



PT PLN (Persero)

IPP PROCUREMENT DIVISION

GENERAL TERMS IN IPP BUSINESS IN PLN

Independent Power Producer (IPP) :

A special purpose company (SPC), which is formed by sponsor(s) or consortium, to execute a power purchase agreement with PLN and to develop, build, own and operate a power plant.

SELLER :

term for the IPP used in the agreement.

BUYER :

term for PLN used in the agreement.

Performance Security :

a certain amount of performance bond to be submitted by an IPP to PLN. There are two Performance Securities (PS): PS stage I that covers Financing Period and to be submitted on the agreement signing date; and PS stage II that covers the construction period and to be submitted on the Financing Date.

Pre – Qualification :

a process to qualify consortium(s) based on certain criteria to determine that they will be liable to participate in the bidding process. The criteria, among others, are: Technical (experiences in development O&M and EPC), Business (consortium structure) and Financial (Total Asset, Net Worth).

Request for Proposal (RFP) :

a bidding process. The bidders are required to submit Administration & Technical Proposal and Price Proposal. Typically, those proposals are included in one envelope and to be submitted at the same time. The one who has passed Administration and Technical Proposal evaluation will eligible for Price Proposal evaluation.

Power Purchase Agreement (PPA) :

an agreement between IPP and PLN, IPP to sell power exclusively to PLN and PLN to buy power from IPP. The agreement contains terms and conditions that are binding to the parties.

Financing Close :

the date of initial drawdown.

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Financing Date :

the date when all of condition precedens of financing stage has been fulfilled, among others: financial close, EPC contract, land acquisition, SPC.

Commercial Operation Date (COD) :

the date when power plant starts to operate commercially after passing all operation requirements.

IPP PROCUREMENT DIVISION SCOPE

IPP Procurement Division of PT PLN (Persero) is responsible for procuring IPP Projects (renewable & non-renewable energy) with total net capacity above or equal to fifty (50) MW, or specific project assigned by Government of Indonesia c.q. MEMR (e.g. Geothermal project) through a Fast Track Program (FTP).

This division manages the procurement processes (including procurement preparation and procurement execution), and all necessary processes up to the occurrence of Commercial Operation Date of the project.

REGULATORY FRAMEWORKS REGARDING IPP PROCUREMENT :**A. Electricity (regular)**

- 1) Law (UU) No. 30 year 2009 concerning Electricity
- 2) Government Regulation (PP) No. 14 year 2012 concerning Electricity Supply Business Activities as amended by Government Regulation (PP) no. 23 year 2014.
- 3) MEMR Regulation (Permen ESDM) No. 03 year 2015 concerning Procedures for the Purchase of Electricity and Benchmark Prices for the Purchase of Electricity from Mine Mouth Coal Fired Steam Power Plant (PLTU Mulut Tambang), Coal Fired Steam Power Plant (PLTU Batubara), Gas Fired Power Plant/Gas Fired Engine Power Plant (PLTG/PLTMG), and Hydro Power Plant (PLTA) by PT Perusahaan Listrik Negara (Persero) through Direct Selection and Direct Appointment.
- 4) MEMR Regulation (Permen ESDM) No. 01 year 2006 Jo No. 04 year 2007 concerning Procedures of Power Purchase and or Rent and Hire Power Network in Electricity Supply for Public Interest Businesses.
- 5) MEMR Regulation (Permen ESDM) No. 05 year 2009 concerning Guidelines for Power Purchase by PT PLN (Persero) from Cooperatives or other Business Entities

B. Geothermal

- 1) Law (UU) No. 21 year 2014 concerning Geothermal
- 2) Government Regulation (PP) No. 59 year 2007 jo. No. 70 year 2010 concerning Geothermal Operations
- 3) MEMR Regulation (PerMen ESDM) No. 11 year 2009 concerning Guidelines for Geothermal Operations
- 4) MEMR Regulation (PerMen ESDM) No. 17 year 2014 concerning Purchase of electricity from geothermal power plant and geothermal steam for geothermal power plant by PT Perusahaan Listrik Negara (Persero).

