

Chilean Power Market Central Scenario

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Public Report



Our team





Ana Barillas
Managing Director,
LATAM and Iberia



Inês Gaspar *LATAM Research Lead*



Marvin Gareiss Chile Product Manager



Laura Picardo Senior Associate Advisory Chile



For more information, please contact

Enilio Álvarez, Senior Commercial Associate

enilio.alvarez@auroraer.com +34 613120636

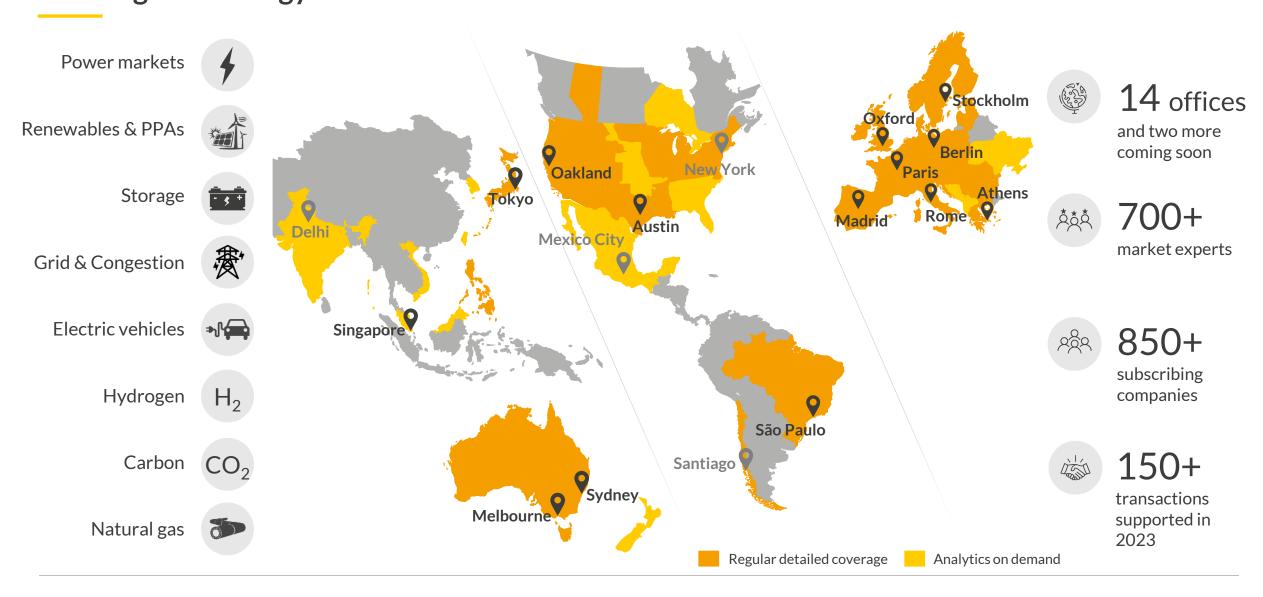
Agenda



- I. Aurora's modelling approach to Chile
- II. Aurora Central Outlook & Drivers
 - I. Key Inputs
 - II. Aurora Central Market Outlook
 - I. Baseload Prices
 - II. Capacity and Generation
 - III. Capacity Payments
 - IV. Capture Prices
 - V. Battery Dynamics
 - VI. Coal Phase Out and Transmission Sensitivities
- III. Key takeaways

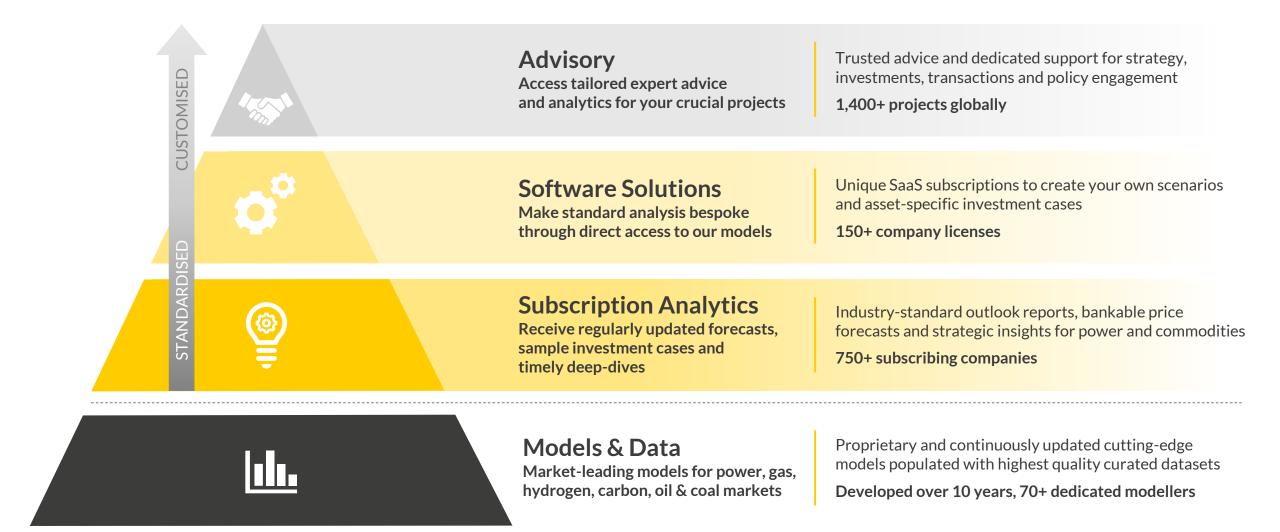
Aurora provides market leading forecasts & data-driven intelligence for the global energy transition





