

Brighter Days Ahead as Indonesia's Ministry of Energy and Mineral Resources Revised Regulation on Rooftop Solar System



In August this year, the government revisited the regulation on rooftop solar systems and issued the Ministry of Energy and Mineral Resources (“MEMR”) Regulation No. 26 of 2021 (“**New Regulation**”). This New Regulation became effective from 20 August 2021 and regulates rooftop solar system connected to the power supply grid owned by the holders of power supply business licence for public interest (*Izin Usaha Penyediaan Tenaga Listrik untuk Kepentingan Umum*) or commonly referred to as IUPTLU.

Despite their increased global popularity, buildings or properties with rooftop solar systems are still relatively rare in Indonesia. Previously, the government had already issued two regulations on rooftop solar systems, namely MEMR Regulation No. 1 of 2017 and MEMR Regulation No. 49 of 2018, as amended several times and lastly by MEMR Regulation No. 16 of 2019. The former regulated, among others, the parallel operation of a rooftop solar system and the electricity network owned by PLN – Indonesia’s state electricity company, while the latter regulated utilisation of a rooftop solar system by consumers of PLN. While the New Regulation revoked the 2018 regulation in its entirety, only the parallel operation related to the utilisation of rooftop solar system provisions in the 2017 regulation are revoked.

The New Regulation contains several crucial elements, which we will discuss in detail below.

Overview

The New Regulation regulates any rooftop solar system placed on the roof, wall, or other parts of the property owned by the rooftop solar customers connected to the power supply grid owned by IUPTLU holders. A rooftop solar customer is a person or entity that installs the rooftop solar system. Meanwhile, IUPTLU holders are entities that own an electricity business area and have permission to supply power to the public. Currently, there is only a small pool of IUPTLU holders in Indonesia, including PLN, the largest IUPTLU holder with a business area covering almost all of Indonesia, and several private entities.

Like the previous regime, the New Regulation limits the capacity of the rooftop solar system installed by the customer of such system within the business area of a state-owned entity holding an IUPTLU to 100% of their connected power. However, rooftop solar customers whose systems are connected to other IUPTLU holders besides a state-owned entity may be subject to a different limitation as determined by the relevant IUPTLU holders. These holders must declare their respective limitation on an annual basis via an electronic application that the Directorate General of New, Renewable Energy and Energy Conservation of the MEMR (*Direktur Jenderal Energi Baru, Terbarukan, dan Konservasi Energi*) ("**Directorate General of Renewable Energy**") will establish. It is worth noting that the New Regulation mandates the creation of this electronic application within six months from the enactment date of the New Regulation (being 13 August 2021).

In addition to the above, the New Regulation also regulates:

- The construction and installation of rooftop solar systems, but not other businesses that often support such construction and installation;
- Allowance for the rooftop solar customer and IUPTLU holder to conduct carbon trading, which will be further regulated in a separate regulation;
- The utilisation of equipment for rooftop solar systems, which includes solar modules, inverters, electrical connection, security system, export and import of kWh meters, and add-on features such as batteries or other storage media, all of which must comply with the local content requirement (*tingkat komponen dalam negeri* or TKDN); and
- Licensing requirements, namely an approval from the IUPTLU holder, an IUPTLS or the Power Supply Business Licence for Own Interest (*Izin Usaha Penyediaan Tenaga Listrik untuk Kepentingan Sendiri*), and an SLO or Operational Worthiness Certificate (*Sertifikat Laik Operasi*).

Construction and Installation of Rooftop Solar System Businesses

The construction and installation of rooftop solar systems can only be conducted by business entities holding an electricity supporting services business licence (*Perizinan Berusaha Jasa Penunjang Tenaga Listrik*), commonly known as IUJPTL. These entities must also provide an application to monitor the power produced by their rooftop solar system. Such application must be integrated with the Directorate General of Renewable Energy's electronic application. Moreover, the entities must also be registered in the Directorate's electronic application.

Licenses

Generally, customers that install or utilise a rooftop solar system must obtain the following licenses:

- **Approval from the IUPTLU holder to utilise a rooftop solar system**

To utilise a rooftop solar system, a rooftop solar customer must first apply for approval from the desired IUPTLU holder by copying the Directorate General of Renewable Energy and the Directorate General of Electricity of the MEMR. The IUPTLU holder must approve or reject the application within five days of receipt of such application. In addition, if the customer is still using the pre-paid mechanism to pay its electricity tariff, its application must also include a request to change the payment method to the post-paid mechanism.

