

Accelerating the development of electricity infrastructure while prioritising the use of domestic products ^{P1}

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On 31 July 2024, the Indonesian Minister of Energy and Mineral Resources (“MEMR”) issued MEMR Regulation No. 11 of 2024 on the Utilisation of Domestic Products for the Construction of Electrical Infrastructure (“MEMR Regulation 11/2024”). This regulation marks a significant transition in Indonesia’s electricity infrastructure development strategy by prioritising domestic goods and services. Previously, the Ministry of Industry (“MOI”) was responsible for overseeing the use of domestic products in such projects, but MEMR 11/2024 transfers this responsibility to MEMR while MOI retains its authority over the determination of Domestic Component Level (*Tingkat Komponen Dalam Negeri* – “TKDN”) values for individual goods and services. This policy shift aims to accelerate infrastructure projects while promoting the growth of local industries.

The change began with the issuance of MOI Regulation No. 33 of 2024, which revoked MOI Regulation No. 54/M-IND/PER/3/2012 on Guidelines for the Use of Domestic Products for Electricity Infrastructure Development (“MOI Regulation 54/2012”). This regulation set a TKDN target of 60% for solar modules in Solar Power Plants (*Pembangkit Tenaga Listrik Tenaga Surya* – “PLTS”) with full compliance expected by 1 January 2025. This is to give time for domestic industries to prepare for local component production. However, businesses faced challenges meeting the 60% target due to the slow pace of renewable energy investments and higher costs for domestic modules. With the issuance of MOI Regulation No. 33/2024, the MEMR 11/2024 regulation supersedes the MOI regulations, setting new TKDN requirements for electricity infrastructure projects, including a roadmap for domestic component achievements and guidelines for both renewable and non-renewable energy projects.

The MEMR has set a US\$1.23 billion investment target for the New and Renewable Energy (*Energi Baru Terbarukan dan Konservasi Energi* – “EBTKE”) sector in 2024, driven by the introduction of MEMR Regulation 11/2024. With several projects underway, the industry is adapting well, and TKDN is no longer a barrier. Eniya Listiani Dewi, Director General of EBTKE, stated, “This process is now smooth without the TKDN issue anymore. Our actual achievement should be US\$14 billion, but our target is still US\$ 1.23 billion because the Electricity Supply Business Plan (*Rencana*

Usaha Penyediaan Tenaga Listrik – “RUPTL”) was not fully achieved. This is a significant concern for Mr. Bahlil Lahadalia (Minister of Energy and Mineral Resources) to address.” This shows that the industry has responded positively to the new regulation.¹

Key highlights of MEMR 11/2024

1. Scopes

The comparison between MOI Regulation 54/2012 and MEMR Regulation 11/2024 highlights significant changes in the TKDN requirements. MOI Regulation 54/2012 focuses mainly on conventional power plants, including Steam, Hydroelectric, Geothermal, Gas, Steam Gas, Solar Power Plants along with supporting infrastructure like Transmission Lines, Switchyards, and Distribution Lines. In contrast, MEMR Regulation 11/2024 broadens the scope, especially by including more renewable energy sources such as Wind, Biomass, Biogas, and Waste Power Plants, alongside traditional thermal categories, which now also include Gas Engine Power Plants. This expansion reflects Indonesia’s stronger commitment to sustainability, aligning with efforts to reduce fossil fuel dependency and promote renewable energy.

2. Use of domestic products

One of the key mandates of MEMR 11/2024 is the mandatory use of domestic goods and services for electricity infrastructure projects funded by:

- The state budget or regional budget.
- Loans or grants from domestic or foreign sources.
- Projects involving state-owned enterprises (BUMN), regional-owned enterprises (BUMD), or private companies in public-private partnerships (PPPs).

However, imported goods may only be used if:

- Domestic products are unavailable.
- Domestic products do not meet technical specifications.
- Domestic products cannot fulfil the required quantity.