Our market leading models underpin a comprehensive range of seamlessly integrated services to best suit your needs





Chile Power & Renewables Market Service upcoming releases



Group meeting (GM) 1 Assumptions and scenarios

- Key long-term assumptions: demand, technology assumptions, commodities and planned capacity
- Modeling approach
- Identify key uncertainties aligned with proposed scenarios

Today

Group meeting 2 Long-term forecast central scenario

- Scenario results though 2060, including:
 - Aurora Central: installed capacity & generation mix; baseload & capture prices

Group meeting 3

Ancillary services and BESS revenues

- Ancillary services market in Chile
- Market structure, regulation and the business case for storage
- Best practices across other international markets with high storage adoption

Group meeting 4

Regional prices and grid bottlenecks

- Location-specific project economics
- Impact of various grid expansion and renewables deployment scenarios on capture prices

Future subscriber group meetings

- Subscriber interest will drive future topic selection
- This may include deep dives into:
 - Hydrogen economics
 - Bid-based market design
 - PPA market



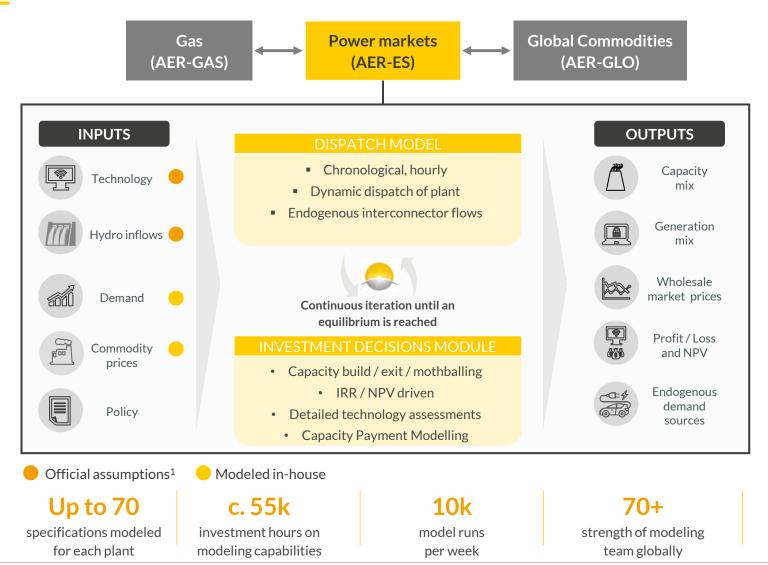
Bilateral follow-ups and engagement throughout

Software launches

Online platform

access (EOS)

Our analysis of the Chilean power market uses our proprietary, in-house modeling capabilities with data from official sources



Advantages of Aurora's Approach

- Flexible and nimble because we own the code
- Transparent results
- State-of-the-art infrastructure
- Zero dependence on black-box third-party software
- Constantly up to date through subscription research
- Ability to model complex policy changes very quickly
- Ability to model new technologies (e.g. storage) and demand sources (e.g. green hydrogen and EVs)

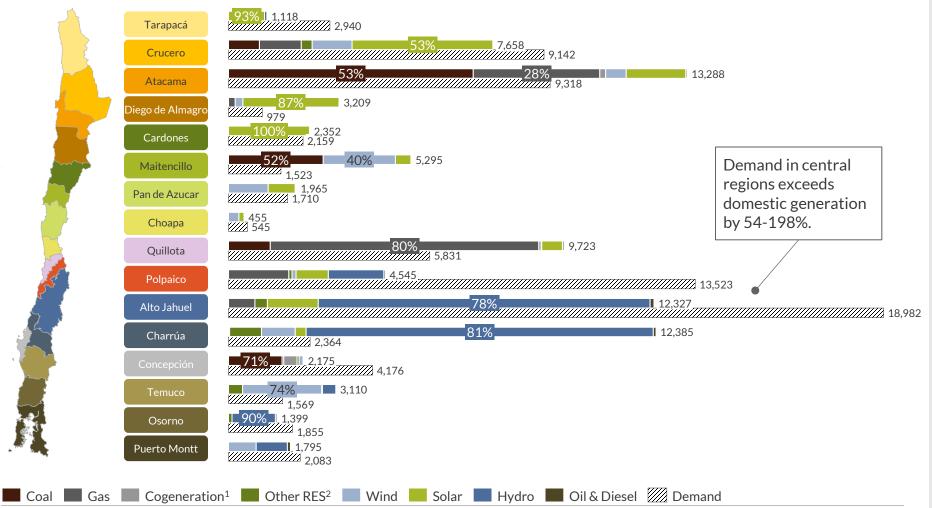
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¹⁾ Assumptions from CEN and Ministerio de Energía.

