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## Minister of Energy and Mineral Resources Regulation No. 26 of 2021 on Rooftop Solar Power Plant Connected to the Electricity Network of the Holder(s) of the Electric Power Supply Business License for Public Interest

On 13 August 2021, the Minister of Energy and Mineral Resources of the Republic of Indonesia (the “MEMR”) issued MEMR Regulation No. 26 of 2021 on Rooftop Solar Power Plant Connected to the Electricity Network of the Holder(s) of Electric Power Supply Business License for Public Interest (“MEMR 26/2021”) which revoked MEMR Regulation No. 49 of 2018 on Use of Rooftop Solar Power Generation Systems by Consumers of PT Perusahaan Listrik Negara as lastly amended by MEMR Regulation No. 16 of 2019 (“MEMR 49/2018”).

MEMR 26/2021 was issued for further encouraging the use of environmentally friendly solar energy for electric power generation using rooftop solar power plant systems that are used for self-interest and marking the Government’s efforts in meeting its global commitments to reduce greenhouse gas emission.<sup>1</sup>

### Background

Solar energy is certainly considered one of Indonesia's finest renewable energy sources, accounting for 207,898 MW out of 443,208 MW (or about 47.13 %) of the whole renewable energy potential that Indonesia possesses; however, this source of power remains one of the least utilized in Indonesia.<sup>2</sup>

The Government has set a target of generating 6,500 MW of photovoltaic energy by 2025. To attain this goal, the overall framework of the energy policy outlined in President Regulation No. 22 of 2017 on the General Plan on National Energy (“PR 22/2017”) mandates necessary utilization of solar cells on a minimum of 30% of government buildings' rooftops (25% for

<sup>1</sup> Consideration Section of MEMR 26/2021.

<sup>2</sup> Appendix I, table 6 of PR 22/2017

households), as well as facilitating the development of a sustainable solar-power-plant industry.<sup>3</sup>

Since the enactment of MEMR 49/2018, there has been a significant increase in the use of solar roofs in Indonesia. In November 2018 there were only 592 consumers, but as at May 2021, there was an increase of consumers to 3,781. Despite the growth, Indonesia used only 31.32 MWp (*Megawatt Peak*) of the 32.5 GW of potential solar roof resources. Therefore, it is not surprising that the government decided to modify MEMR 49/2018 with MEMR No. 26/2021<sup>4</sup> to further promote the use of solar energy as one of renewable resources as well as gather useful data in relation to renewable potential across Indonesia.

Below are the key updates to solar rooftop power generation pursuant to MEMR 26/2021:

### 1. Calculation of Export and Import of Electrical Energy

In order to achieve electricity production of 32.5 GW in 2025, one of the efforts taken is to increase the provisions on electricity export limits carried out by IUPTLU<sup>5</sup> customers. Previously, under MEMR 49/2018, the electrical energy of rooftop solar power plant customers that was exported was calculated based on the export kWh value recorded in the export-import kWh meter multiplied by 65% (or subject to a 35% discount).<sup>6</sup> With the issuance of the MEMR 26/2021, the export-import kWh multiplier is increased to 100%. With the increase in the electricity import export limit, it is hoped that there will be an increase in the utilization of rooftop solar systems.

MEMR 26/2021 also extend the accumulation period for any excess exported electric power from three to six months, and the accumulation will be divided into:

- i. January to June and nullified in July of the current year; and
- ii. July to December and nullified in January of the following.

This seems intended to give additional incentives to solar rooftop customers to install a solar rooftop system.

Furthermore, MEMR 26/2021 broadens the definition of the customers to become not only the customers of PT PLN (Persero) ("**PLN**") but also include the customers of the holders of electric power business license for public interest other than PLN such as holders of electric power business license for certain industrial areas. Please note however that almost the entire territory of Indonesia is the business area of PLN.

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<sup>3</sup> Appendix I, Section 4.2.d.6 of PR 22/2017

<sup>4</sup> Official Press Release from Ministry of Energy and Mineral Resources No. 277.Pers/04/SJI/2021.

<sup>5</sup> IUPTLU means electric power supply business license for public interest

<sup>6</sup> Article 6 paragraph (1) of MEMR 49/2019

## 2. Licensing

Following the changes to risk-based business licensing, MEMR 26/2021 also aligns the licensing terms to those in the Omnibus Law and its implementing regulations. MEMR 26/2021 specifies as follows:<sup>7</sup>

Solar Rooftop System	Requirement
Capacity up to 500 kW	Only required to <b>submit a report</b> to the MEMR or governor before the commencement of construction and installations; and Operation Worthiness Certificate (" <b>SLO</b> ").
Capacity more than 500 kW	Required to hold an Electric Power Provision for Self-Use Business License (" <b>IUPTLS</b> "); and SLO.

The submission of the application for IUPTLS and the submission of the report will be via the integrated electronic reporting system and must be approved before the commencement of the construction and installation.

