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(English Version)

Acceleration of Renewable Energy Development for Electricity Provision

General Overview

On 13 September 2022, President of Indonesia enacted Presidential Regulation No. 112 of 2022 concerning the Acceleration of Renewable Energy Development for Electricity Supply ("**PR 112/2022**"). PR 112/2022 was issued considering two main deliberations which are to move up the timeline for Indonesia's goal to achieve the production target of renewable energy as well as to reduce greenhouse gas ("**GHG**") emissions in Indonesia. The plan to switch or migrate to the usage of renewable energy in Indonesia has become a priority in recent times. The Secretary General of Indonesia's Directorate General of Mineral and Coal of the Ministry of Energy and Mineral Resources ("**DGMC**") through the Strategic Plan for the year 2020-2024 has made it its mission to accelerate the usage of renewable energy.

This ARMA update will discuss the substance of PR 112/2022 which will touch on Indonesia's framework of electricity after the enactment of this President Regulation.

Acceleration of the Usage of Renewable Energy in Indonesia

Indonesia is a country with a huge potential in optimizing renewable energy as its main source of energy. Thus, the Indonesian Government has made it its goal to maximize Indonesia's renewable energy potential. This effort could be seen through many regulations and strategic plans passed by the Government, such as the strategic plan of the DGMC for the Year 2020-2024. In support of the DGMC's mission, Indonesia's President has enacted another regulation which is PR 112/2022.

There are two main goals to be achieved which are to accelerate the usage of renewable energy as an energy source in Indonesia as well as reduce GHG emissions in Indonesia. Concretely, PR 112/2022 also regulates how to achieve the two main objectives, namely:

a. Acceleration of renewable energy as an energy source
   Incentives (both fiscal and non-fiscal) are given to providers of electricity based on renewable energies. This incentive includes but is not limited to income tax facility, import duty exemption, property tax facility, geothermal development support, and/or financing support and/or a state entity acting as a guarantor for the business entity.

b. Reduce GHG emissions
   The PR 112/2022 establishes a framework to restrict the operational period for the steam power plants as well as limit the construction of new steam power plants in Indonesia. Steam power plants that can be built are only the ones planned before the

enactment of PR 112/2022 as well as operating at the longest in 2050, is committed to reducing GHG emission at least by 35% (thirty-five percent) after it has operated for 10 (ten) years, and is integrated with industries that are oriented in increasing the value of natural resources or strategic projects that provides job opportunities or project that contributes positively to Indonesia's economic growth.

PR 112/2022 aims to reduce dependency on steam power plants and alternate to a more sustainable source of energy which is renewable energies. In doing so, PR 112/2022 stipulates a road map that at least consists of the reduction of GHG emissions, a strategy to accelerate the retirement of a coal-powered power plant, and harmonization with other regulations.[1]

This transition from the usage of non-renewable energy to renewable energy will be done by accelerating the operation period of the steam power plant which will be portrayed in a document called "*Peta Jalan Percepatan*" which will be conducted by the Minister of Finance and the Minister of State Enterprise.

Procurement of Electricity

There are two procurement methods in electricity purchasing which are direct appointment as well as direct selection.[2] In this part of the ARMA Update, there will be 2 (two) sections that will discuss the procurement method as regulated in PR 112/2022 separately. However, before doing so it must be noted that there are some similarities in the process of electricity procurement through direct selection or direct appointment. Those similarities are both methods consist of three steps which are the submission of documents, the evaluation of documents based on three components (administration, technical, and finance), and the signature of the Power Purchase Agreement ("**PPA**") itself.

a. Direct Selection

The procurement of electricity through a direct selection can only be done for hydroelectric power plants, photovoltaic solar power plants or wind power plants that are equipped or not equipped with battery facilities or other electrical energy storage facilities, biomass or biogas power plants, hydroelectric power plants that function as a peaker, biofuel power plant or marine energy power plant. electricity procurement with this method must be done at the longest of 180 days.

b. Direct Appointment

Procurement of electricity through direct appointment could only be done for hydropower plants that utilize dam/reservoirs or irrigation channels which is multipurpose and carries out the Government's affairs in the field of water resources, geothermal power plants, expansion capacity projects of geothermal, hydro,

[1]Article 2 Paragraph (2) of PR 112/2022
[2]Article 14 Paragraph (1) of PR 112/2022

photovoltaic solar, wind, biomass, or biogas powerplants, and excess power from geothermal, wind, biomass, or biogas power plants. The process of electricity procurement done through direct selection is done the longest for 90 days.