Chile sees an unequal distribution of demand and generation; solar generation is concentrated in the north, hydro in the central regions

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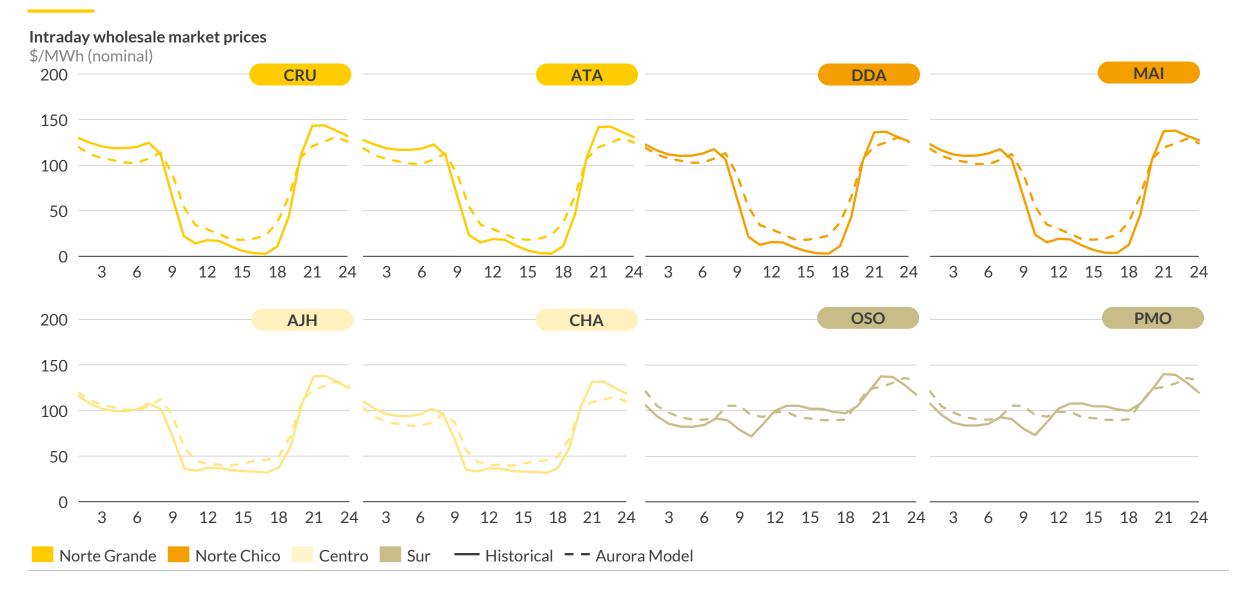
- In 2023, 72% of solar generation came from the northern regions between Tarapacá and Cardones, which benefit from high irradiance levels.
- Coal and gas are most relevant in Atacama and Quillota. Both regions generate over 80% of their hubs total generation using thermal sources.
- Wind generation is spread across the country with the largest hubs in Maintencillo and in the South of SEN (Temuco and Puerto Montt).
- 82% of SEN's total hydro generation in 2023 is in the center (Alto Jahuel and Charrúa), making up around 80% of the domestic hubs' generation. Osorno and Puerto Montt are also dominated by hydro.

1) Cogeneration includes petcoke. 2) Other renewables include biogas, biomass and geothermal.

Source: CEN 8

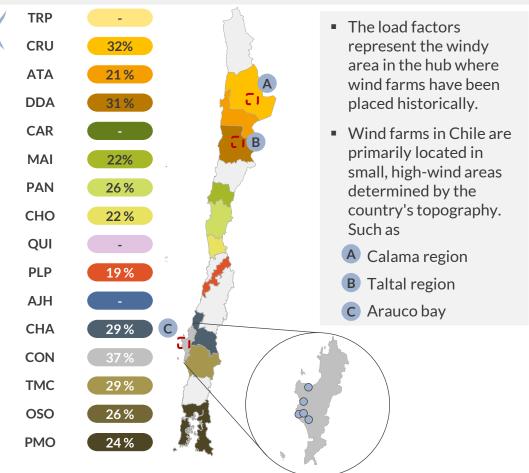
Intraday wholesale market prices across Chile are significantly influenced by regional generation mix and interconnection limits



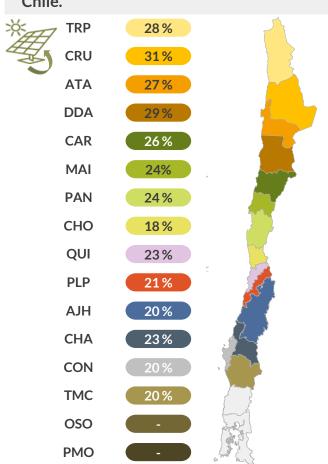


In our forecast each nodal hub has a unique load factor: solar in the desert can $A \cup R \supseteq R A$ reach 31% average yearly load factors, and wind in the south up to 37%

While most favorable conditions for wind generation are found along mountain ranges...