In the event that the amount of domestic production is unable to fulfil the above requirements for electricity, it must be declared by the manufacturer or association. Existing associations that carry certain types of power plants are in renewable energy sources, for example:

No.	Renewable energy sources	Name of association
1.	Hydroelectric Power Plant (<i>Pembangkit Listrik Tenaga Air</i> – “PLTA”)	<i>Asosiasi Pengembang Pembangkit Listrik Tenaga Air</i> (APPLTA) – Indonesian Hydroelectric Power Developers Association
2.	Geothermal Power Plant (<i>Pembangkit Listrik Tenaga Panas Bumi</i> – “PLTP”)	<i>Asosiasi Panas Bumi Indonesia</i> (API) – Indonesian Geothermal Association
3.	Solar Power Plant (<i>Pembangkit Listrik Tenaga Surya</i> – “PLTS”)	<i>Asosiasi Energi Surya Indonesia</i> (AESI) – Indonesian Solar Energy Association
4.	Wind Power Plant (<i>Pembangkit Listrik Tenaga Bayu</i> – “PLTB”)	<i>Asosiasi Energi Angin Indonesia</i> (AEAI) – Indonesian Wind Energy Association

¹ <https://www.cnbcindonesia.com/news/20240910114119-4-570597/aturan-tkdn-plts-direlaksasi-pemerintah-kejar-investasi-ebt-rp19-t>

No.	Renewable energy sources	Name of association
5.	Biomass Power Plant (<i>Pembangkit Listrik Tenaga Biomassa</i> – “ PLTBm ”)	<i>Asosiasi Biomassa & Bio Energi Indonesia</i> (ABBEI) – Indonesian Biomass & Bioenergy Association
6.	Waste Power Plant (<i>Pembangkit Listrik Tenaga Sampah</i> – “ PLTSa ”).	Indonesia Solid Waste Association (InSWA)

The associations play an essential role in confirming the availability of goods for power plants. Since there is no association for non-renewable energy power plants such as Steam Power Plants (*Pembangkit Listrik Tenaga Uap* – “**PLTU**”), Gas Power Plants (*Pembangkit Listrik Tenaga Gas* – “**PLTG**”), Steam Gas Power Plants (*Pembangkit Listrik Tenaga Gas Uap* – “**PLTGU**”), and Gas Engine Power Plants (*Pembangkit Listrik Tenaga Mesin Gas* – “**PLTMG**”), this could be a problem in the future, slowing down the procurement process and making it difficult to verify domestic output. The formation of a dedicated organisation is required to make the procurement process more efficient and organised.

3. Road map and appreciation book

MEMR 11/2024 mandates the creation of a roadmap to achieve specific TKDN targets for electricity infrastructure projects. This roadmap will be used to guide the development of future infrastructure projects with increasing levels of domestic content. Additionally, MEMR 11/2024 introduces the publication of a Domestic Product Appreciation Book (*Buku Apresiasi* – “**Appreciation Book**”), which lists approved domestic goods and service providers. The MEMR can adjust prices to encourage the use of these domestic products. However, as confirmed by the MEMR Directorate General of Electricity, these two items are still in the planning stage, thus they have not yet been implemented in accordance with the regulations relating to the road map and appreciation book.

4. Minimum TKDN value

Compared to MOI Regulation 54/2012, MEMR Regulation 11/2024 introduces new rules for minimum TKDN criteria. While MOI focuses on individual goods and services for industrial components, MEMR 11/2024 gives MEMR the authority to set the combined TKDN for goods and services used in electrical infrastructure projects.

The minimum combined TKDN for these projects is detailed in a separate MEMR Decree. In August 2024, MEMR issued the minimum TKDN by virtue of its decree No. 191.K/EK.01/MEM.E.2024 (“**MEMR Decree 191/2024**”). The MEMR Decree 191/2024 sets specific TKDN percentages for various types of projects, which are as follows:

No.	Type of plant	Minimum TKDN value for combination of goods and services
1.	Steam Power Plant (PLTU)	a. Capacity up to 600 MW: 27,18% b. Capacity above 600 MW: 18,83%
2.	Gas Power Plant (PLTG)	10,39%
3.	Steam Gas Power Plant (PLTGU)	21,93%
4.	Gas Engine Power Plant (PLTMG)	23,96%
5.	Geothermal Power Plant (PLTP)	a. Capacity up to 60 MW: 24% b. Capacity above 60 MW: 29% c. Partial geothermal project: 20%