C. Public Private Partnership (PPP)

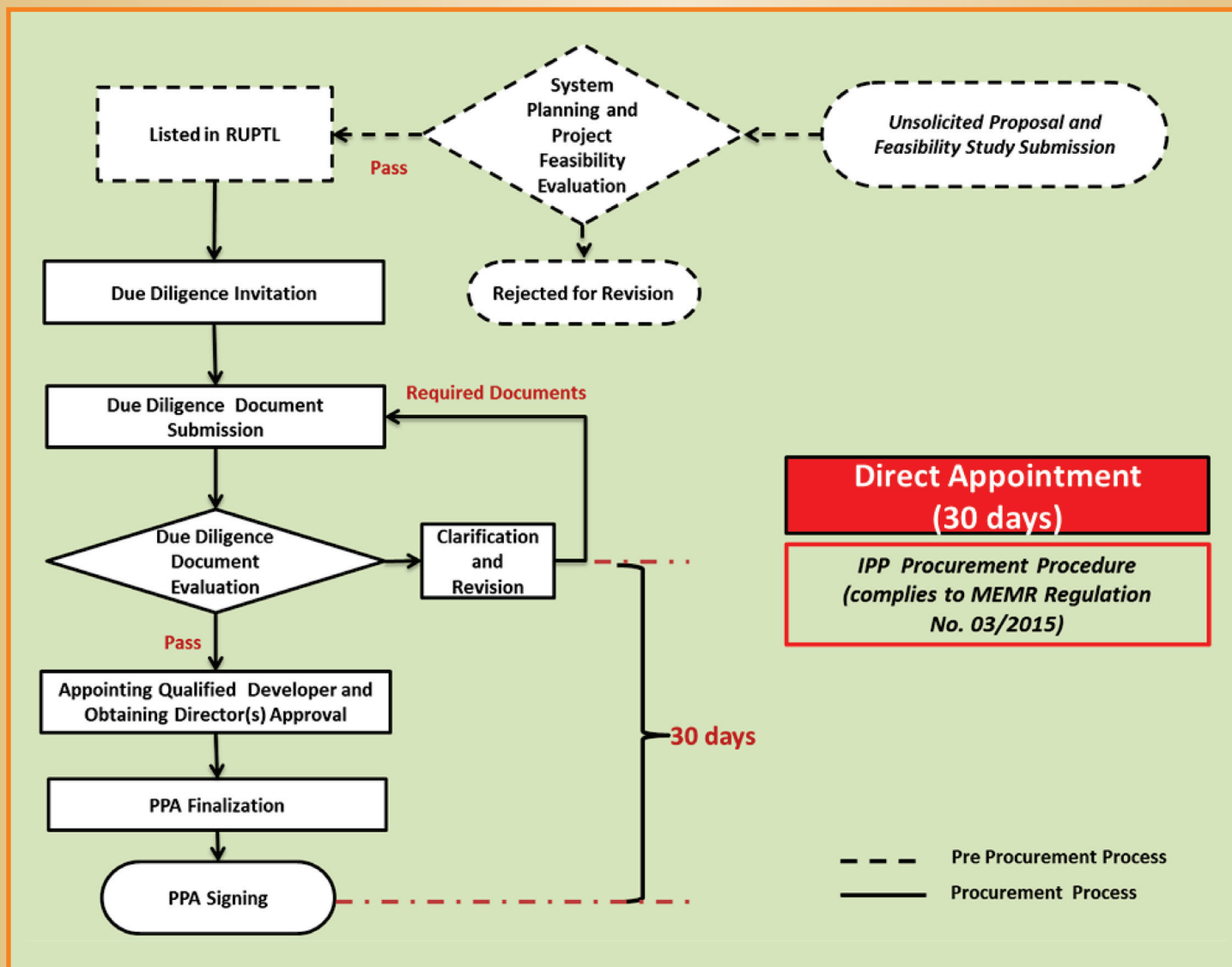
- 1) Presidential Regulation (Perpres) No.67/2005 as amended time to time, lastly with Perpres No. 66/2013 concerning Cooperation between Government and Business Entities in Infrastructure Provision.
- 2) National Development Planning (Bappenas) Minister Regulation (PerMen) No. 3 tahun 2012 concerning General Guidelines for Implementation of Public Private Partnership in the Infrastructure Provision.