2 ... solar load factors^{1,2} can go up to 31% in the Northern desert regions of Chile.



- Due to geographical diversity, we create a solar profile for each hub.
- We assume no significant load factor difference between utility-scale and smallscale distributed plants.

Sources: The Wind Power's database, CEN

¹⁾ Average across the year. 2) The hubs without a load factor did not have known operational capacity as of May 2024.

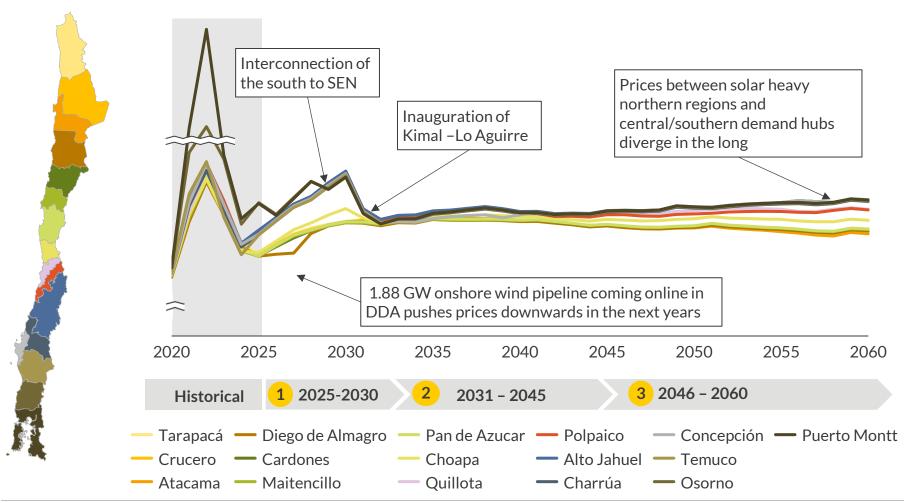
In Aurora central, prices in northern renewable hubs stay lower than in demand hubs even with increased interconnections





Baseload price per nodal hub in Chile

\$/MWh (real 2023)



Outlook for baseload prices

- 1 In the short-term, baseload prices rise across the system. This is partly driven by demand growth from copper along with 1.8 GW¹ of coal phasing out by 2029. Coal's generation in peak hours is replaced by more costly generation sources like gas and diesel.
- In the medium term, the 2031 inauguration of Kimal-Lo Aguirre brings baseload prices from central and southern regions to a similar level as observed in the north driven by the ability to transmit cheap solar power to central demand centers.
- 3 In the long-term, prices between the north and other hubs widen, driven by uneven demand growth across hubs, and a slow down of interconnection development.

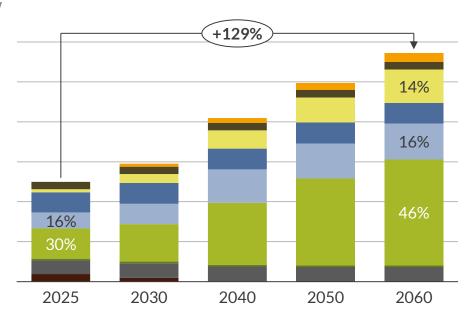
¹⁾ Equivalent of ~57% of current coal capacity

Solar and batteries drive Chilean capacity expansion, leading to over 90% of carbon-free generation by 2060

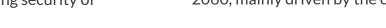


Installed capacity in Chile

GW

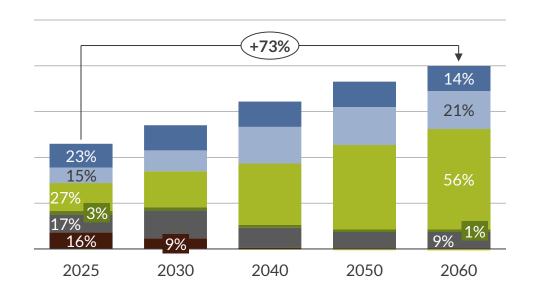


- Installed capacity increases 129% within the forecast horizon, mostly driven by solar, batteries, and wind.
- Solar power increases its capacity by a factor of 4 leading to a total share of 46% in 2060, while wind capacity almost triples compared to today's capacity.
- Battery capacity grows to 14% of the system by 2060, facilitating shifting of intermittent solar generation in a solar-heavy system and ensuring security of supply.



