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Key points for
renewable energy PPAs
under MEMR
Regulation 5/2025

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I. Background

In March 2025, the Ministry of Energy and Mineral Resources (“**MEMR**”) of the Republic of Indonesia issued MEMR Regulation No. 5 of 2025 on Guidelines for Power Purchase Agreements from Power Plants Utilising Renewable Energy Sources (“**MEMR Regulation 5/2025**”).

This regulation establishes comprehensive guidelines for PT PLN (Persero) (“**PLN**”) and Independent Power Producers (“**IPPs**”) concerning the sale and purchase of electricity under Power Purchase Agreements (“**PPAs**”). The aim of MEMR Regulation 5/2025 is to provide legal certainty for renewable energy project developers and expedite the implementation of electricity sales agreements, not to replace MEMR Regulation No. 10 of 2017 on Main Provisions for PPAs as lastly amended by MEMR Regulation No. 10 of 2018 (“**MEMR Regulation 10/2017**”).

MEMR Regulation 5/2025 addresses the gaps left by MEMR 10/2017 and was issued as the implementation regulation under Article 2 paragraph (4) of Presidential Regulation (PR) No. 112 of 2022 on the Acceleration of Renewable Energy Development for Power Supply (“**PR 112/2022**”), which focuses on accelerating the use of renewable energy for electricity supply.

This legal alert highlights key changes in MEMR Regulation 5/2025, including force majeure conditions, PPA terms, project development schemes, renewable energy plant procurement processes and the types of permitted excess energy transaction with specific pricing arrangements. Additionally, it highlights other relevant provisions that have evolved from MEMR Regulation 10/2017, reflecting the current structure and generation of PPAs in the development of power plants sourced from renewable energy.

II. Key points under MEMR Regulation 5/2025

Content	Key changes		Note
	MEMR Regulation 10/2017	MEMR Regulation 5/2025	
Additional minimum required provisions in PPAs	Under Article 3, there are 14 minimum provisions required that must be stipulated under a PPA.	Under Article 4, there are 18 minimum provisions required that must be stipulated under a PPA.	Under MEMR 5/2025, the additional provisions that must be addressed in PPAs related to Renewable Energy ("RE") include: <ul style="list-style-type: none"> i. electrical installation certification; ii. use of domestic products; iii. environmental attributes or carbon economic value; iv. refinancing; and v. the PPA language.
PPA terms	Under Article 4, a PPA is implemented for a maximum of 30 years from the Commercial Operation Date ("COD"), considering the type of plant used.	Under Article 5, a PPA is initially implemented for a maximum term of 30 years from the COD and can be extended without considering the initial investment costs. PLN determines the duration based on the project's economic feasibility and the type of power plant. If extended, the electricity sale price during the extension will be based on the highest benchmark price after the tenth year, following the applicable laws and regulations.	MEMR Regulation 5/2025 outlines conditions for extension that were not mentioned in MEMR Regulation 10/2017.
Development schemes	Applies the Build, Own, Operate and Transfer ("BOOT") scheme in the PPA.[1]	The development scheme can be the Build-Own-Operate ("BOO") scheme or other agreed schemes, considering the power plant type.[2]	The provisions regarding development scheme options may not exhibit significant differences, as the BOO scheme has been permitted for renewable project development. This scheme has become the preferred choice for IPPs due to the investments involved in developing renewable power plants.