No.	Type of plant	Minimum TKDN value for combination of goods and services
6.	Hydroelectric Power Plant (PLTA)	a. Capacity up to 10 MW: 45% b. Capacity above 10 MW to 50 MW: 35% c. Capacity above 50 MW: 23%
7.	Solar Power Plant (PLTS)	20%
8.	Wind Power Plant (PLTB)	15%
9.	Biomass Power Plant (PLTBm)	21%
10.	Biogas Power Plant (PLTBg)	25,19%
11.	Waste Power Plant (PLTSa)	16,53%
12.	Transmission Line	a. Overhead Transmission Line, 150 kV: 60,71% b. Overhead Transmission Line, 275 kV: 65.65% c. Overhead Transmission Line, 500 kV: 38.13% d. Underground Cable, 15 kV: 56.40%
13.	Substation	a. Substation, 150 kV: 39.87% b. Substation, 275 kV: 24.79% c. Substation, 500 kV: 13.28% d. Gas Insulated Switchgear (GIS), 150 kV: 12,95% e. Gas Insulated Switchgear (GIS), up to 500 kV: 17,38%

These TKDN percentages cover a wide range of infrastructure, from power plants to substations and transmission lines. MEMR Regulation 11/2024 also sets periodic evaluations of the minimum TKDN every three years or as needed. The detailed procedure for calculating TKDN values for renewable and non-renewable energy projects is outlined in the appendices of Director General Decree 150/2024 (for renewable projects) and Director General Decree 364/2024 (for non-renewable projects).

5. Verification and compliance

To ensure compliance with TKDN requirements, verification must be conducted by a licensed independent verifier before the project handover. This verification process is essential for confirming whether the project meets the minimum TKDN requirements set by MEMR 11/2024.

6. Incentives

MEMR 11/2024 introduces several incentives to encourage the use of domestic products in electricity infrastructure projects. These incentives include:

- Price preferences for domestic products, making them more attractive compared to imported products.
- If the minimum TKDN is not met, administrative sanctions such as written warnings, temporary suspensions, fines, and revocation of business licences may be imposed.
- If the minimum TKDN is met, the TKDN requirements may receive rewards such as certificates of appreciation, media announcements, and other forms of recognition.

7. Monitoring and supervision

MEMR will perform regular monitoring and evaluation of TKDN compliance. This will be done in collaboration with other relevant ministries and agencies. The regulation also stipulates that TKDN values must be evaluated at least once every three years to ensure alignment with changing industry dynamics and technological advancements.

8. Specific conditions

- **Ongoing projects**
Existing projects in planning, construction, or operation stages as of 2021, whose TKDN has not yet been verified, must comply with MEMR Regulation No. 11 of 2024. Exceptions are available for certain renewable energy projects, including wind, biomass, biogas, and waste-to-energy plants, as well as distribution networks.
- **Solar Power Projects (PLTS)**
Relaxation on TKDN compliance is granted for solar power projects until 30 June, 2025, under specific conditions. This applies particularly to solar modules assembled domestically or imported by companies with an investment commitment in Indonesia. Deadlines for commercial operation and investment fulfilment must still be met.
- **Foreign-funded projects**
MEMR 11/2024 applies to electricity infrastructure projects funded by foreign loans or grants, unless otherwise specified in the loan or grant agreements. Foreign funding agreements may allow exceptions, but at least 50% of the project value must come from bilateral or multilateral creditors.
- **Cross-border electricity sales projects**
The use of domestic products in these projects is regulated based on the minimum TKDN value set by the MEMR.

Conclusion

MEMR Regulation No. 11/2024 marks a strategic shift in Indonesia's electricity infrastructure development by prioritising the use of domestic products to stimulate local industries and reduce dependency on imports, while also balancing the acceleration of projects with flexibility in certain renewable energy sectors, particularly solar power. This regulation aims to promote domestic economic growth and help Indonesia meet its goals of energy independence and industrialisation. By focusing on TKDN, it provides both incentives and sanctions, ensuring businesses adhere to the minimum domestic content standards while rewarding those that exceed them. MEMR 11/2024 also addresses challenges in the solar-based electricity infrastructure industry, acknowledging that local content requirements have been halved to boost development. With a strong system of monitoring and evaluation in place, MEMR 11/2024 sets a strong foundation for a sustainable and competitive domestic energy industry, particularly as the demand for renewable energy grows. The regulation reflects a broader vision of providing certainty regarding the overseeing government body, prioritising domestic products, and addressing logistical and regulatory hurdles in the electricity sector to foster long-term economic resilience.

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