Generation mix in Chile

TWh



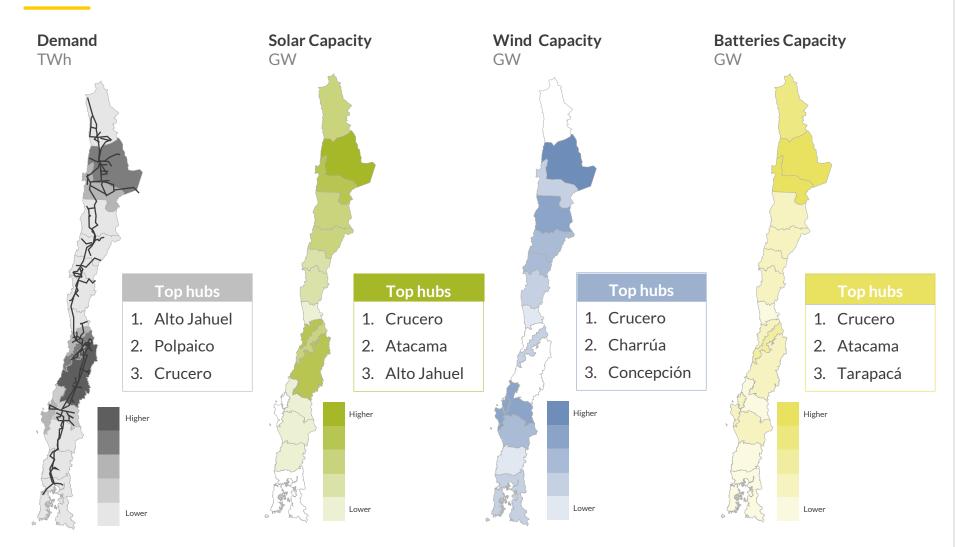
- Total electricity production increases by 73% from 2025, driven by growing demand (1.7% p.a. increase) over this period.
- Renewables will constitute more than 90% of total generation by 2060, with more than half of Chile's generation coming from solar PV.
- The share of thermal generation will decrease from 40% in 2023 to 9% by 2060, mainly driven by the coal phaseout by 2040.

1) 2024 updated until July of 2024. 2) Gas includes OCG and CCG.

Source: Aurora Energy Research

Battery Storage Hydro Onshore wind Solar PV Other RES Gas² Coal

Crucero, 99% renewables and storage by 2060, is ranked as top generation and demand hub



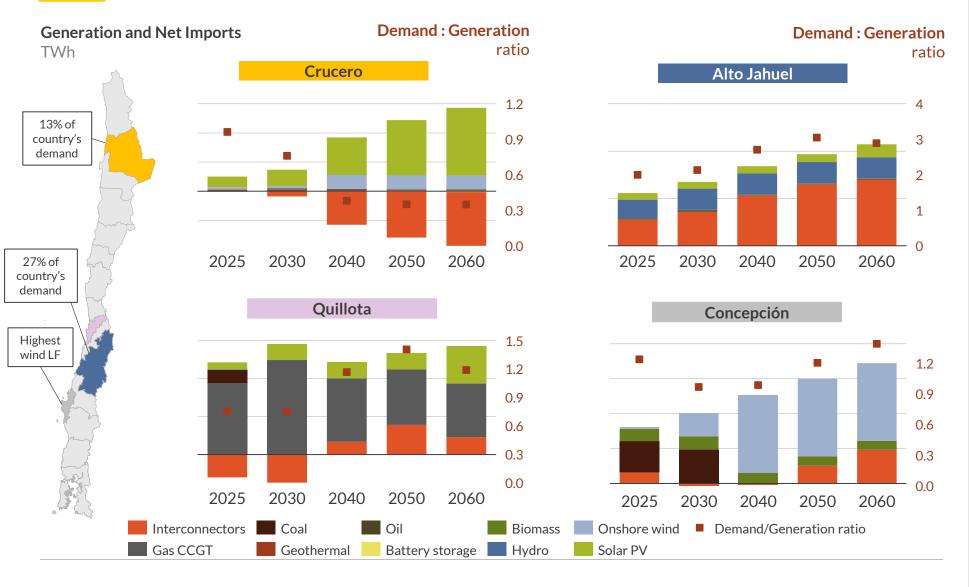
- Demand is projected to grow by 84% from 2025 to 2060. Centre hubs concentrate residential and industrial demand, while the North is driven by industrial and mining activities.
- Crucero stands out for its strong RES and BESS buildout due to its optimal natural resources while benefitting from strategic interconnections with the rest of the country, including a 3.3GW HDVC line.
- Despite a higher concentration in the north, solar capacity is spread nationwide¹, while wind is focused in specific areas in Crucero, Charrúa and Concepción.
- Norte Grande leads in battery share due to its intermittency needs; regions like Tarapacá, Maitencillo, and Quillota show the fastest battery growth (12-18% CAGR).

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¹⁾ Except in Concepción and Puerto Montt, which see no solar buildout.