IPP PROCUREMENT PROCESSES (BASED ON ELECTRICITY REGULATIONS)

A. Direct Appointment :

- o **Condition(s) :**
Mine Mouth CFSP (Coal-Fired Steam Power Plant), Marginal Gas-Fired Power Plant, Hydroelectric Power Plant, Emergency or Crisis of Electricity Power Supply, expansion project of Power Plant in the same location of the same system.
- o **Project type :**
Mine Mouth CFSP (Coal-Fired Steam Power Plant), Non-Mine Mouth CFSP, (Engine/Turbine/Combined Cycle) Gas-Fired Power Plant, Hydroelectric Power Plant.
- o **Tariff :**
based on MEMR Regulation No. 03 year 2015 and/or negotiation and/or applicable regulation issued by MEMR.

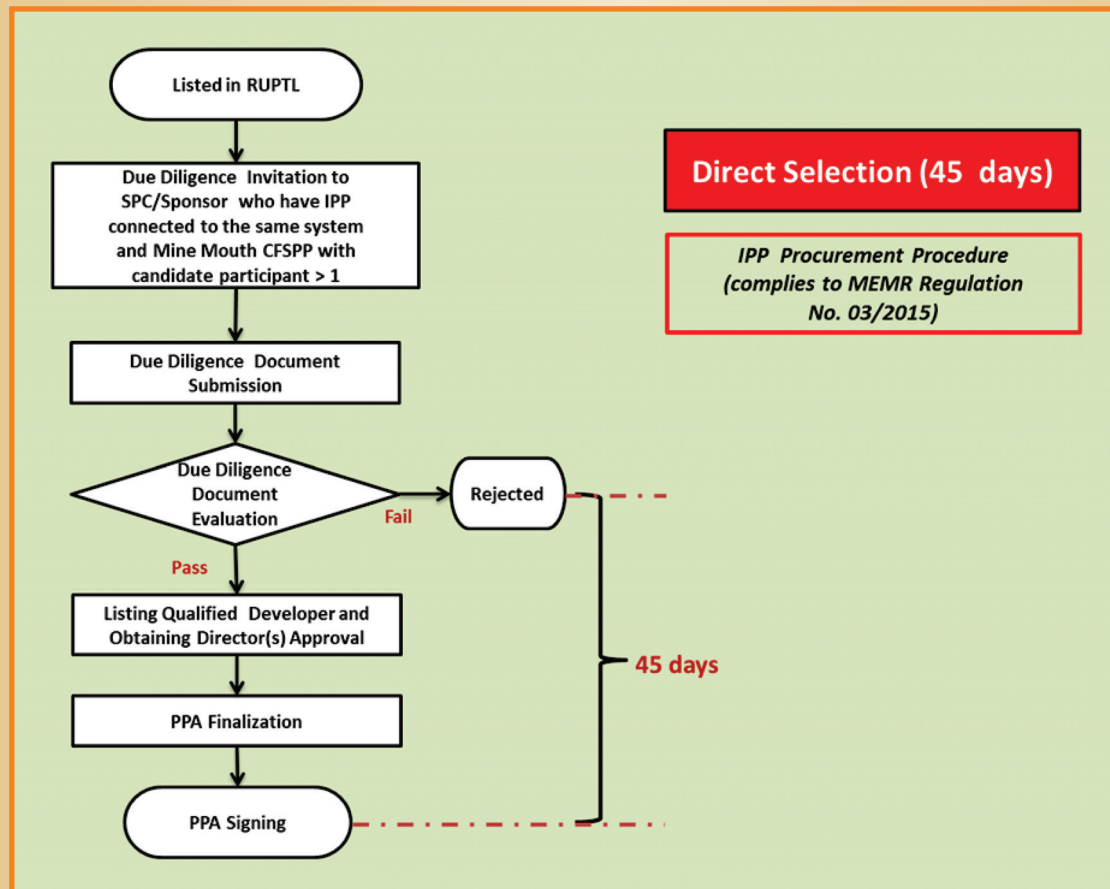
Procurement Procedure :



B. Direct Selecion :

- o Condition(s): energy diversification to Non-Fuel Oil, expansion project of Power Plant in different location of the same system, more than one (1) direct appointment proposals.
- o Project type: Mine Mouth CFSPP (Coal-Fired Steam Power Plant), Non-Mine Mouth CFSPP, (Engine/Turbine/Combined Cycle) Gas-Fired Power Plant, Hydroelectric Power Plant.
- o Tariff: based on MEMR Regulation No. 03 year 2015 and/or lowest price proposal submitted by the participants.