## 3. Capacity Charge and Emergency Energy Charge Rooftop Solar Power Plant System

MEMR 26/2021 stipulates the imposition of a capacity charge for rooftop solar power plants as follows:<sup>8</sup>

Rooftop Solar Power Plant Customer	Capacity Charge
Rooftop solar power plant for industrial purposes	Subject to capacity charge
Rooftop solar power plant for non-industrial purposes	Excluded from the imposition of capacity charge

MEMR 26/2021 reaffirms that no emergency charge will be imposed on solar rooftop customers who install solar rooftop power plants. The calculation of the cost of capacity change is calculated based on the calculation of the total capacity of the inverter in kilowatts multiplied by five hours multiplied by the electricity tariff (total inverter capacity (kW) x 5 hours x electricity tariff).<sup>9</sup>

## 4. Electronic Application of Integrated Services and Reporting System

MEMR 26/2021 mandates the MEMR through the Directorate General of New Renewable Energy and Energy Conservation to set up an electronic application of integrated services for application and reporting purposes. The application will also be used for the purposes of:

- i. Declaring the capacity limit of the Rooftop Solar Power Plant system by IUPTLU holders other than PLN;

<sup>7</sup> Article 10 paragraph (2) of MEMR 26/2021

<sup>8</sup> Article 19 of MEMR 26/2021

<sup>9</sup> Article 20 of MEMR 26/2021

- ii. Stipulating licensing obligations for businesses to provide electricity for their own interests in the form of reporting by rooftop solar power plant customers;
- iii. Allowing applications for rooftop solar power plant systems by prospective customers;
- iv. Granting approval and rejection by IUPTLU holder in response to the application referred to in point iii above;
- v. Reporting on the use of solar power plant rooftop systems by IUPTLS holders; and
- vi. Providing access to data on electricity production for the customers' rooftop solar power plant systems.<sup>10</sup>

The MEMR will also assign a PLN to build an application for a solar rooftop system which must be integrated with Supervisory Control and Data Acquisition (“**SCADA**”) or distribution smart grid system. The application must be available no later than six months after the assignment from the Minister to SOE IUPTLU holder.<sup>11</sup>

## 5. Weather Forecast Installation

The MEMR 26/2021 also requires an industrial-tariff category rooftop solar system consumer with a rooftop solar system of more than 3 MW to provide it with a weather forecast, which is in the proprietary SCADA or intelligent distribution network of the owner of the IUPTLU. Since MEMR 26/2021 requires that these industrial solar roof users follow this regulation within one year, we suspect that the obligation to install the weather forecast should also be implemented within one year.

## 6. Carbon Trading

MEMR 26/2021 allows an IUPTLU holder and solar rooftop consumers to perform carbon-trading. It is still not clear who will be entitled to the benefit of the carbon credit and how this carbon trading can be done. The ownership and business mechanism of this carbon trading will be further regulated in a minister regulation.<sup>12</sup>

Separately, we understand that the government is also preparing a presidential regulation on carbon monetary fee instruments (*nilai ekonomi karbon*) to reap nationally determined contributions and control of carbon emissions, to be able to regulate, amongst other things, carbon trading, result-based payment and carbon levies.

## 7. Prohibition for Selling Electric Produced from the Solar Rooftop System

MEMR 26/2021 stipulates that in the event that a solar rooftop consumer and the respective IUPTLU holder have already entered into a power purchase agreement, the IUPTLU issues an approval or rejection within 12 working days of receipt of the inquiry to install the solar rooftop system. If necessary, within the 12 working-day period, the IUPTLU holder may also make changes or amendments to the power purchase agreement.

Furthermore, MEMR 26/2021 prohibits the customer from selling the electricity generated by their solar rooftop system. It indicates that it will not allow the sale of electricity produced from the solar rooftop system to the public other than to the IUPTLU holder to cut the electricity bill in accordance with MEMR 26/2021.

<sup>10</sup> Article 24 paragraph (1) of MEMR 26/2021

<sup>11</sup> Article 25 paragraph (1) of MEMR 26/2021

<sup>12</sup> Article 28 of MEMR 26/2021

## 8. Transition Provisions

Regarding the transition to a rooftop solar system which has been built and installed before this regulation, MEMR 26/2021 regulates as follows:<sup>13</sup>

Rooftop Solar System	Transition Requirement
Rooftop solar system for industrial purposes with a capacity of more than 3 MW	Considered to remain valid and within a maximum period of 1 year must comply with this regulation.
Rooftop solar system for industrial purposes with a capacity up to 3 MW that has not been reported	Reports to the IUPTLU holder and complies with the provisions of the regulations in the electricity sector; Adjusts the value of export kWh value and the value of import kWh; and Adjusts the calculation of the excess difference.
Rooftop solar system for non-industrial purposes that has not been reported	Reports to the IUPTLU holder and complies with the provisions of the regulations in the electricity sector; Adjusts the value of export kWh value and the value of import kWh; and Adjusts the calculation of the excess difference.

## Conclusion

The issuance of the MEMR 26/2021 indicates a strong intention from the government to further boost the utilization of solar energy in Indonesia by giving more incentives to solar rooftop consumers. MEMR 26/2021 is expected to increase the solar rooftop industry and accelerate the achievement of 23% of the new and renewable energy target by involving solar rooftop consumers in achieving the renewable energies target.

This Legal Alert is only intended to give an overview of several provisions and may not cover all of the provisions in MEMR 26/2021. Please do not hesitate to contact us if you need more detailed advice or have specific questions.

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<sup>13</sup> Article 31 of MEMR 26/2021

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