Diversity characterizes the hubs, with solar-exporting northern regions supplying the demand-heavy center and natural resource-limited south





Interconnections

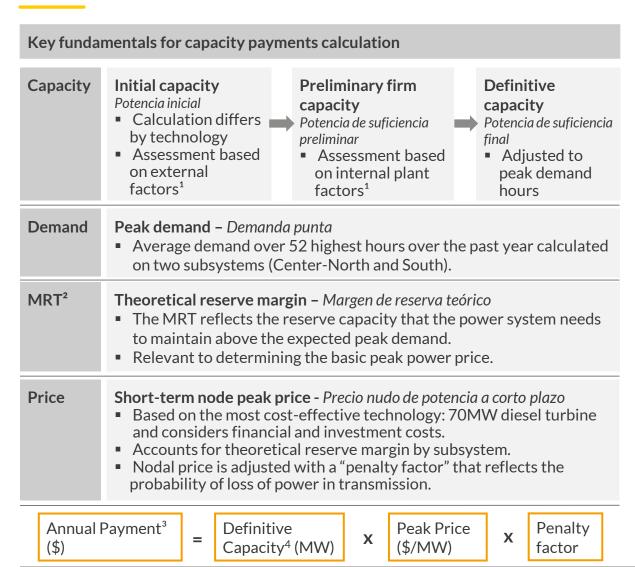
- By 2060, 63% of the total generation is in the north of the country, with center and south hubs being importers.
- Despite being a demand hub, the solar-rich hub of Crucero is also a key exporter, meeting its local mining demand and supplying much of the central region's demand.
- Alto Jahuel, the main industrial and residential demand center meets 67% of its demand by 2060 with imports.

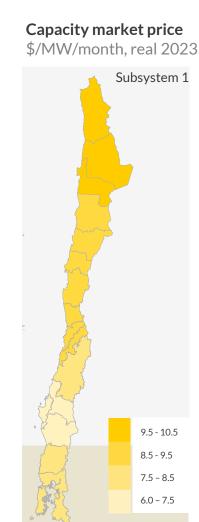
Thermal

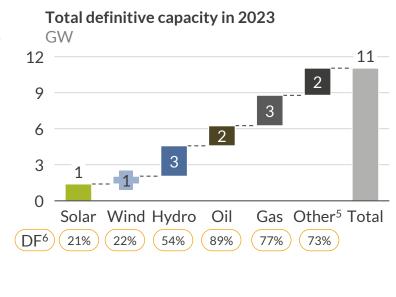
- Quillota and Concepción are two hubs impacted by the coal phase out.
- In Quillota, gas replaces coal generation while in Concepción, wind deployment and imports from other regions, eventually compensate coal generation.

Based on an adequacy system, Chile's capacity market ensures security of supply, with payments differing across regions and technologies



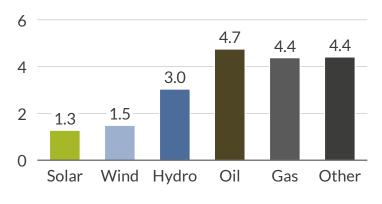






Average capacity payment in 2023

\$/kW/month (real 2023)



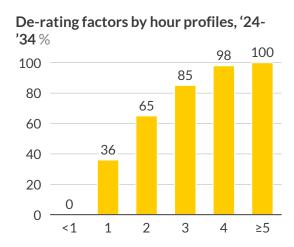
¹⁾ External factors refer to resource conditions such as load factors and fuel availability. Internal factors refer to operational status or activity interruptions of the plant. 2) In Spanish, Margen de reserva teórico. 3) Capacity market payments are made monthly. 4) Calculation at plant level. To estimate forecast average payment per type of technology, Aurora calculates average de-rating factors of preliminary firm capacity and adjusts payments based on those. 5) Includes coal, biomass and geothermal. 6) Average derating factor over preliminary firm capacity in 2023. In Spanish, porcentaje de reconocimiento. Sources: Aurora Energy Research, CEN, CNE.

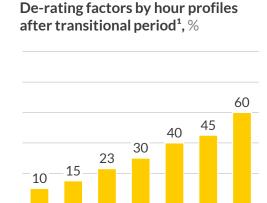
Subsystem 2

Aurora's analysis shows that a continuation of the current capacity payment approach would lead to oversupply; our forecast assumes adjustments

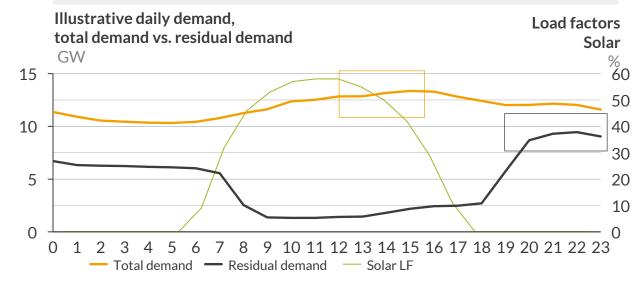


Battery storage receives high de-rating factors as outlined in the transitional regime of DS 70/2023, effective until 2034. We expect these de-ratings to be reassessed once the regime concludes.