1. Article 4 of MEMR Regulation 10/2017.
2. Article 6 of MEMR Regulation 5/2025.

Content	Key changes		Note
	MEMR Regulation 10/2017	MEMR Regulation 5/2025	
Excess energy transaction types and pricing matters	-	<p>Article 16 outlines conditions for PLN when purchasing excess energy beyond Contracted Energy ("CE") [3] or Availability Factor ("AF") [4]:</p> <ol style="list-style-type: none"> 1. Excess energy is limited to Unit Rate Capacity (URC). 2. Price is capped at 80% of the purchase price under the PPA. 3. Purchase must meet local electricity system demand. <p>For power plants generating beyond URC, PLN may buy electricity for optimisation:</p> <ol style="list-style-type: none"> 1. At the lowest price. 2. Limited to 30% of CE or AF. 3. To meet local system demand. 	<p>It is important to emphasise that the transaction provisions have become more detailed. This provision might imply that a 20% discount for excess energy transactions is applicable.</p> <p>Furthermore, this provision may imply that PLN has the ability to expand supply options among IPPs that have established PPAs with PLN for optimising transactions at the lowest price.</p>
Deemed dispatch	-	<p>PLN must compensate for undelivered energy due to deemed dispatch. If electricity delivery falls short for reasons other than deemed dispatch, the IPPs must pay a penalty. [5]</p> <p>Furthermore, IPPs are entitled to deemed dispatch in case of curtailment by PLN for inspections, maintenance, repairs or emergencies, unless the IPPs fail to comply with the grid and distribution codes. [6]</p>	<p>The transaction clauses in MEMR Regulation 5/2025 have become more detailed and aligned with practices where, in the event of curtailment and deemed dispatch, IPPs are eligible for compensation. Additionally, Article 1 of MEMR Regulation 5/2025 provides flexibility for PLN and IPPs to determine and establish terms and conditions within a PPA concerning deemed dispatch.</p> <p>This provision allowing both parties to tailor agreements that reflect their specific operational and contractual needs.</p>
Foreign exchange risk		<p>Payment for electricity purchase transactions is made using the rupiah currency at the Jakarta Interbank Spot Dollar Rate (JISDOR) applicable one day before the payment day.[7]</p>	<p>The exchange rate risk will be primarily borne by IPPs, which ultimately affects the rate of return on capital, considering the trend of the weakening rupiah against the US dollar.</p>

3. Contracted Energy ("CE") is the power that must be produced during the period agreed in the PPA.
4. Availability Factor ("AF") is the ratio between the amount of power production taken or considered to be taken by PLN and the maximum amount of electricity production that can be generated in kilowatt-hours (kWh) based on the net kilowatt capacity of the power plant according to the test results during the period agreed in the PPA.
5. Article 17 of MEMR Regulation 5/2025.
6. Article 18 of MEMR Regulation 5/2025.
7. Article 19 of MEMR Regulation 5/2025.

Content	Key changes		Note
	MEMR Regulation 10/2017	MEMR Regulation 5/2025	
Refinancing	-	Article 35 clearly stipulates about the refinancing process. To optimise the operations of electricity supply activities utilising renewable energy sources, IPPs are allowed to engage in refinancing. IPPs must inform PLN about the refinancing process.	MEMR Regulation 5/2025 explicitly recognises the refinancing activities of IPPs, a provision is not explicitly addressed in MEMR Regulation 10/2017.
Project implementation guarantee		<p>Under Article 10 of MEMR Regulation 5/2025, it is stipulated that the project performance guarantee provided by the IPPs to PLN must be a maximum of 10% (ten percent) of the total project cost of the power plant.</p> <p>The project performance guarantee can be divided into three documents, with distribution and disbursement mechanisms defined in the PPA, considering the maximum liquidated damage.</p> <p>All guarantee documents must be submitted by the IPP to PT PLN (Persero) on the PPA effective date.</p>	<p>The requirement to provide a project performance guarantee amounting to 10% of the total project cost upfront, rather than in stages, poses a potential financial burden for IPPs.</p> <p>This provision might offer clarity regarding penalties, which may provide reassurance concerning the implications of non-compliance or delays. However, the provisions seem to imply there are no benefits for achieving an earlier COD, raising questions about whether expedited completion might be discouraged or penalised.</p>
Step-in right	The transfer of ownership rights is applicable for transfers to an affiliate with over 90% ownership by the sponsoring company.[8]	Transfer ownership rights can be made to an affiliate whose shares are more than 90% directly owned by the sponsoring company, or to a lender under step-in rights in case of default, provided this does not affect the sponsoring company's qualifications. The sponsor can be a business entity or consortium, including foreign legal entities, that holds shares or controls the IPP.[9]	MEMR 5/2025, marks a significant improvement for lenders by acknowledging the step-in rights, which is a positive development compared to previous limitations under MEMR Regulation 10/2017. However, the practical implementation of these specific provided step-in rights remains uncertain, as lenders may not take the ownership of shares in the project companies.

