

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) levelized 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

Unit Net Capacity Class (MW)	100	150	300	600
Price (cent USD/kWh)	8.2089	7.6520	7.1862	6.9012
Assumption				
Availability Factor	80%			
Contract Period	30 years			
Heat rate Kkal/kwh	3200	3000	2900	2700
Calorific Value (gar) Kkal/kg	3000			
Coal Price USD/ton (CIF)	30			

(2) Coal-fired Power Plants (Non Mine Mouth)

Unit Net Capacity Class (MW)	≤ 10	15	25	50	100	150	300	600	1000	
Price (cent USD/kWh)	11.82	10.61	10.60	9.11	8.43	7.84	7.25	6.96	6.31	
Assumption										
Availability Factor	80%									
Contract Period	25 years									
Heat rate Kkal/kwh	4160	3500	3450	3200	3000	2800	2600	2450	2290	
Calorific Value (gar) Kkal/kg	5000									
Coal Price USD/ton (CIF)	60									

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

(3) PLTG/PLTMG

Unit Net Capacity Class (MW)	40-60	100
Price (cent USD/kWh)	8.64	7.31
Assumption		
Availability Factor	85%	
Contract Period	20 years	
Heat rate BTU/kwh	9083	8000
Gas Price USD/MMBTU	6.00	

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.

(4) PLTA

Unit Net Capacity Class (MW)	>10 - <50	50-100	>100
Price (cent USD/kWh)	9.00	8.50	8.00
Assumption			
Availability Factor	60%		
Contract Period	30 years		

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.

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