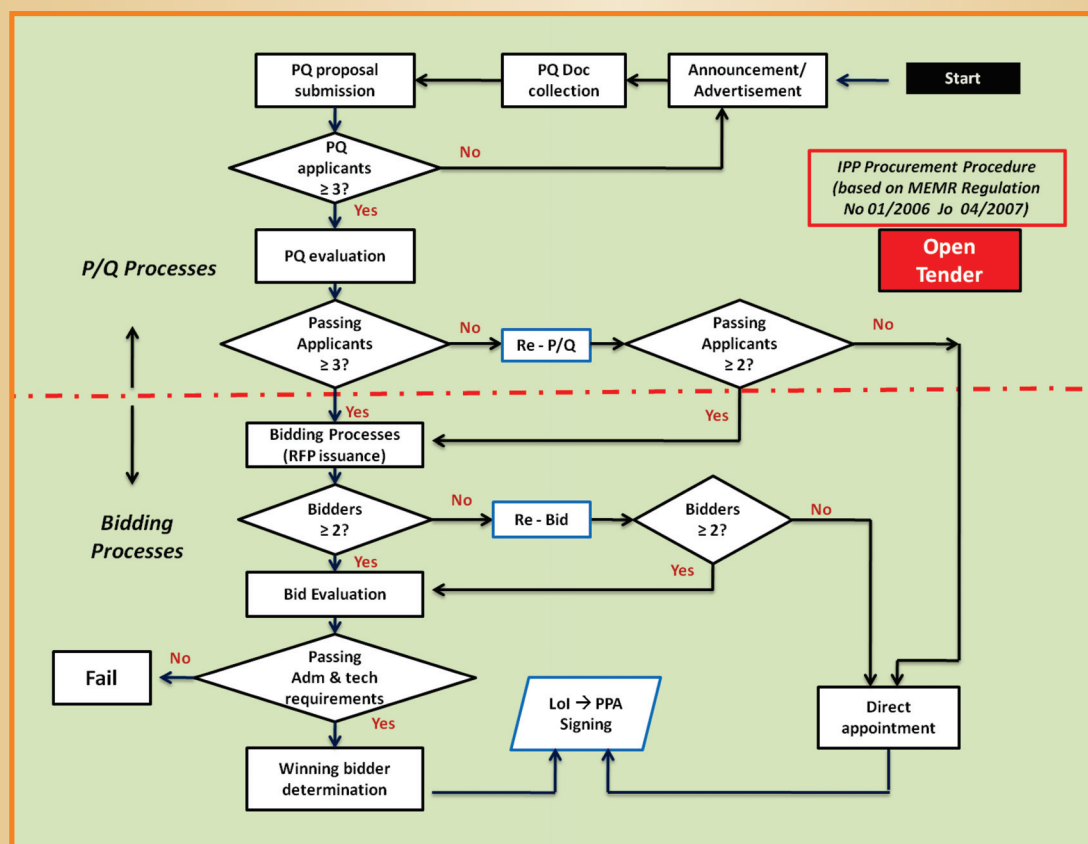
Procurement Procedure:



C. Open Tender :

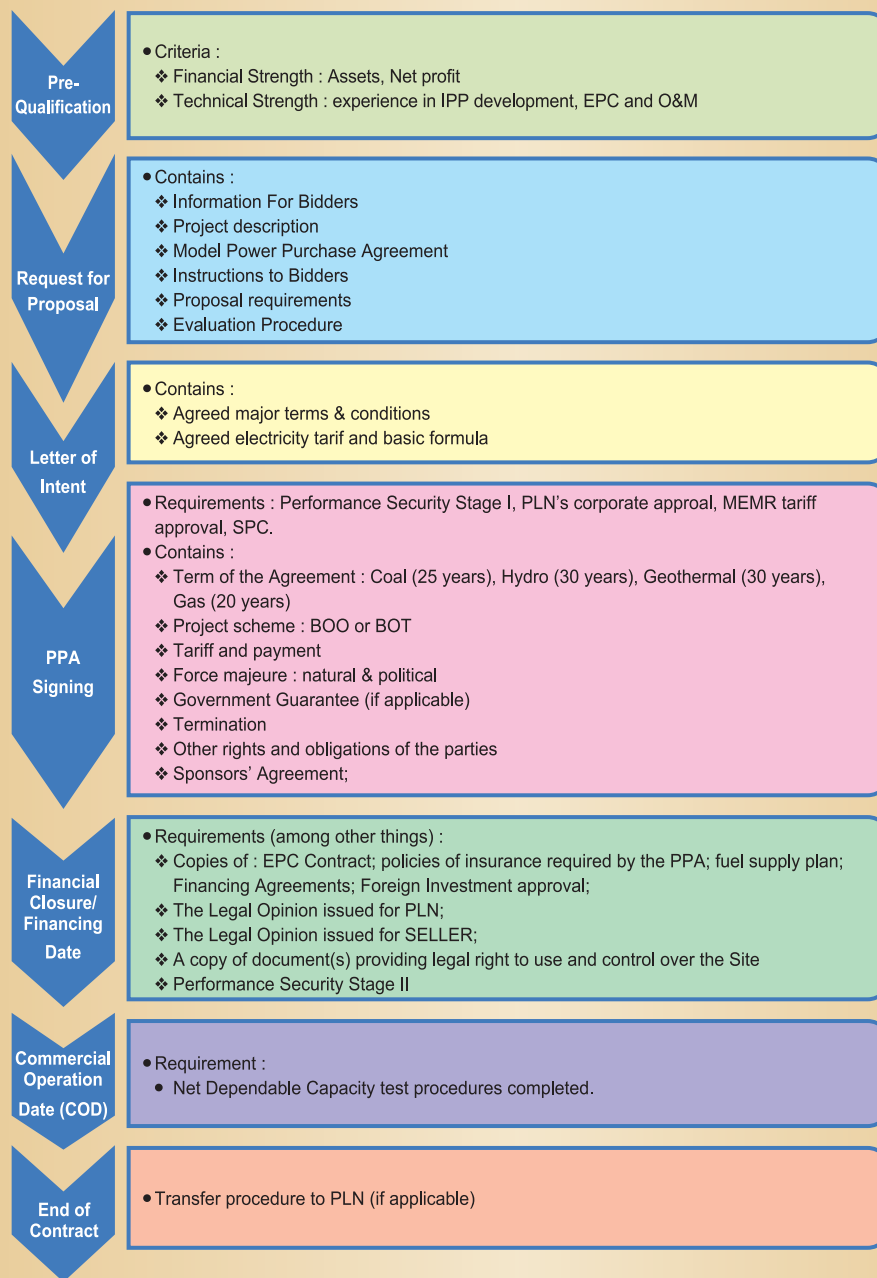
- o Condition: IPP project(s) that is not eligible for direct appointment or direct selection, or PLN requires doing an open tender.
- o Project type: all kind of power plant
- o Tariff: lowest price proposal submitted by the bidders

Procurement Procedure:

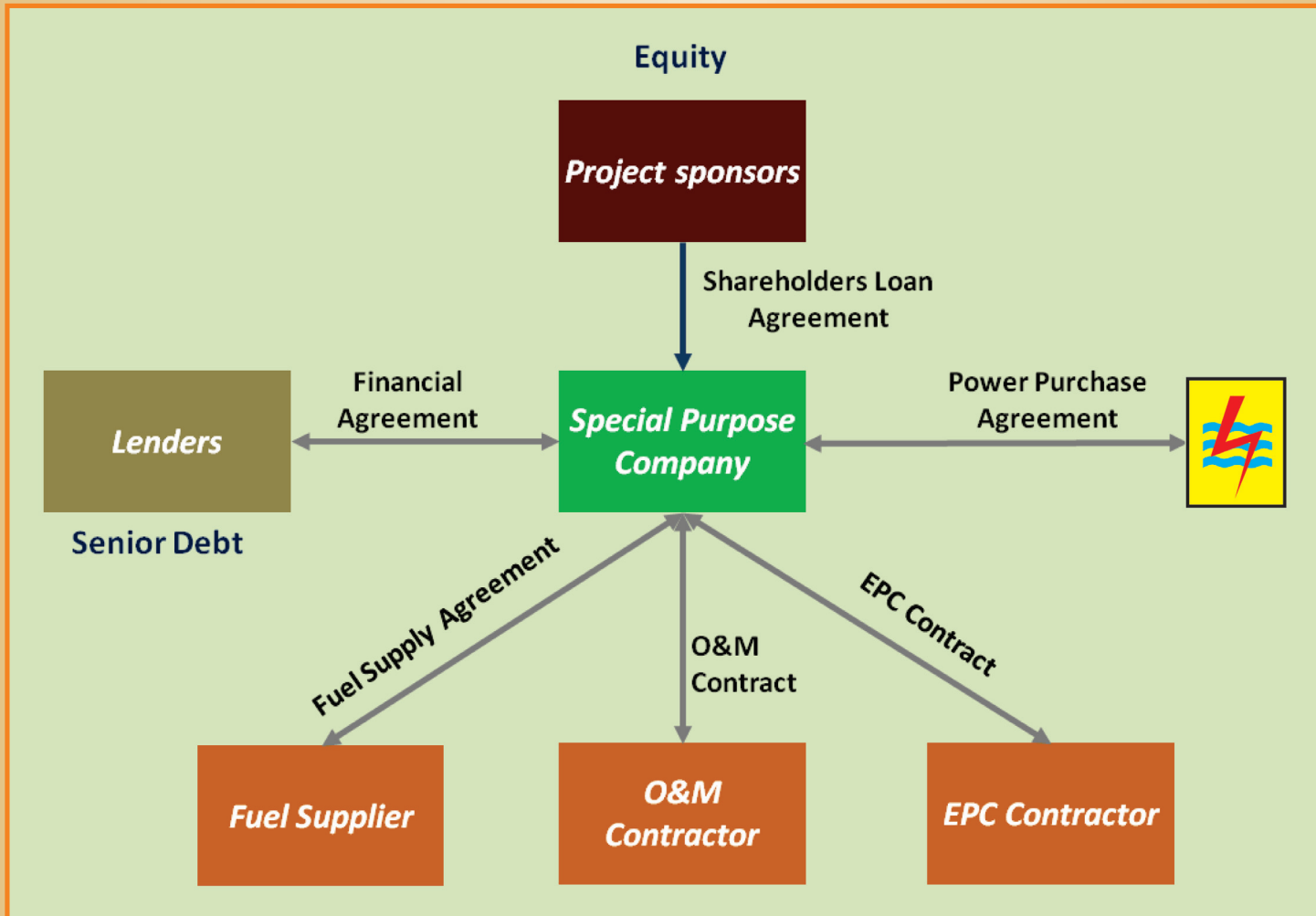


Based on MEMR regulation, IPP procurement process through an open tender with capacity ≥ 15 MW requires 321 days with condition that there is no repetition in PQ and bidding process, from the procurement announcement up to the PPA signing.

IPP BUSINESS PROCESS FLOW



TYPICAL BUSINESS SCHEME OF AN IPP PROJECT



TARIFF COMPONENTS OF IPP PAYMENT

- A. Fixed Cost or capacity charge, is cost to be borne by IPP whether or not the power plant is operated, in the form of A component, B component, and E component.
 - a) A component (Capital Cost Recovery/CCR), is cost of capital recovery (equity and debt) and investor's profit which calculated based on power capacity generated by the power plant with specific Availability Factor (AF) agreed by IPP and PLN.
 - b) B component (fixed operation & maintenance cost), is operation and maintenance cost to be issued by IPP although the power plant is not operated, for example: employee's salary, assurance, tax and retribution not related to production, spare parts.
 - c) E component (transmission cost), is cost capital recovery for transmission line constructed from power plant to PLN's connection point. In case of IPP obligated to build transmission line, the transmission line will be handed over to be owned, operated, and maintained by PLN when the construction is finished.
- B. Variable Cost, is cost not to be borne by IPP when the power plant is not operated.
 - a) C component (fuel cost / Energy Charge Rate/ECR) is fuel cost to be issued to produce electric power. Payment by PLN issued based on transferred energy (kWh) and specified efficiency of power plant.
 - b) D component (variable operation & maintenance cost), is operation and maintenance cost issued only if the power plant is operated, for example: lubricant, misalnya pelumas, out of use maintenance equipment, etc.