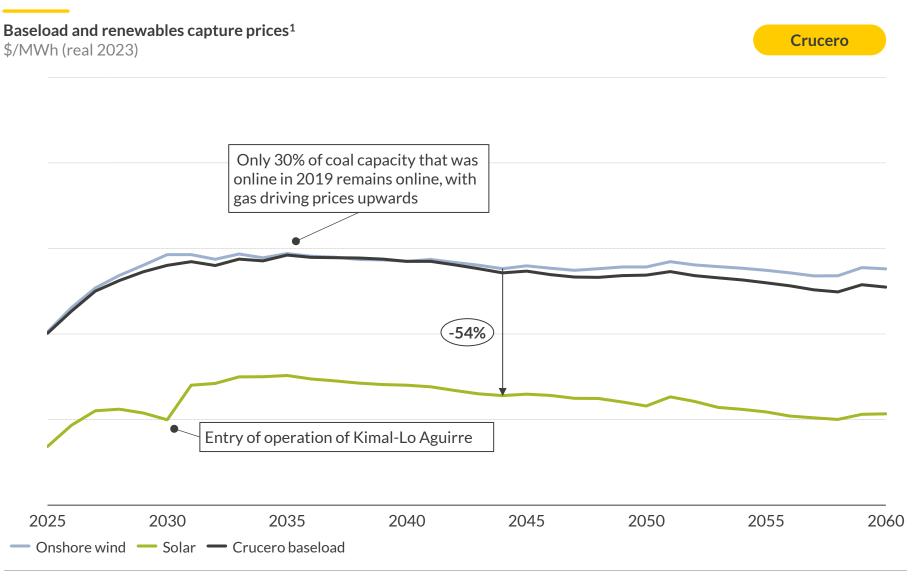
2 Solar units benefit from the current capacity payment methodology. As the system evolves, we expect peak demand to be re-assessed based on residual demand. This would reduce solar's contribution to security of supply, lowering capacity payments for the technology.



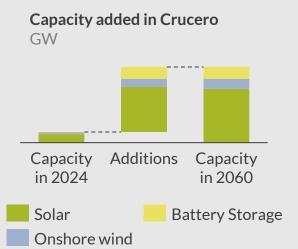
- 3 Aurora expects capacity prices, hence payments, to converge as the system becomes increasingly interconnected.
 - Planned expansion of 2x220 kV Cautín-Ciruelos transmission line is being re-tendered and will connect Southern regions to Center hubs.
 - While transmission investments minimize power losses during energy transport, penalty factors² will gradually reduce price differences between hubs.

Sources: Aurora Energy Research, CEN, CNE

In Crucero, wind capture prices shine brighter than solar PV, with a premium to baseload, due to its complementary profile

