# T-Power CCGT: MAC avoidance

International Power, Siemens Project Ventures and Tessenderlo Chemie have secured project financing from 10 banks for the T-Power 420MW CCGT greenfield project in Tessenderlo in Eastern Belgium. At financial close IP bought Advanced Power's 33% in the project for Eu23 million ($32.5 million), paid from its cash reserves.

The project is a coup for the sponsors and financial adviser Fortis because the deal wisely shunned an underwriting stage despite having 100% commitment from four large project banks and instead opted for a ten bank club. This enabled the project to sign in the most volatile lending climate in living memory and avoid the fate of Shuweihat 2 IWPP in Abu Dhabi and the HSBC-underwritten Rijnmond 2 CCGT in the Netherlands.

The deal was completed within a tight timeframe, without a single pre-committed bank withdrawing from the deal. The mandate letter expired on 31 December 2008, so the banks were against the clock from October when the mandate was signed. The deal eventually reached financial close just before the holiday break on 18 December 2008.

The total project cost is around Eu448 million, funded 85:15 debt-to-equity. The Eu440 million debt was arranged by RBS, Fortis, West LB, KFW, ING, DZ, KBC, Lloyds, Calyon and BBVA. Each of the 10 banks has a Eu44 million exposure.

Fortis approached the relationship banks of the three sponsors in the summer and despite receiving underwriting commitments decided to proceed with a club deal in spring 2008.

Due diligence was worked along with a view to securing a seven-bank club deal. Initially eight banks were mandated, with another five requesting to join the deal in the summer. As adviser, Fortis had an arranging matching right. Two more banks were invited in, resulting in a 10-bank club.

RBS was given the role of coordination and documentation bank, acting as the go-between with bank concerns to the sponsors.

There was some speculation in the latter months of 2008 that the deal had to close by mid-November or the sponsors would lose the right to proceed with the agreed EPC contract. However, this had fallen away with an earlier Notice to Proceed.

The plant is being constructed under a fixed-price, date-certain EPC contract with Siemens and will employ proven technology, including a Siemens SGT5-4000F gas turbine (previously known as V93.4) in a single shaft SCC5-4000F arrangement.

The T-Power CCGT plant is being constructed on a greenfield site strategically located within a major industrial park, adjacent to Tessenderlo Chemie's chemical processing facility. It is close to both the gas pipeline and electricity transmission network.

Lenders have comfort in a strong and highly motivated sponsor group: Tessenderlo Chemie as the site host, Siemens as the technology partner, Advanced Power as the lead developer and International Power as the operator.

Advanced Power structured the deal in parallel to selling its stake in the project. AP has a strong pedigree with a growing reputation, and banks were comfortable to proceed with AP as a sponsor. Most of its key personnel are spun from Intergen, it is partly backed by 3i and it has a joint venture on project developments with Siemens. In future projects it is likely to attempt to raise finance for its equity share in projects so that it stays in the project beyond financial close.

The debt splits into a 23-year Eu396 million term loan, a Eu20 million debt service reserve account and a Eu13.5 million letter of credit facility. Lloyds and KBC 50/50 provided a Eu2 million VAT facility and Eu10 million working capital facility. RBS acted as coordination and documentation bank; Fortis as adviser.

The pre-completion margin is 180bp, and in operation ranges from 170bp to 220bp for the first 15-years matching the toll with Essent Trading International (a wholly owned subsidiary of Essent, the largest energy supplier in the Netherlands). Similar to Intergen's Rijnmond 1 financing, the deal is structured to then toggle between 230bp or 265bp dependant on renewal of the toll or whether the plant becomes merchant.

The banks have become comfortable with the unbundling risk associated with the liberalization of the Dutch energy markets. The same structural features used in the EdF-Delta 870MW Sloe IPP which closed earlier in 2008 were used in the transaction with Essent providing a direct guarantee and needing to post collateral if its credit rating falls.

The deal is structured with a 1.25x average and minimum DSCR. The tolling agreement is structured so that T-Power takes no dispatch risk. The toller will pay a capacity charge based on available electric capacity and a variable charge based on dispatched energy.

To mitigate banks exposure to merchant risk despite the possibility of the five-year merchant tail, at year 12 sponsors must give notice whether they are going to extend the toll or not. If there is no toll extension, cash sweep and lock-up mechanisms kick in at year 12 to ensure that the amount of debt left to repay is minimal in the final five years.

Unusually in this lending climate not a single bank dropped out of the deal. This was principally achieved by two main clauses in the mandate letter that made it difficult for banks to walk away or make wholesale changes through negotiation. The first held that other banks must step up their commitment to one seventh of the debt if a bank withdrew.

Although it is usual for a club deal not to feature a MAC clause, such is the lending climate banks are pushing for MAC clauses even when there is no underwriting. This was avoided however with a well documented LMA-standard market disruption clause that allowed the bank group to flex pricing to cover an increased cost of funding if more than 50% agreed.

In an act of brinksmanship, one unnamed bank threatened to go back to credit at the eleventh hour for spurious due diligence issues. On advice from its advisers the sponsors ceded an extra 30bp rather than argue the point and delaying the project. The bank has sullied its reputation with the sponsors. ■

## T-Power NV

**Status:** Financial close 18 December 2008
**Description:** Eu440 million debt financing of a 420MW CCGT power plant located in Belgium
**Sponsors:** Tessenderlo Chemie NV (33.3%), Siemens Project Ventures GmbH (33.3%) and Advanced Power AG (33.3%, replaced by International Power Consolidated Holdings Ltd at financial close)
**Mandated lead arrangers:** Fortis; RBS (coordination and documentation); Calyon; Lloyds TSB; ING (market and modelling); KBC; BBVA; WestLB (insurance); KFW Ipex; DZ Bank
**Financial adviser:** Fortis
**Sponsor legal counsel:** Clifford Chance
**Bank legal counsel:** Linklaters
**EPC contractors:** Siemens AG; Siemens NV
**Technical adviser:** PB Power

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