Local Component Requirements (TKDN)

PT Perusahaan Listrik Negara ("**PLN**") is required to only use domestic products in the implementation of the Electricity Supply Business Plan (*Rencana Usaha Penyediaan Tenaga Listrik* or "**RUPTL**"). Other than the usage of domestic products in implementing RUPTLPR 112/2022 also regulates that ministries, government institutions, and local governments are obliged to give their support in order to accelerate the usage and development of renewable energy as an electricity source. For instance, the Ministry of Industry is required to provide support for business entities that uses local components on providing electricity based on renewable energy.[3]

Renewable Pricing

PR 112/2022 regulates that there are two ways of determining the price of electricity based on renewable energy which are (i) ceiling price which is governed by the Government, or (ii) an agreement.[4]

a. Ceiling Price

Ceiling price is a method to determine price can be implemented for all types of power plants.[5] However, there is a differentiation of terms and conditions when determining the price of electricity produced by geothermal power plants. For any other power plants besides geothermal power plants, prices are determined with the ceiling price as the benchmark. Other than that, the price determined acts as a base price (*Harga Dasar),* is subject to price escalation, and is considered as an agreed price by the Minister. The same conditions go for geothermal power plants however the price negotiated based on the ceiling price as a benchmark is not considered a base price (*Harga Dasar). Please see the Appendixes of this ARMA Update for the specification of the ceiling price.*

b. Agreed Price

For the determination of electricity price based on an agreement, there is no special or technical provision like the determination of price based on the ceiling price. PR 112/2022 merely regulates that the price negotiation must be done accordingly so that it complies with the ceiling price.

[3]Article 23 Paragraph (9) of PR 112/2022
[4]Article 5 Paragraph (1) of PR 112/2022
[5]Article 9 Paragraph (1) of PR 112/2022

c. Terms of Payment

In PR 112/2022 it is regulated that payment of electricity purchases must be paid using Indonesian Rupiah based on the rate of Jakarta Interbank Spot Dollar Rate ("**JISDOR**") on the day of the PPA signing.

Compensation

PR 112/2022 regulates that in an event where PLN suffers a raise in basic cost (*biaya pokok)* because of the transition to renewable energy-based electricity, PLN must be compensated, which will be paid in accordance with the relevant laws.[6]

Transitional Periods

The provisions in the PR 112/2022 is enacted directly after the issuance of this regulation, which was on 13 September 2022.[7] It is also regulated the PPA and steam purchase agreement made before the enactment of PR 112/2022 is still valid and binding.[8] Moreover, for power plant developers that (i) have finished their procurement process (ii) have reached an agreement for price with PLN, and (iii) have not received price approval from the Minister as long as the agreed price is equal or lower than the price of electricity regulated in this President Regulation, the agreement between the parties is deemed valid and binding.[9]

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[6]Article 24 of PR 112/2022
[7]Article 42 of PR 112/2022
[8]Article 30 of PR 112/2022
[9]Article 35 of PR 112/2022

APPENDIX I

Ceiling Price as Regulated in the PR 112/2022

1. Price of Electricity from Hydropower that Utilizes Water Streams/Waterfalls

No	Capacity	Ceiling Price (cent USD/kWh)	
		Year 1 to 10	Year 11 to 30
1	Up to 1 MW	11.23 x F	7.02
2	> 1 MW to 3 MW	10.92 x F	6.82
3	> 3 MW to 5 MW	9.65 x F	6.03
4	> 5 MW to 20 MW	9.09 x F	5.68
5	> 20 MW to 50 MW	8.86 x F	5.54
6	> 50 MW to 100 MW	7.81 x F	4.88
7	> 100 MW	6.74 x F	4.21

2. Price of Electricity from Hydro Power Plants Utilizing Hydropower from Reservoir, Dams, or Irrigation Channels Owned by the Ministry that Organizes Government Affairs in the Water Resources Sector with Multipurpose Development

No	Capacity	Ceiling Price (cent USD/kWh)	
		Year 1 to 10	Year 11 to 30
1	Up to 1 MW	11.23 x 0.8 x F	7.02 x 0.8
2	> 1 MW to 3 MW	10.92 x 0.8 x F	6.82 x 0.8
3	> 3 MW to 5 MW	9.65 x0.8 x F	6.03 x 0.8
4	> 5 MW to 20 MW	9.09 x 0.8 x F	5.68 x 0.8
5	> 20 MW to 50 MW	8.86 x 0.8 x F	5.54 x 0.8
6	> 50 MW to 100 MW	7.81 x 0.8 x F	4.88 x 0.8
7	> 100 MW	6.74 x 0.8 x F	4.21 x 0.8

