New Power Purchase Procedures and Prices

On 13 January 2015, the Minister of Energy and Mineral Resources ("MEMR") issued a new Regulation (the "New Regulation") governing power purchase procedures and benchmark prices (harga patokan) payable by the state power utility, PT Perusahaan Listrik Negara (Persero) ("PLN") for the purchase of power sourced from mine-mouth power plants, coal-fired power plants, gas-fired power plants ("PLTG")/dual-fuel power plants (pembangkit listrik tenaga mesin gas, "PLTMG"), and hydro power plants ("PLTA"). The New Regulation entered into effect on its date of issuance and revokes the following provisions:

(1) Article 16(1), (6) and (7) of MEMR Regulation No. 001 of 2006, as amended by MEMR Regulation No. 004/2007;
(2) Article 19A(3) and (4) of MEMR Regulation No. 001 of 2006, as amended by MEMR Regulation No. 004/2007; and
(3) Article 2 of MEMR Regulation No. 04 of 2012.

Power Purchase Procedures

Under the New Regulation, the purchase of power sourced from mine-mouth power plants, coal-fired power plants, PLTG/PLTMG, and PLTA may be made through direct offer (pemilihan langsung) or direct appointment.

The direct offer method may be applied by PLN if the power purchase arrangement is for the purpose of:

(1) diversifying energy sources; and/or
(2) increasing the capacity of a power generation center that operates in a different location as part of a local system (sistem setempat).

The direct appointment method may be applied by PLN in the case of:

(1) the purchase of power sourced from a mine-mouth power plant, marginal PLTG, or a PLTA;
(2) the purchase of excess power sourced from a mine-mouth power plant, coal-fired power plant, PLTG/PLTMG, or PLTA;
(3) the purchase of power sourced from a mine-mouth power plant, coal-fired power plant, PLTG/PLTMG, or PLTA if the electricity supply in the relevant area is critical; and/or
(4) the purchase of power generated by a mine-mouth power plant, coal-fired power plant, PLTG/PLTMG, or PLTA that is made in order to increase the capacity of a power generation center that is being operated in the same location.

If there is more than 1 (one) power producer wishing to sell power through direct appointment, the purchase of power shall be processed using the direct offer mechanism.

The Board of Directors of PLN shall further regulate the procedures for the application of the direct appointment and direct offer methods for power purchase. However, it should be noted that both the direct offer and direct appointment processes shall be preceded by due diligence on the technical and financial capabilities of the power producer. The due diligence may be conducted by a procurement agent appointed by PLN within a maximum period of (i) 45 (forty five) days in the case of a direct offering, or (ii) 30 (thirty) days in the case of a direct appointment.

The purchase of power shall satisfy the technical requirements under the Indonesian National Standard for electricity and relevant international standards that are in line with the standards issued by the International Organization for Standardization ("ISO") or International Electrotechnical Commission ("IEC"). In addition, local content regulations shall be taken into account in the power purchase process.

Benchmark Prices Payable by PLN

The highest price payable by PLN for power sourced from a mine-mouth power plant, coal-fired power plant, PLTG/PLTMG, or PLTA shall be based on the following:

(1) levellized base price based on the busbar of the plant; and
(2) price applicable on the commercial operation date of the plant.
The purchase of power sourced from a mine-mouth power plant, coal-fired power plant, PLTG/PLTMG, or PLTA that is made based on the highest price set forth in the New Regulation shall not require power purchase price approval from the MEMR. By referring to the highest price under the New Regulation, the power purchase price may be adjusted in accordance with the terms of the power purchase agreement.

In certain areas, PLN may purchase power at prices that are higher than the benchmark price under New Regulation. In such cases, the power purchase price is calculated based on PLN’s own estimate and shall require power purchase price approval from the MEMR.

The details of the pricing structure are as shown in the following table:

**1 \: Mine-Mouth Power Plants**

<table>
<thead>
<tr>
<th>Unit Net Capacity Class (MW)</th>
<th>100</th>
<th>150</th>
<th>300</th>
<th>600</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price (cent USD/kWh)</td>
<td>8.2089</td>
<td>7.6520</td>
<td>7.1862</td>
<td>6.9012</td>
</tr>
</tbody>
</table>

**Assumption**

<table>
<thead>
<tr>
<th>Availability Factor</th>
<th>80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Period</td>
<td>30 years</td>
</tr>
<tr>
<td>Heat Rate Kkal/kwh</td>
<td>3200</td>
</tr>
<tr>
<td>Calorific Value (gar) Kkal/kg</td>
<td>3000</td>
</tr>
<tr>
<td>Coal Price USD/ton (CIF)</td>
<td>30</td>
</tr>
</tbody>
</table>

**2 \: Coal-fired Power Plants (Non Mine Mouth)**

<table>
<thead>
<tr>
<th>Unit Capacity (MW)</th>
<th>≤ 10</th>
<th>15</th>
<th>25</th>
<th>50</th>
<th>100</th>
<th>150</th>
<th>300</th>
<th>600</th>
<th>1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price (cent USD/kWh)</td>
<td>11.82</td>
<td>10.61</td>
<td>10.60</td>
<td>9.11</td>
<td>8.43</td>
<td>7.84</td>
<td>7.25</td>
<td>6.96</td>
<td>6.31</td>
</tr>
</tbody>
</table>

**Assumption**

<table>
<thead>
<tr>
<th>Availability Factor</th>
<th>80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Period</td>
<td>25 years</td>
</tr>
<tr>
<td>Heat Rate Kkal/kwh</td>
<td>4160</td>
</tr>
<tr>
<td>Calorific Value (gar) Kkal/kg</td>
<td>5000</td>
</tr>
<tr>
<td>Coal Price USD/ton (CIF)</td>
<td>60</td>
</tr>
</tbody>
</table>

The pass-through principle shall be applicable to coal prices.