Note: in most of renewable IPP projects (Geothermal, Hydro, etc), the tariff is in single tariff scheme (no component A, B, C, D as mentioned above).

FAQ

1. **Q** : What are the general requirements to participate in IPP procurement / tender?

A : The applicant shall have capabilities in developing an IPP project, which is proven by its financial strength and experiences in develop and operate an IPP project.

2. **Q** : Where do we find an info regarding IPP procurement plan? Is PLN announcing publicly when the procurement is about to started?

A : Please refer to the Rencana Usaha Penyediaan Tenaga Listrik (RUPTL) / PLN's Electricity Provision Business Plan for the IPP project procurement plan.
PLN will announce a procurement of an IPP project through national and local newspapers when it comes.

3. **Q** : How to apply for a direct appointment? At what condition(s) an entity is eligible for it?

A : Please refer to the direct appointment procurement procedure as explained in this booklet. Nevertheless, in many cases, a direct appointment for an IPP project in PLN will be implemented when procurement through an Open Tender results in only one (1) applicant (please refer to Open Tender procedure in this booklet).

4. **Q** : Can we develop/build a power plant by our own initiative and will PLN purchase the power from it?

A : A company shall comply with all regulations regarding electricity business in Indonesia, including power plant (IPP) development. PLN will only purchase power from an IPP that complies with the related regulations and that has been planned in RUPTL.

5. **Q** : What kind of Government Guarantee scheme for IPP available nowadays?

A : There are two schemes available recently:

1. Business Viability Guarantee Letter to be issued by Minister of Finance, subject to MoF appraisal, for the projects under Fast Track Program (which are listed in MEMR Regulation).
2. Guarantee Agreement for the project under Public Private Partnership (PPP) scheme.

6. **Q** : Is it allowed for a foreign company to participate in the IPP bidding without forming a consortium?

A : A consortium shall be formed to participate in the IPP bidding, typically with 2 to 4 members in each consortium. Moreover, there is a Foreign Investment regulation that requires a minimum of 5% of share to be owned by a domestic company/party in forming a foreign invested company.

7. **Q** : How the investor to get information on or to apply for licenses / permits related to the development of an IPP project?

A : Please consult to the *Badan Koordinasi Penanaman Modal* / BKPM (Indonesia Investment Coordinating Board). BKPM has been implementing a One Stop Service Center (*Pelayanan Terpadu Satu Pintu* / PTSP) commencing on 26th January 2015.

APPENDIX :

REQUIRED CONSENTS / PERMITS / LICENSES TO BE OBTAINED BY IPP DEVELOPER (among others and if applicable)

The material Consents required to be in the name of the SELLER and in the name of Contractor in connection with the Project are :

1. Consents required to be in the name of SELLER:

1.1 Articles of Association

- (a) Legalization of the Deed of Establishment of the SELLER and, if appropriate, Approval or Notification Receipt of the Minister of Law and Human Rights to the notarial deed articles of association of the SELLER.
- (b) Registration of the approved notarial deed of establishment with the company register in the Department of Trade pursuant to Law No. 40 of 2007 dated 16 August 2007 on Limited Liability Companies and Law No.3 of 1982 dated 1 February 1982 on Mandatory Company Registration (Wajib Daftar Perusahaan).

1.2 BKPM

- (a) Foreign Investment License under the Capital Investment Law, Law No. 25 of 2007 in the form of investment approval registration (persetujuan pendaftaran) and/or the “in-principle” license (izin prinsip) (as applicable), as amended from time to time, on terms consistent with the material provisions of the Agreement.
- (b) Work permits for foreign personnel employed by SELLER issued by the Chairman of the BKPM or the Ministry of Manpower and Transmigration, based on approved Foreign Manpower Utilization Plan (Rencana Penggunaan Tenaga Kerja Asing).
- (c) Principle Permit issued by the Chairman of the BKPM of Master List of imported capital goods and issuance of decision on tax facilities for such capital goods based on Minister of Finance Regulation No. 154/PMK.011/2008, as amended.
- (d) Issuance by the Chairman of BKPM the Producer Importer Identification Number (Angka Pengenal Importir Produsen – API-P) importation of goods for Project during operational period.

