

Conrad Energy closes UK's first standalone greenfield financing of two Pathfinder synchronous condenser projects for c. £200m.

Thursday 28 March, 2024

Conrad Energy is pleased to announce that it has successfully closed the greenfield financing of its two Pathfinder synchronous condenser projects located in the East of England. The company is owned by I Squared Capital, a leading global energy infrastructure investor with \$38bn+ Assets Under Management.

The company's adviser, Nomura Greentech, launched the financing process in June and contacted over 50 lenders for this first-of-a-kind financing. The transaction received strong support and ultimately the £200 million package was supported by commitments from AIB, Siemens Financial Services acting through Siemens Bank, HSBC UK, Bank of China and CaixaBank. It comprises a fully amortising term loan of c. £170 million, and £30m of ancillary facilities maturing in March 2035. The financing package is underpinned by long-term cash flow visibility with no merchant exposure, supported by c. 10-year of 100% availability fee contracts with investment grade counterparty National Grid ESO.

Proceeds of the financing will be used to fund the remaining capex required to construct the synchronous condensers, as National Grid prepares to operate at zero-carbon by 2025 as part of the UK's Net Zero target for 2050.

As a result of the increased penetration of renewable energy and the retirement of thermal generation, the transmission system inertia and Short Circuit Levels ("SCL") are falling. Therefore, National Grid launched the Stability Pathfinder 3 procurements in November 2022 to secure SCL and provide stability to the network. The need for stability products varies across the country and so, National Grid have embarked on a series of regional procurement exercises to allow the market to provide solutions for this requirement.

The synchronous condensers, provided by Siemens Energy, will allow National Grid to manage inertia and Short Circuit Level, thereby protecting the commercial and industrial equipment connected to the transmission system. These services will be used to stabilise the UK transmission system, a further example of Conrad Energy's commitment to the energy transition.

The company's legal advisers were Osborne Clarke and Gowling WLG (property). Aon (insurance), Mott McDonald (technical) and RSM (model audit) also provided advice to the company and its lenders. The project lenders' legal adviser was Ashurst. Nomura's Risk Solutions Group provided FX and interest rate hedging and also acted as the market hedge coordinator on the rate hedging.

Steven Hardman, Chief Executive Officer of Conrad Energy, said:

"We're extremely happy with this successful transaction and would like to thank all the parties involved in getting this innovative financing completed. Special thanks go to our partners, Siemens Energy and National Grid, who worked closely with us to deliver a financeable project. Whilst the transaction was underpinned by the availability contract, we see these assets operating well into the future – providing stability to help facilitate the energy transition over the long-term."

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