

# Interconnecting power grids in Peru and Chile

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Last week the Chilean Ministry of Energy announced that interconnection of transmission infrastructure between Peru and Chile could happen before 2021.

Chile's energy minister Maximo Pacheco made the declaration at a meeting held in Santiago to discuss an initiative to connect electricity systems across the region, known as Sinea. Representatives from Peru, Ecuador, Colombia and Bolivia attended the event. The countries aim to achieve interconnection across these countries in the Andean region by 2021 and Pacheco indicated the Chile-Peru transmission line could be operational before this time.

The project, proposed by Peruvian authorities, is a 220kV transmission line which would lie between the city of Tacna in the South of Peru and Arica in the north of Chile and could transport 300MW of power.

## Peru's power dilemma

In recent years the growth in demand for power in Peru has not kept pace with the rate of installed capacity, and the country has found itself in a situation of oversupply. Peruvian authorities estimate that this year there is a generation reserve margin of around 37% and this looks set to rise up to 45% in 2017, as a flurry of new projects enter the market.

Private investment promotion agency ProInversión and Peru's state energy and mines investment regulator Osinergmin continue to contract new power projects. So far this year three new hydro power plants have come online, they include Statkraft's 168MW Cheves plant in Lima, and Egemsa's 102MW Machupicchu II and Luz del Sur's 98MW Santa Teresa hydro power plants in Cusco. Grupo Cobra's 233MW Eten cold reserve thermal power plant in Lambayeque also became operational, as well as the Energía Limpia consortium's La Gringa V biomass plant in Lima.

According to Peru's Ministry of Energy and Mines (MEM), by the end of the year three more projects will come online, including Enersur's 112MW Quitaracsá I hydro plant, Sinersa's 19MW Chancay hydro and the Grupo Cobra's 97MW Tres Hermanas wind project in the Ica region. Large projects such as IC Power's 500MW Cerro del Águila and Odebrecht's 406MW Chaglla are slated to reach commercial operation in 2016, as are some other smaller projects.

While ProInversión recently suspended a tender to contract investment commitments for 1,200MW of new hydro capacity, Osinergmin is pushing ahead with a fourth renewable energy tender. The process aims to contract 1,300GWh of renewable energy annually and another 450GWh annually of small hydro (projects of no more than 20MW each).

The marginal cost for power in Peru in July 2015 was \$10.94 per MWh, compared to \$51.15 per MWh in Chile's northern grid (SING) in the same month. "It's very difficult to find contracts for energy projects at the moment and prices are really very low" comments Brendan Oviedo, a Lima-based partner in the energy practice at Rubio Leguía Normand "it's a consumers'/demand market".

## Making connections

Some developers in Peru see potential interconnection with Chile as an opportunity to begin exporting some of the excess power produced. “If we can continue to stimulate generation development in Peru by creating external demand from neighbouring countries, such as Chile and Brazil, Peru could become an electricity hub for Latin America” says Oviedo.

The proposed interconnection is thought to have been received favourably by the Chilean government, and Chile's President Bachelet is understood to be behind the plan. The country's two power grids, the northern (SING) and central (SIC), are not connected however.

As previously reported by *IJGlobal*, Engie subsidiary E-CL won approval this year to build an \$860 million double-circuit 500kV transmission linking the SING and SIC through subsidiary Transmisora Eléctrica del Norte (TEN). TEN is due to select a partner on the project by October 2015. [Santander is advising on the approximately \\$600 million project financing.](#)

The transmission project is aimed at easing power shortages in the centre of the country by connecting a large number of renewable energy projects which are concentrated in the Atacama desert in northern Chile.

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