1.3 Offshore Loans

- (a) Report to Bank Indonesia on Offshore Loan Reporting Obligation, as regulated under Regulation of Bank Indonesia No. 12/24/PBI/2010 dated 29 December 2010 (as amended) on Offshore Loans Reporting Obligations, Regulation of Bank Indonesia No. 12/1/PBI/2010 dated 28 January 2010 on Offshore Loans of Non-Bank Companies, and Circular Letter of Bank Indonesia No. 13/1/Dint of 2011 dated 20 January 2011 on Offshore Loans Reporting Obligations.
- (b) Report to the Department of Finance in accordance with Presidential Decree No. 59 of 1972 dated October 12, 1972 and Minister of Finance Decree No. 261/MK/IV/5/1973 dated May 3, 1973, including any related Laws.
- (c) Approval from and report to PKLN Team established under Presidential Decree No. 39 of 1991 dated September 4, 1991 including any related Laws
- (d) Report to Bank Indonesia on the withdrawal of offshore loans, based on Regulation of Bank Indonesia No. 13/22/PBI/2011 dated 30 September 2011 regarding Reporting Obligation of Offshore Loan Withdrawal.

1.4 Tax

- (a) Issuance of SELLER's of taxpayer identification number (Nomor Pokok Wajib Pajak - NPWP) by the Department of Finance, Directorate General of Taxation.
- (b) Consent of Department of Finance, Directorate General of Taxation to Centralization of income tax and value added tax administration in relevant Jakarta Tax Office.

1.5 Minister

- (a) Issuance by Director General of Electricity and Energy Utilization of commissioning certificate for the Plant following commissioning tests (Operational Feasibility Certificate).
- (b) Permits from the Ministry of Energy and Mineral Resources or the Ministry of Manpower and Transmigration to operate certain equipment and tools.
- (c) Issuance of an Electricity Supply Business License (Izin Usaha Penyediaan Tenaga Listrik or IUPTL) following commissioning of Plant.
- (d) Issuance of a Customs and Excise Identity Number (NIK) by the Director General of Customs and Excise of the Department of Finance.

1.6 Local Government Authority

- (a) Recommendation of AMDAL or UKL/UPL from local government.
- (b) Issuance of Building Permit (Izin Mendirikan Bangunan - IMB).
- (c) Issuance to SELLER of Permit under Nuisance Act, if required.
- (d) Permit from the Regent to SELLER to utilize river water and/or surface water for purposes of Project, if applicable.
- (e) Permit from local Bapedal for SELLER to posses, transport and store hazardous wastes, if applicable.
- (f) Permit from the local Regent for discharge by SELLER of waste water into the river, if applicable.
- (g) Permit from the Local BAPEDAL for SELLER to posses, store and utilize hazardous substances, if applicable.

2. Consents required to be in the name of Contractor:

- (a) License from Minister of Public Works to foreign Contractor to undertake the construction of the Project through a joint operation pursuant to Regulation of the Minister of Public Works Decree No. 05/PRT/M/2011 dated 28 March 2011 on Guidelines on the Requirements to Grant Representative Licenses to Foreign Construction Service Companies.
- (b) Issuance of income taxpayer registration number (Nomor Pokok Wajib Pajak - NPWP) from Department of Finance, Directorate General of Taxation for each Contractor.
- (c) Issuance of Taxable Entrepreneur Confirmation Number (NPPKP) from Department of Finance, Directorate General of Taxation.
- (d) Issuance by Governor of West Java and local authorities of local construction licenses required for the Contractor to engage in the construction of the Project.
- (e) Permits from the Ministry of Manpower and Transmigration or the Ministry of Energy and Mineral Resources to operate certain equipment and tools.
- (f) National Construction Services Business License – IUJKN required for the National Contractor to engage in the construction of the Project.
- (g) Work permits for foreign personnel employed by Contractor issued by the Ministry of Manpower and Transmigration during construction and commissioning of the Plant.
- (h) Permit from Department of Finance, Directorate General of Customs and Excise for temporary import of equipment and other materials to be utilized in connection with the construction of the Project.