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## Navigating the Amendment of the Minister of Energy and Mineral Resources Regulation on On-Grid Rooftop Solar PV: Key Amendments and Considerations

The Minister of Energy and Mineral Resources ("**MEMR**") has recently enacted a new regulation for rooftop solar photovoltaic power system facilities ("**Rooftop Solar PV**") under MEMR Regulation Number 2 of 2024 on Rooftop Solar Power Plants Connected to Electrical Power Networks of Holders of Licenses for the Provision of Electrical Power for Public Interests ("**MEMR Reg. 2/2024**"), replacing the previous regulation on the same matter, MEMR Regulation No. 26 of 2021 ("**MEMR Reg. 26/2021**").

The new MEMR Reg. 2/2024 has been enacted mainly to introduce a new quota system for on-grid Rooftop Solar PV development, removing the electricity capacity mechanism and export-import provisions for excess electricity regulated under MEMR Reg. 26/2021, among others.

We highlight below notable amendments introduced under MEMR Reg. 2/2024:

### I. New Provisions on Electricity Quotas

Previously, for Rooftop Solar PVs that were connected to the grid of an Electricity Supply Business License for Public Interest (Izin Usaha Penyediaan Tenaga Listrik untuk Kepentingan Umum or "IUPTLU") Holder that is a State-Owned Enterprise ("**SOE**") (in this case, PLN), the maximum electricity capacity was 100% (one hundred percent) of the Customers connected power from PLN's grid.

Meanwhile, for Rooftop Solar PVs that were connected to the grid in the business area of a non-SOE IUPTLU holder, the maximum electricity capacity was limited by the local systems' capacity, as declared annually by the IUPTLU holders.

Under MEMR Reg. 2/2024, the capacity for Rooftop Solar PV to be installed by Customers is subject to the capacity needs of each prospective Customer based on the IUPTLU holder's determined quota. If a development quota has not been determined, the capacity of the Rooftop Solar PV for the prospective Customer shall be adjusted in accordance with the state of the IUPTLU holder's electricity network.

Since there is no longer any limitation on the electricity capacity of a prospective Customers' Rooftop Solar PV (as long as it is in line with the determined quota), it is hoped that this policy will allow more flexibility for Rooftop Solar PV development going forward.

This quota shall be formulated on a five-year basis and shall include a detailed break-down of the annual quota for each calendar year. Due to the importance of the new provisions, IUPLTU holders are required to propose their prospective electricity quotas for the years 2024 - 2028 to the Director General of Electricity ("DGE") with copies to the Director General of New, Renewable Energy, and Energy Conservation ("DGNRE") at the MEMR no later than 3 (three) months after the enactment of MEMR Reg. 2/2024. For the subsequent period after 2028, the development quota shall be submitted at the latest by October of the preceding year.

In proposing quotas to the MEMR, IUPLTU holders shall consider:

- a. The prevailing direction of national energy policy;
- b. The aim and realization of electrical supply business plan (RUPTL); and
- c. The reliability of the electricity system in view of the provisions in the grid code of IUPLTU holders.

After IUPLTU holders have submitted the proposed development quotas, the DGE shall evaluate the proposal and determine the development quotas accordingly. Based on the determined quotas, IUPLTU holders are further required to allocate the quotas based on a clustering system by considering each electricity network of the IUPLTU holders' customer service units. After the allocation of quotas, IUPLTU holders are required to report such allocation to the DGE and DGNRE, and to publish such allocation on the website, application, and/or social media accounts of the IUPLTU holders at the latest 10 business days after the determination of quotas by the DGE.

In the event there are still unused quotas at the end of the year, the remaining quotas shall be carried forward to the following year as additional quotas.

## II. Installation of Rooftop Solar PV

Similar to under the previous regulation, MEMR Reg. 2/2024 also requires an approval from the relevant IUPLTU holder for the installation of an on-grid Rooftop Solar PV. However, the application submission can now only be submitted in January or in July each year. Previously, the MEMR 26/2021 did not explicitly stipulate a window of time for submitting a Rooftop Solar PV installation request, and therefore such approval request could be submitted at any time of the year.

After an IUPLTU holder has received a submission for approval from a prospective customer, they are required to give an approval or rejection within 30 (thirty) calendar days from the end of the application period. Previously under MEMR Reg. 26/2021, an IUPLTU holder was required to give an approval or rejection within 5 (five) working days, or 12 (twelve) working days if there had been a change in the Electricity Sale and Purchase Agreement after the application was received. Once the IUPLTU holder has provided an approval, the customer may then install a Rooftop Solar PVs.