3. Purchase Price of Electricity from PLTA Expansion

No	Capacity	Ceiling Price (cent USD/kWh)	
		Year 1 to 10	Year 11 to 30
1	Up to 1 MW	11.23 x 0.7 x F	7.02 x 0.7
2	> 1 MW to 3 MW	10.92 x 0.7 x F	6.82 x 0.7
3	> 3 MW to 5 MW	9.65 x0.7 x F	6.03 x 0.7
4	> 5 MW to 20 MW	9.09 x 0.7 x F	5.68 x 0.7
5	> 20 MW to 50 MW	8.86 x 0.7 x F	5.54 x 0.7
6	> 50 MW to 100 MW	7.81 x 0.7 x F	4.88 x 0.7
7	> 100 MW	6.74 x 0.7 x F	4.21 x 0.7

4. Purchase Price of Electricity from Excess Power of PLTA

No	Capacity	Ceiling Price (cent USD/kWh)
1	All Capacity	5,80 x 0.7

5. Purchase Price of Electricity from Photovoltaic PLTS (Excluding Battery Facilities or Other Electrical Energy Storage Facilities)

No	Capacity	Ceiling Price (cent USD/kWh)	
		Year 1 to 10	Year 11 to 30
1	Up to 1 MW	11.47 x F	6.88
2	> 1 MW to 3 MW	9.94 x F	5.97
3	> 3 MW to 5 MW	8.77 x F	5.26
4	> 5 MW to 10 MW	8.26 x F	4.96
6	> 10 MW to 20 MW	7.94 x F	4.76
7	> 20 MW	6.95 x F	4.17

6. Purchase Price of Electricity from Photovoltaic PLTS Expansion (Excluding Facilities Batteries or Other Electrical Energy Storage Facilities)

No	Capacity	Ceiling Price (cent USD/kWh)	
		Year 1 to 10	Year 11 to 30
1	Up to 1 MW	11.47 x 0.8 x F	6.88 x 0.8
2	> 1 MW to 3 MW	9.94 x 0.8 x F	5.97 x 0.8
3	> 3 MW to 5 MW	8.77 x 0.8 x F	5.26 x 0.8
4	> 5 MW to 10 MW	8.26 x 0.8 x F	4.96 x 0.8
6	> 10 MW to 20 MW	7.94 x 0.8 x F	4.76 x 0.8
7	> 20 MW	6.95 x 0.8 x F	4.17 x 0.8

7. Purchase Price of Electricity from Phovolatic PLTS from Which the Land is Provided by the Government (Excluding Facilities Batteries or Other Electrical Energy Storage Facilities)

No	Capacity	Ceiling Price (cent USD/kWh)	
		Year 1 to 10	Year 11 to 30
1	Up to 1 MW	11.47 x 0.95 x F	6.88 x 0.95
2	> 1 MW to 3 MW	9.94 x 0.95 x F	5.97 x 0.95
3	> 3 MW to 5 MW	8.77 x 0.95 x F	5.26 x 0.95
4	> 5 MW to 10 MW	8.26 x 0.95 x F	4.96 x 0.95
6	> 10 MW to 20 MW	7.94 x 0.95 x F	4.76 x 0.95
7	> 20 MW	6.95 x 0.95 x F	4.17 x 0.95

8. The Purchase Price of Electricity from PLTB (Excluding Facilities Batteries or Other Electrical Energy Storage Facilities)

No	Capacity	Ceiling Price (cent USD/kWh)	
		Year 1 to 10	Year 11 to 30
1	Up to 5 MW	11.22 x F	6.73
2	> 5 MW to 20 MW	10.26 x F	6.15
3	> 20 MW	9.54 x F	5.73

9. Purchase Price of Electricity from PLTP Expansion Excluding Facilities Batteries or Other Electrical Energy Storage Facilities)

No	Capacity	Ceiling Price (cent USD/kWh)	
		Year 1 to 10	Year 11 to 30
1	Up to 5 MW	11.22 x 0.7 x F	6.73 x 0.7
2	> 5 MW to 20 MW	10.26 x 0.7 x F	6.15 x 0.7
3	> 20 MW	9.54 x 0.7 x F	5.73 x 0.7

