

Research

Tear Sheet: Celeo Redes Operacion Chile S.A.

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Tear Sheet: Celeo Redes Operacion Chile S.A.

Credit Rating(s)

Senior Secured

US\$379 mil 5.20% nts ser A due 06/22/2047

Foreign Currency

BBB/Stable

Senior Secured

BBB/Stable

*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.

What's new: In November 2024, the regulatory authority awarded Celeo Redes Operación Chile S.A. (CROCH) the construction of a second circuit (CHATE 2C) for Charrúa Transmisora de Energía S.A. (CHATE). Elecnor S.A. (not rated) will be the contractor. The decree is pending, and CROCH expects it could be published around June 2025. After that, works will have to be completed within 60 months. The value of investment (VI) is \$106 million, and the annual remuneration will be confirmed with the decree. Remuneration will be fixed during 20 years (adjusted for inflation) and reviewed every four years thereafter. The project has not yet confirmed the funding structure.

Other than this, from an operational standpoint, the assets' availability in 2024 was in line with our expectations (above 99%), complying with established limits with no penalties, fines, or accidents reported.

Why it matters: CROCH will have to determine the funding strategy for CHATE 2C and whether it will be incorporated within the existing structure or separately. Therefore, at this stage, we do not incorporate CHATE 2C into our analysis. In this context, we continue to expect the project to post a minimum debt service coverage ratio (DSCR) above 1.20x and a median above 1.30x. Nonetheless, we will reassess, if necessary, once all the relevant details become available and whether the project seeks to change the existing structure.

Outlook

The stable outlook reflects our view of CROCH's stable cash flows, which will lead to a DSCR above 1.30x in the next 12-24 months. Following the unusual volatility seen in the 2020-2023 tariff period and the lower sculpted amortization from 2024 onward, we expect a minimum DSCR above 1.20x in 2046 in light of the project's long-term concession contracts at fixed prices for most of its assets, the availability levels above the minimum regulatory requirement, and the tariff reset after the first period of 20 years.

Downside scenario

A downgrade in the next two years is possible if the project's revenue is lower than we expect, for instance, because of a substantial drop in U.S. inflation in coming years or because of higher-than-projected costs or income taxes, resulting in a minimum DSCR below 1.15x and a median DSCR below 1.25x while the project's downside resilience diminishes. We could also lower our rating if there are further, recurrent regulatory delays in the next tariff period, which could weaken our assessment of the regulatory framework.

Upside scenario

Although it's unlikely in the next 12 to 24 months, we could upgrade CROCH if its resilience to the downside case scenario increases while it maintains a minimum DSCR above 1.30x.

Project Summary

Project status, type (year started)	Operating, Transmission line
Location	Chile
OPBA	3
Minimum DSCR	1.21x (2046)
Median DSCR	1.31x
Outstanding debt (as of)	\$517 million (2024)
Debt maturity	2047
Project rating	BBB

DSCR--Debt service coverage ratio. OPBA--Operation phase business assessment.

Project Description

CROCH operates two trunk transmission lines in Chile's power grid. The assets benefit from perpetual concessions granted by the Ministry of Energy where revenue isn't subject to demand risk and isn't based on the utilization rate of the lines. The project's assets consist of Alto Jahuel Transmisora de Energía S.A. (AJTE) and Charrúa Transmisora de Energía S.A. (CHATE).

- AJTE is a 256-kilometer, 500-kilovolt transmission line that consists of two circuits. AJTE circuit 1 is entitled to

receive fixed availability payments until 2035, and AJTE circuit 2 receives the same type of payments with reviews every four years. AJTE circuit 1 has been operating since September 2015, and AJTE circuit 2 since January 2016.

- CHATE is a single 198-kilometer circuit that began commercial operations in December 2017 and is entitled to receive fixed availability payments until 2037.

Based on the concession contracts, CROCH receives fixed revenue based on its availability; this provides a predictable revenue flow with no market risk. The rates are in place for 20 years after the commercial operations dates for AJTE circuit 1 and the CHATE lines, whereas the regulator revises the rates for AJTE circuit 2 every four years. The latter represents about 20% of total revenue.

The rating on CROCH reflects our expectation that its operating and financial performance will be stable over the next few years. We expect a minimum DSCR of 1.21x and a median DSCR of 1.31x during the notes' term given the relatively low operating complexity, a business model based on availability, a sound operating performance, and stable regulation.

Ratings Score Snapshot

Senior debt issue rating	BBB
Construction phase SACP	N/A
Operations phase (senior debt)	
Asset class operating stability:	3
Operations phase business assessment:	3
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:	N/A
Future value modifier impact:	Positive (+1 notch]
Holistic analysis impact:	Neutral
Structural protection impact:	Neutral
Counterparty assessment impact:	No impact at this stage
Operations phase SACP	bbb
Parent linkage and external influences (senior debt)	
Parent linkage:	Delinked
Project SACP:	bbb
Extraordinary government support:	N/A
Sovereign rating limits:	N/A
Full credit guarantees:	N/A

DSCR--Debt service coverage ratio. ICR--Issuer credit rating

Related Criteria

- Criteria | Infrastructure | General: Sector-Specific Project Finance Rating Methodology, Dec. 14, 2022
- Criteria | Infrastructure | General: General 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

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