

NEW REGULATIONS ON ELECTRICITY BUSINESS

Mar 24, 2014

Minister of Energy and Mineral Resources Regulation No. 38 of 2013 on Compensations for Land, Buildings, and Plants Located under High Voltage Air Channels (SUTT) and Extra High Voltage Air Channels and Free Spaces (SUTET) has been enforced as of 24 December 2013. The Regulation provides the procedures as well as formula for compensation for the owners of impacted land, buildings, and plant due the establishment of electricity infrastructure. For impacted land and building, the formula for compensation is $15\% \times$ the area of impacted land or building \times market value of the impacted land and building determined by the appraisal. For impacted plant, the formula for compensation is the market value of the plant determined by the appraisal. Under this regulation, an independent appraisal will be appointed to determine the market value of the impacted land, building and plant to be used as the basis for calculating the compensation amount. The compensation is payable one time only (ie no compensation is paid to a new buyer of the impacted land, building and plant) and it must be provided before the electricity infrastructure is built. This regulation revokes the provisions on compensation for land, buildings and plant under SUTT and SUTET areas under Minister of Energy and Mineral Resources Regulation No. 01.P/47/M.PE/1992.

A new regulation on Business Feasibility Guarantees of PLN was issued on 31 December 2013 by the Minister of Finance (Regulation No. 225/PMK.011/2013 on the Procedures for the Provision of Business Feasibility Guarantees of PLN for the Development of Renewable Energy, Coal and Gas Power Plants Made in Cooperation with Private Power Developers). The Guarantee is provided by the Government to ensure the purchase of power by PLN under Power Purchase Agreements with Private Power Developers. The Minister of Finance will sign and issue the Business Feasibility Guarantee to a Private Power Developer after the signing of the relevant Power Purchase Agreement. This Government guarantee will be valid until the date stated therein provided that the financial close of the project is achieved within 12 months (for non-geothermal power plants) or 48 months (for geothermal power plants) as of the date the Business Feasibility Guarantee is issued. This regulation revokes Minister of Finance Regulation No. 139/PMK.011/2011.