10. Purchase Price of Electricity from PLTBm

No	Capacity	Ceiling Price (cent USD/kWh)	
		Year 1 to 10	Year 11 to 25
1	Up to 1 MW	11.55 x F	9.24
2	> 1 MW to 3 MW	10.73 x F	8.59
3	> 3 MW to 5 MW	10.20 x F	8.16
4	> 5 MW to 10 MW	9.86 x F	8.16

11. Purchase Price of Electricity from PLTBm Expansion

No	Capacity	Ceiling Price (cent USD/kWh)	
		Year 1 to 10	Year 11 to 25
1	Up to 1 MW	11.55 x 0.8 x F	9.24 x 0.8
2	> 1 MW to 3 MW	10.73 x 0.8 x F	8.59 x 0.8
3	> 3 MW to 5 MW	10.20 x 0.8 x F	8.16 x 0.8
4	> 5 MW to 10 MW	9.86 x 0.8 x F	7.89 x 0.8
6	> 10 MW	9.29 x 0.8 x F	7.43 x 0.8

12. Purchase Price of Electricity from PLTBm Expansion

No	Capacity	Ceiling Price (cent USD/kWh)	
		Year 1 to 10	Year 11 to 25
1	Up to 1 MW	10.18 x F	6.11
2	> 1 MW to 3 MW	9.81 x F	5.89
3	> 3 MW to 5 MW	8.99 x F	5.39
4	> 5 MW to 10 MW	8.51 x F	5.10
6	> 10 MW	7.44 x F	4.46

13. Purchase Price of Electricity from PLTBg Expansion

No	Capacity	Ceiling Price (cent USD/kWh)	
		Year 1 to 10	Year 11 to 25
1	Up to 1 MW	10.18 x 0.8 x F	6.11 x 0.8
2	> 1 MW to 3 MW	9.81 x 0.8 x F	5.89 x 0.8
3	> 3 MW to 5 MW	8.99 x 0.8 x F	5.39 x 0.8
4	> 5 MW to 10 MW	8.51 x 0.8 x F	5.10 x 0.8
6	> 10 MW	7.44 x 0.8 x F	4.46 x 0.8

14. Purchase Price of Electricity from PLTBm and PLTBg Excess Power

No	Type of Power Plant	Ceiling Price (cent USD/kWh)
1	PLTm	9.29
2	PLTBg	7.44

15. Purchase Price of Electricity from PLTP Built by Business Entities (Wholly or Partially) built by Governments or Local Governments Including Grants

a. Electricity Purchase Price

No	Capacity	Ceiling Price (cent USD/kWh)	
		Year 1 to 10	Year 11 to 25
1	Up to 10 MW	9.76 x F	8.30
2	> 10 MW to 50 MW	9.41 x F	8.00
3	> 50 MW to 100 MW	8.64 x F	7.35
4	> 100 MW	7.65 x F	6.50

b. Purchase Price of Geothermal Steam Equivalent to Electricity

No	Capacity	Ceiling Price (cent USD/kWh)	
		Year 1 to 10	Year 11 to 25
1	Up to 10 MW	6.60 x F	5.60
2	> 10 MW to 50 MW	6.25 x F	5.31
3	> 50 MW to 100 MW	5.48 x F	4.65
4	> 100 MW	4.48 x F	3.81

16. Purchase Price of Electricity from Photovoltaic PLTS, PLTA, PLTB, PLTBm, and PLTBg (Wholly or Partially) Built by Government or Local Governments Including Grants

No	Type of Power Plant	Ceiling Price (cent USD x kWh)
1	PLTA	3.76
2	PLTS Fotovolatik	5.63
3	PLTB	5.63
4	PLTBm	9.29
5	PLTBg	7.44

APPENDIX II

Location Factor ("F")

No	Wilayah	Capacity
1.	Jawa, Madura, Bali	1.00
	– Pulau Kecil	1.10
2.	Sumatera	1.10
	– Kepulauan Riau	1.20
	– Mentawai	1.20
	– Bangka Belitung	1.10
	– Pulau Kecil	1.15
3	Kalimantan	1.10
	– Pulau Kecil	1.15
4	Sulawesi	1.10
	– Pulau Kecil	1.15
5	Nusa Tenggara	1.20
	– Pulau Kecil	1.25
6	Maluku Utara	1.25
	– Pulau Kecil	1.30
7	Maluku	1.25
	– Pulai Kecil	1.30
8	Papua	1.50
	Papua Barat	1.50

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