Furthermore, provisions regarding the installation of Rooftop Solar PVs have remained relatively similar to the provisions on installation as found under MEMR Reg. 26/2021. The only change that has been introduced under MEMR Reg. 2/2024 is the requirement to install "advanced meters" within a customer's Rooftop Solar PV to replace the "Export-Import kWh Meters", since the export-import mechanism for excess electricity has been abolished. The cost of installing an advanced meter in a customer's Rooftop Solar PV shall be borne by the IUPTLU holder.

### III. Changes to Provisions on Power Export and Import

Under the new regime of MEMR Reg. 2/2024, excess electricity from on-grid Rooftop Solar PVs may still be exported to IUPTLU holders. However, the excess power shall not be taken into account in calculating the electricity bill amounts of the customers. In light of this, to minimize excess electricity generated by customers, IUPTLU holders must ensure that the electricity capacity of a customer's Rooftop Solar PVs matches their needs.

Previously, under MEMR Reg. 26/2021, the export of excess electricity was offset against the electricity bill amounts of customers. The electricity bills would be reduced according to the amounts of excess electricity produced.

The imported and exported electricity values would then be recorded in the Export-Import kWh Meters installed within the customer's Rooftop Solar PVs. If the imported electricity was higher than the exported electricity, the customer would need to pay for the excess amount. If the exported electricity was higher than imported electricity, the customer's electricity bill for the following month would be reduced by such amount accordingly.

### IV. Other Key Changes

#### ***Capacity Charge***

Under MEMR Reg. 26/2021, on-grid Rooftop Solar PVs that were constructed and installed by Customers for industrial purposes were subject to capacity charges as part of the parallel operation costs. Such capacity charges would be paid on a monthly basis and calculated based on the total capacity of the inverter in kilowatts (kW) multiplied by 5 (five) hours and then further multiplied by the electrical power tariff.

MEMR Reg. 2/2024 abolishes the capacity charge provision and all Rooftop Solar PVs are no longer subject to parallel operation costs.

#### ***Carbon Economic Value from Rooftop Solar PVs***

Another key change under MEMR Reg. 2/2024 is the recognition of the carbon economic value from using Rooftop Solar PVs, the implementation of which will be in accordance with prevailing regulations on the determination and calculation of carbon economic value. However, in the event that there are no provisions regarding the carbon economic value of carbon from using Rooftop Solar PVs, the carbon economic value shall belong to the government.

## V. Transitional Provisions

Several notable transitional provisions included under MEMR Reg. 2/2024 include the following:

- a. For Rooftop Solar PVs which have been operating on-grid as part of the network of IUPLTU holders before the regulation came into force, and have been using the export-import arrangement and been subject to capacity charges, these arrangements shall remain applicable for 10 (ten) years after obtaining approval from the IUPTLU holders; and
- b. For Customers of Rooftop Solar PVs who have obtained approval from the IUTPLTU holders but did not commence operations before the regulation came into force, the export-import arrangement and capacity charges shall remain applicable for 10 (ten) years after obtaining approval from the IUPTLU holders.
- c. For prospective Customers of Rooftop Solar PVs who have submitted approval requests but have not obtained such approvals from the IUPTLU holders, the provisions under MEMR Reg. 2/2024 shall be applicable.

## VI. Key Takeaways

The issuance of MEMR Reg. 2/2024 is intended to enhance governance in the development of Rooftop Solar PV systems by removing the export-import electricity arrangement, removing the capacity threshold, and introducing the development quota.

However, industry experts have commented that removing the export-import electricity arrangement in MEMR Reg. 2/2024 may make installing Rooftop Solar PVs more expensive, especially for household and retail customers. This may hinder the proliferation of renewable energy use due to economic issues.

In addition, while the issuance of MEMR Reg. 2/2024 does indicate the effort to quantify bases for approvals in terms of what quotas need to be met and the planned allocation figures, determination and application of development quota will need further accountability from PLN side in approving newly proposed future On-Grid Rooftop Solar PV projects.

Therefore, it remains to be seen whether the implementation of this new policy will meet the needs and expectations of various stakeholders and support sustainability efforts as a whole.

If you have any questions in relation to the issues raised in this briefing, please contact the authors in the left-hand column.

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