8. Article 24 of MEMR Regulation 10/2017.

9. Article 26 of MEMR Regulation 5/2025.

Content	Key changes		Note
	MEMR Regulation 10/2017	MEMR Regulation 5/2025	
Force majeure	Acknowledges only natural disasters as the true form of force majeure, excluding any other causes.[10]	<p>Determines force majeure as follows:</p> <ul style="list-style-type: none"> a. War (whether declared or not) or civil war; b. Natural disasters, such as volcanic eruptions, fires, floods, earthquakes, pandemics, epidemics, landslides or other uncontrollable events; and c. The discovery of dangerous objects or historical artifacts at the power plant site or special facilities. <p>The force majeure conditions are based on the determination by the relevant authorities. The Minister can designate other force majeure conditions related to the technical execution of power plant projects, based on an evaluation of requests from affected parties.[11]</p>	MEMR 5/2025 restricts the ability to designate additional force majeure events unless approved by the MEMR, limiting the parties' autonomy to define such events and involving the Government in private contracts.
The rights of IPPs	<p>IPPs as sellers have the right to: [12]</p> <ul style="list-style-type: none"> a. receive payments related to the electricity selling price according to the PPA; b. receive incentives for the acceleration of COD execution if the acceleration is requested by PLN, and c. receive deemed dispatch if the PLN network is disrupted not due to force majeure. 	<p>IPPs have the right to: [13]</p> <ul style="list-style-type: none"> a. receive payments related to the electricity selling price; and b. receive payments for deemed dispatch based on the electricity selling price, as stated in the PPA. 	The incentive for the acceleration execution of a COD as the right of the IPP is not included in MEMR Regulation 5/2025. However, the incentives related to renewable energy are duly addressed under PR 112/2022.
Environmental attributes and carbon economic value	-	Power plants utilising renewable energy are entitled to environmental attributes and carbon economic rights, including but not limited to carbon credits, renewable energy certificates, green labels and other tradable rights. The exercise of these rights is subject to applicable laws and regulations. In the absence of specific regulations, ownership and management of these rights shall be determined through mutual agreement between the involved parties.[14]	MEMR Regulation 5/2025 emphasises the importance of renewable energy power plants' environmental and carbon economic rights. These rights promote sustainable practices and offer financial incentives.

10. Article 28 of MEMR Regulation 10/2017.
11. Article 32 of MEMR Regulation 5/2025.
12. Article 5 of MEMR Regulation 10/2017.
13. Article 7 of MEMR Regulation 5/2025.
14. Article 34 of MEMR Regulation 5/2025.

Content	Key changes		Note
	MEMR Regulation 10/2017	MEMR Regulation 5/2025	
Dispute settlement	Disputes between PLN and the IPP should be resolved through consensus. If consensus fails, an agreed expert will mediate. If the expert's decision is unacceptable, the dispute will be settled by the Indonesian National Arbitration Board (BANI), the United Nations Commission on International Trade (UNCITRAL) or another designated arbitration body, with their decision being final and binding.[15]	Disputes between PT PLN (Persero) and the business entity should be resolved through consensus within a maximum of 30 calendar days. If an expert is involved, the resolution period extends to a maximum of 150 calendar days. If consensus fails, disputes will be settled through state courts or arbitration, with arbitration procedures and arbitrator appointments mutually agreed upon and included in the contract. The decision from either the court or arbitration is final and binding.[16]	MEMR Regulation 5/2025 has set a time frame for resolving disputes through consensus deliberation and expert involvement.

III. Conclusion

MEMR Regulation 5/2025 marks a significant step forward in Indonesia's renewable energy sector by providing detailed guidelines PPAs related to renewable energy power plants. This regulation reflects a positive response to the country's energy transition goals, offering legal clarity on PPA content and risk allocation between IPPs and PLN. It seeks to address the shortcomings of previous MEMR regulations, which were not well-suited for renewable energy projects. While the regulation aims to support national energy security objectives and facilitate the rapid development of diverse renewable energy sources, its practical implementation will depend on the parties' interpretation (specifically PLN). The regulation's effectiveness in expediting PPA formulation remains to be seen, as some issues are left open to interpretation and may lead to prolonged negotiations.

15. Article 27 of MEMR Regulation 10/2017.

16. Article 30 jo. 31 of MEMR Regulation 5/2025.

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