- ***IUPTLS to construct and install a rooftop solar system with a total capacity of more than 500 kW***

A rooftop solar customer who constructs and installs a rooftop solar system with a total capacity of more than 500 kW connected in one power installation system must obtain an IUPTLS from the MEMR or the governor (as applicable).

Meanwhile, a rooftop solar customer who constructs and installs a rooftop solar system with a total capacity of up to 500 kW connected in one power installation system must submit a one-time report to the MEMR or governor (as applicable) before constructing and installing the rooftop solar system. Both the IUPTLS and the report will be issued and must be submitted, as applicable, via the Directorate General of Renewable Energy's electronic application.

- ***SLO, depending on the total capacity of the rooftop solar system***

A customer utilising the following types of rooftop solar system must obtain an SLO issued by a Technical Inspection Body:

- A rooftop solar system with a total capacity of more than 500 kW that is connected in one power installation system; and
- A rooftop solar system with a total capacity of up to 500 kW with a separate control panel.

No SLO is required for a customer utilising a rooftop solar system with a total capacity of up to 500 kW with an inseparable control panel. However, such a customer must hold a statement letter of responsibility for electrical safety from the owner of the power installation and the business entity holding the IUJPTL. In addition, the customer must also submit the product certificate, a valid manufacturer's warranty, a commissioning test result, and documents regarding the power plant installation maintenance to the MEMR.

For the SLO and statement letter, including the additional documents, the customer can request assistance from the business entity holding the IUJPTL.

kWh Meter and Calculation of Exported and Imported Power

A rooftop solar system must be equipped with an export and import kWh meter, which is to be provided and installed by the IUPTLU holder. This requirement must be completed within 15 days after the SLO or statement letter (including the additional documents) is received by the IUPTLU holder from the customer. The customer will bear the cost of providing and installing the meter.

An essential improvement under the New Regulation is the 100% recognition by IUPTLU holder of the power exported by the customer from the rooftop solar system (power exported = the kWh value recorded in the kWh meter x 100%). This is a significant departure from the previous regime, which only allowed an IUPTLU holder to recognise 65% of the power exported by the customer from the rooftop solar system. This means that the amount that can reduce a customer's electricity bill is significantly larger.

Moreover, the New Regulation also allows the difference between the exported power amount and imported power amount in a current month to be accumulated and calculated to reduce the customer's electricity bill for the following month. This credit will be valid for six months (from January-June and

July-December), which again is an improvement from the previous regime that only allowed the credit to be valid for three months.

Customers from Tariff Class for Industrial Purposes

A rooftop solar system built and installed by a customer from this tariff class is subject to a monthly capacity charge of total inverter capacity (kW) x 5 hours x electricity rate. However, they are not subject to the emergency energy charge.

Furthermore, this type of customer must regularly report the operational plan of its rooftop solar system to the IUPTLU holder. Suppose the system has a capacity of more than 3 MW. In that case, the customer must also provide a weather forecast database setting that is integrated with the IUPTLU holder's Supervisory Control and Data Acquisition (SCADA) or smart-grid distribution system.

Conclusion

Several key changes in the New Regulation such as the increase of recognition of exported power from 65% to 100%, the new electronic application system as well as the customer service centre, are intended to attract new customers, whether commercial and industry or household, to install their own rooftop solar system. The new definition of "customers" of rooftop solar system, which replaced the previous definition of "PLN customer", is also likely to attract new customers as the New Regulation widens the access for non-PLN IUPTLU holders to enter into the rooftop solar market as long as they satisfy the definition of IUPTLU holder, which includes having their own business area.

All in all, the enactment of the New Regulation is welcome news. While it could take some time for Indonesia to catch up with its Southeast Asian neighbours on the number rooftop solar system, we expect that the New Regulation will revitalise interest in this sector.

Contacts



Kanya Satwika
Partner

D +62 21 2555 7807
F +62 21 2555 7899
kanya.satwika@ahp.id

[Temmy Tandri Kurniawan](#) and [Suci Fitria A.](#) also contributed to this alert.

