



Exclusive

March 13, 2013

IFC preps quasi-merchant Mexico solar financing

The International Finance Corp., a member of the World Bank Group, is close to closing debt financing for a solar power project in Mexico that includes quasi-merchant price risk. The 38.6 MW dc (30 MW ac) Aura Solar photovoltaic project, located near La Paz, toward the southern end of the Baja California peninsula, is being developed by Mexican company Gauss Energia. Aura Solar, which is the first utility-scale project developed under Mexico's so-called small producer framework, is contracted to the CFE under a 20-year PPA in which the project receives the applicable short-term marginal cost of electricity at the La Paz node.

The IFC is comfortable financing quasi-merchant price risk under the PPA in part because Baja California consists of two separate transmission grids which lack an interconnection with each other or with the grid in mainland Mexico. Hence, opportunities to import electricity to southern Baja California are limited, an industry source tells *SparkSpread*. In addition, diesel and heavy fuel oil-fired generation units are on the margin in southern Baja, the source notes. The IFC and Nacional Financiera (Nafinsa), a development bank, are providing some \$75 million in Mexican peso-denominated long-term debt.

The financing comprises two tranches of senior debt (\$50 million provided by Nafinsa and \$15 million provided by the IFC), plus a \$10 million mezzanine tranche provided by the IFC. Officials at the IFC and Nafinsa declined comment or couldn't immediately be reached.