**3 \: PLTG/PLTMG**

<table>
<thead>
<tr>
<th>Unit Net Capacity Class (MW)</th>
<th>40-60</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price (cent USD/kWh)</td>
<td>8.64</td>
<td>7.31</td>
</tr>
</tbody>
</table>

**Assumption**

<table>
<thead>
<tr>
<th>Availability Factor</th>
<th>85%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Period</td>
<td>20 years</td>
</tr>
<tr>
<td>Heat Rate BTU/kwh</td>
<td>9083</td>
</tr>
<tr>
<td>Gas Price USD/MMBTU</td>
<td>6.00</td>
</tr>
</tbody>
</table>

Terms and conditions:
(a) If it functions as a peaking unit, the calculation of price shall take into account availability;
(b) For PLTMG, the heat rate is calculated based on the manufacturer’s heat rate (heat rate pabrikan); and
(c) The pass-through principle shall be applicable to gas prices.
**PLTA**

<table>
<thead>
<tr>
<th>Unit Net Capacity Class (MW)</th>
<th>&gt;10 - &lt;50</th>
<th>50-100</th>
<th>&gt;100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price (cent USD/kWh)</td>
<td>9.00</td>
<td>8.50</td>
<td>8.00</td>
</tr>
</tbody>
</table>

**Assumption**

<table>
<thead>
<tr>
<th>Availability Factor</th>
<th>60%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Period</td>
<td>30 years</td>
</tr>
</tbody>
</table>

**Transitory Provisions**

The purchase of power sourced from mine-mouth power plants, coal-fired power plants, PLTG/PLTMG, and PLTA with a capacity of more than 10 MW (i) which are under process (either through direct appointment or direct offering) and (ii) no award has been made as part of that process prior to the coming into effect of the Regulation shall be conducted in accordance with the New Regulation.

Please contact us if you would like further information:

## Contacts

**Fikri Assegaf**  
Managing Partner  
D +62 21 2555 7880  
ahmad.assegaf@ahp.co.id

**Kanya Satwika**  
Projects & Energy Partner  
D +62 21 2555 7807  
kanya.satwika@ahp.co.id
Our regional presence

Our regional contacts

RAJAH & TANN
Rajah & Tann Singapore LLP
9 Battery Road #23-01
Strait Trading Building
Singapore 049910
T +65 6535 3600  24 HR +65 9690 2253  F +65 6225 9630
sg.rajahtannasia.com

R&T SOK & HENG
R&T Sok & Heng Law Office
Vattanac Capital Office Tower, Level 17, No. 66
Preah Monivong Boulevard, Sangkat Wat Phnom
Khan Daun Penh, 12202 Phnom Penh, Cambodia
T +855 23 963 112 / 113  F +855 963 116
kh.rajahtannasia.com
*In association with Rajah & Tann Singapore LLP

RAJAH & TANN REPRESENTATIVE OFFICE
Rajah & Tann Singapore LLP
Shanghai Representative Office
Unit 1905-1906, Shui On Plaza, 333 Huai Hai Middle Road
Shanghai 200021, People’s Republic of China
T +86 21 6120 8818  F +86 21 6120 8820
cn.rajahtannasia.com

RAJAH & TANN NK LEGAL
Rajah & Tann NK Legal Myanmar Company Limited
Office Suite 007, Inya Lake Hotel No. 37, Kaba Aye Pagoda Road, Mayangone Township, Yangon, Myanmar
T +95 9 73040763 / +95 1 657902 / +95 1 657903
F +95 1 9655537
mm.rajahtannasia.com
Based in Jakarta, and consistently gaining recognition from independent observers, Assegaf Hamzah & Partners has established itself as a major force locally and regionally, and is ranked as a top-tier firm in many practice areas. Founded in 2001, it has a reputation for providing advice of the highest quality to a wide variety of blue-chip corporate clients, high net worth individuals, and government institutions.

Assegaf Hamzah & Partners is part of Rajah & Tann Asia, a network of local law firms in Singapore, China, Lao PDR, Vietnam, Thailand and Myanmar, as well as associate and affiliate offices in Malaysia, Cambodia, Indonesia and the Middle East. Our Asian network also includes regional desks focused on Japan and South Asia.

The contents of this Update are owned by Assegaf Hamzah & Partners and subject to copyright protection under the laws of Indonesia and, through international treaties, other countries. No part of this Update may be reproduced, licensed, sold, published, transmitted, modified, adapted, publicly displayed, broadcast (including storage in any medium by electronic means whether or not transiently for any purpose save as permitted herein) without the prior written permission of Assegaf Hamzah & Partners.

Please note also that whilst the information in this Update is correct to the best of our knowledge and belief at the time of writing, it is only intended to provide a general guide to the subject matter and should not be treated as a substitute for specific professional advice for any particular course of action as such information may not suit your specific business and operational requirements. It is to your advantage to seek legal advice for your specific situation. In this regard, you may call the lawyer you normally deal with in Assegaf Hamzah & Partners.