Our Regional Contacts

RAJAH & TANN | *Singapore*

CHRISTOPHER & LEE ONG | *Malaysia*

Rajah & Tann Singapore LLP
T +65 6535 3600
sg.rajahtannasia.com

Christopher & Lee Ong
T +60 3 2273 1919
F +60 3 2273 8310
www.christopherleeong.com

R&T SOK & HENG | *Cambodia*
R&T Sok & Heng Law Office
T +855 23 963 112 / 113
F +855 23 963 116
kh.rajahtannasia.com

RAJAH & TANN | *Myanmar*
Rajah & Tann Myanmar Company Limited
T +95 1 9345 343 / +95 1 9345 346
F +95 1 9345 348
mm.rajahtannasia.com

RAJAH & TANN 立杰上海
SHANGHAI REPRESENTATIVE OFFICE | *China*
**Rajah & Tann Singapore LLP
Shanghai Representative Office**
T +86 21 6120 8818
F +86 21 6120 8820
cn.rajahtannasia.com

GATMAYTAN YAP PATACSIL
GUTIERREZ & PROTACIO (C&G LAW) | *Philippines*
Gatmaytan Yap Patacsil Gutierrez & Protacio (C&G Law)
T +632 8894 0377 to 79 / +632 8894 4931 to 32
F +632 8552 1977 to 78
www.cagatlaw.com

ASSEGAF HAMZAH & PARTNERS | *Indonesia*
Assegaf Hamzah & Partners

Jakarta Office
T +62 21 2555 7800
F +62 21 2555 7899

Surabaya Office
T +62 31 5116 4550
F +62 31 5116 4560
www.ahp.co.id

RAJAH & TANN | *Thailand*
R&T Asia (Thailand) Limited
T +66 2 656 1991
F +66 2 656 0833
th.rajahtannasia.com

RAJAH & TANN LCT LAWYERS | *Vietnam*
Rajah & Tann LCT Lawyers

Ho Chi Minh City Office
T +84 28 3821 2382 / +84 28 3821 2673
F +84 28 3520 8206

RAJAH & TANN | *Lao PDR*
Rajah & Tann (Laos) Co., Ltd.
T +856 21 454 239
F +856 21 285 261
la.rajahtannasia.com

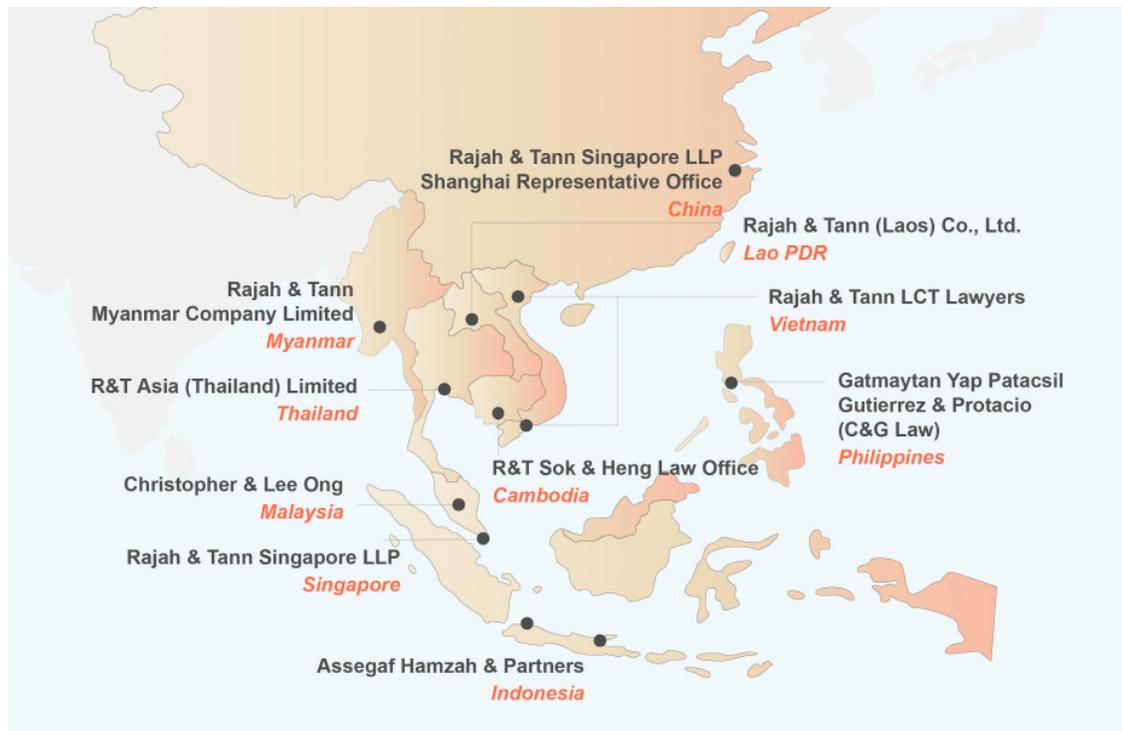
Hanoi Office
T +84 24 3267 6127
F +84 24 3267 6128
www.rajahtannlct.com

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