Proposal, evaluation and competition factor:

Proposal	<p>The bidder's proposal will be comprised of :</p> <ul style="list-style-type: none">▪ Cost of Investment (US\$)*▪ Annual Operation and Maintenance Cost (O&M) (US\$) <p>Amounts expressed in US\$, taxes not included, to the expected Electric Line Commissioning date.</p> <p><i>* Global amount</i></p>
Proposal evaluation	<p>Only the proposals offering Total Service Costs equal or lower than the maximum value (previously fixed by the Committee through Circular Letter) will be acceptable.</p> <p>Total Service Cost equals the sum of O&M Cost (COYM) plus the Cost of Investment annuity (aCI) calculated with a 12% rate and a 30-year term.</p> <ul style="list-style-type: none">▪ Total Service Cost = aCI + COYM
Competition factor	<p>The bid will be awarded to the Bidder that offers the lowest Total Service Cost.</p>

Project main features

Financial Outline

Pursuant to the Law for Guaranteeing the Efficient Development of Power Generation, Law 28832, and the Transmission Regulations approved by Supreme Decree No. 027-2007-EM, this line is part of the Guaranteed Transmission System and, therefore, the Concessionaire's income are comprised of charges to be paid by users and the system's demand through procedures defined by the regulatory body (OSINERGMIN).

Concessionaire's Revenues

Components:

- Compensation of investment calculated as the annuity for a recovery period of 30 years, with a discount rate of 12%.
- Cost of operation and maintenance

The values of these components will be the result of the granting process.

Adjustment

- Adjustments to payments will be through update index.
- The index used is WPSSOP3500 (Finished Goods Less Food and Energy), published by the US Department of Labor.
- The initial index will be the one in effect the month of the Commissioning.

Timeline and main steps

Activities / Events	Date
Call for proposals	02.07.09
Enquiries to the bidding documents	Hasta el 07.09.2009
Submission of contract's first draft	10.07.09
Submission of contract's final version	02.10.09
Announcement of qualified bidders	12.10.09
Award	27.10.09
Closing date	27.11.09

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Notice

This Executive Summary has been prepared by PROINVERSIÓN for information purposes only, to be used by prospective investors, to help them define their interest in participating in the comprehensive project tender for the award of the “Strengthening of the Center- Middle South - South Interconnection in 500 kV” (Chilca – Caravelí - Marcona TL)” Project to the private sector.

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