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Interview: PLN’s Ahsin Sidqi

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23/05/2017

Sponsors, bankers and lawyers have been pondering the implications of Indonesia’s new regulations on procuring power plants. The head of IPP procurement at Indonesia’s state-owned utility PLN, Ahsin Sidqi, explained the new policy in an interview with *IJGlobal* at the 3rd Indonesia Infrastructure Finance Conference in Jakarta held on the 17 and 18 May.

PLN is aiming to procure “10,000MW of new power capacity this year,” Sidqi told the conference. Joko “Jokowi” Widodo pledged during his 2014 presidential campaign to install 35,000MW of new power generation capacity by 2019 but PLN has struggled to procure at a pace needed to meet the now-President's target.

As of the end of 2016, a little under 8,000MW of power plants were in procurement with another 12,000MW in the pipeline. Just two gas-fired power plants, the 2x800MW Java 1 and the 275MW Riau, have been procured in open tenders and have signed power purchase agreements (PPA) with PLN over the past 12 months.

With a large pipeline still to be tendered out and anticipation building over what was considered the imminent launch of the Java Bali 3 gas-fired IPP, Indonesia has remained a core market for many international power developers.

"National catastrophe"

However, in a sharp reversal from the recent open tender procurements, Sidqi revealed that going forward, developers would be expected to submit unsolicited bids after forming a 51:49 joint venture with PLN subsidiary Indonesia Power.

“We are inviting unsolicited bids to speed up the tender process. Why must we open tender? Our subsidiary company is looking for partners,” Sidqi said.

The revelation was met by a chorus of objection from conference participants.

“No way. No way are we going to enter into a joint venture with a PLN subsidiary as a minority partner,” one executive at a major Indonesian power company said.

Combined with the new regulation that forces renewables developers to offer an offtake price at less than 80 to 85% of PLN’s cost to generate electricity from coal, power plant development in Indonesia will screech to a halt, according to attendees.

“It’s a national catastrophe. A national catastrophe,” one Indonesian renewables developer told *IJGlobal* without any prompting.

Another regulation that many developers and lawyers, but not bankers, had been fretting over, which required PLN to reimburse the loan, but not the equity investment, on a power plant in the event of a force majeure now appears to be irrelevant because the number of new power projects in Indonesia is expected to completely dry up.

Resigned optimism

Now that the implications of the new regulations have become clearer, some attendees managed to bring themselves to see beyond the immediate consequences. “We will just have to wait until the Ministry of Energy and Mineral Resources [which set the new policies] reverses the new regulations,” one participant said.

How long it will take the Ministry to reverse course remains unclear, however. The rules were introduced earlier this year and, given that the minister is rumoured to have written the regulations himself over a weekend, a face saving period would have to pass before any reversal may be forthcoming.

What did appear certain is that new IPP power development would end until the new regulation is repealed. “Who knows how long it will take? Maybe a year of no one submitting bids under the new requirement to partner with Indonesia Power will make them come to their sentences,” speculated one developer present at the conference.

All may not be lost, however. PLN does intend to procure two or three power plants this year through open tenders, Sidqi said. However, he declined to elaborate on which of the power plants in the 10,000MW pipeline they may be.