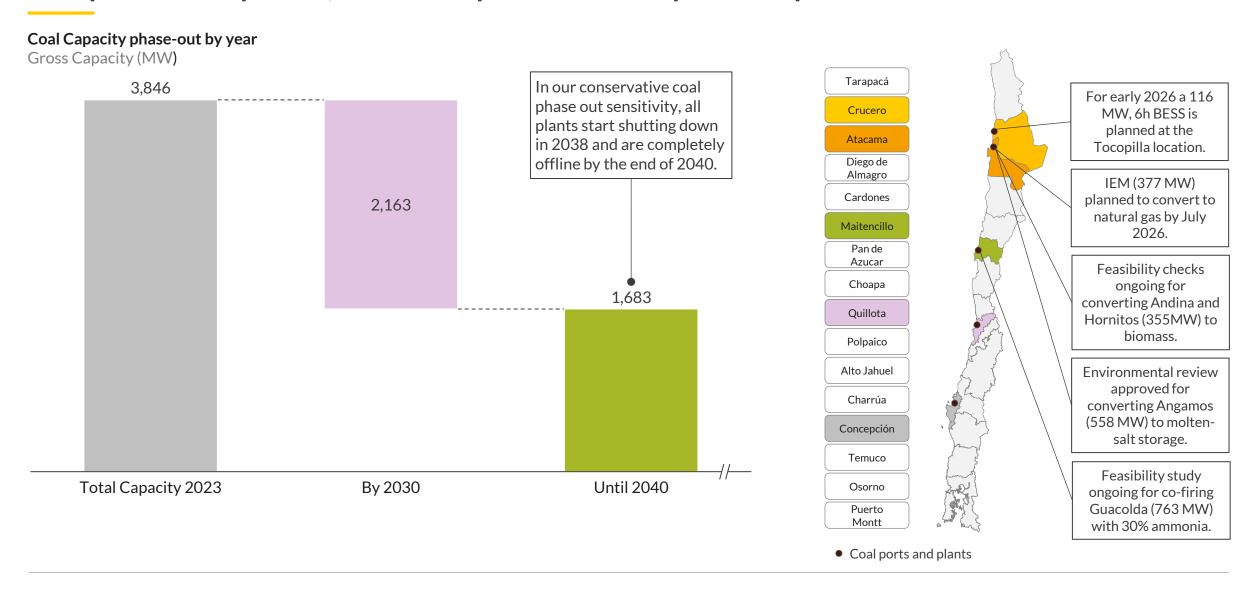


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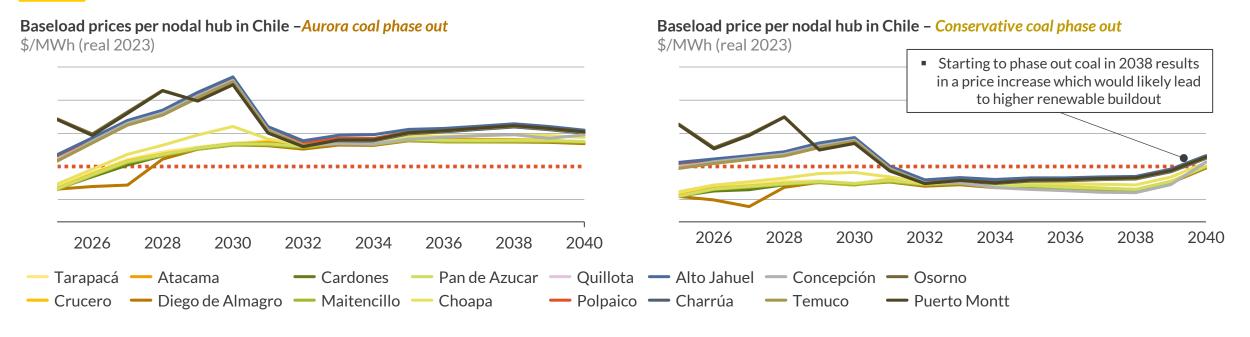


- The phase-out of coal, replaced by gas, leads to an increase in capture prices.
- Between 2027 and 2030, solar capture rates do not mirror the rise in baseload prices, as the expansion of the solar fleet leads to cannibalization.

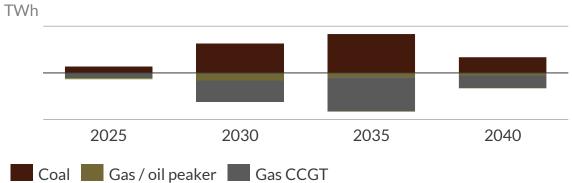
Chile is committed to ambitious decarbonization targets, including a complete AUR RA coal phase out by 2040, with most plants offline by the early 2030s...



... raising prices by an average of 30% between 2025 and 2040 compared to a $A \cup R \Rightarrow R A$ scenario where coal plants remain operational until the 2040s



Delta in Generation: Central coal phase out x Conservative coal phase out



- According to current plans, phasing out coal will lead to 2.1 GW of capacity going offline by 2030, which will be replaced by more expensive fossil fuel generation from gas and diesel.
- In this 15-year period, the shift from coal is expected to raise prices by 30%. As coal generation is replaced by gas-powered CCGTs this is estimated to reduce direct CO₂ emissions by about 69 million tonnes.

By 2060, Chile's system will be dominated by solar and batteries, with transmission $A \cup R \supseteq R A$ growth driven by the expansion of renewables away from demand centers

1 Chile's installed capacity is set to increase by 139% by 2060, driven predominantly by solar, battery storage, and onshore wind. Solar energy will represent 46% of the total installed capacity by 2060.

4 Solar capture prices face downward pressure due to cannibalization effects. Wind buildout is likely to be limited by geographical constraints despite high returns in certain areas of the country.

2 Over 90% of Chile's electricity generation will come from renewable sources by 2060, with solar playing a dominant role. Battery storage will support the integration of these renewable sources as thermal generation falls to just 9%, largely due to the phase-out of coal by 2040.

5 Key interconnection projects such as the Kimal-Lo Aguirre HVDC line, expected to be completed by 2032, will enhance regional power transmission, leading to converging prices across the country. Transmission growth will continue as renewables expand away from demand centers.

- 3 Battery storage will see substantial growth, with a focus on long-duration (8 hours) batteries. These batteries will play a crucial role in balancing supply and demand, particularly in solar-heavy regions like the north.
- 6 Despite lowering system emissions, the gradual phase-out of coal by 2040 will lead to increased baseload prices, with an average rise of 30% from 2025 to 2040 as gas and diesel plants take over peak generation.
- A continuation of the current capacity payment approach would lead to oversupply. We expect capacity payments to evolve and consider lower "derating factors" for solar as the focus shifts to ensuring security of supply during the highest residual peak demand hours (or something closer to a LOLE/LOLP approach). Capacity payments for batteries are also likely to decline over time as the marginal impact of storage on security of supply in the system decreases with more battery buildout.

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Strategic Insights



3 Group Meetings

Three Group Meeting roundtable events in **Santiago** with key market participants such as developers, investors, financiers, utilities, operators, and government officials



Upcoming Schedule:

October 2024: Long-term forecast

March 2025: Ancillary services and BESS revenues



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Analyst Support

Biannual workshops and support from our bank of analysts, including native speakers and on-the-ground experts



For more information, please contact

Enilio Álvarez, Senior Commercial Associate

enilio.alvarez@auroraer.com +34 613120636

