

## Adjustment to the Rooftop Solar System Regulation: A Step Back for Indonesia?



In January 2024, the Ministry of Energy and Mineral Resources (“**MEMR**”) enacted MEMR Regulation No. 2 of 2024 (“**New Regulation**”) to replace and revise MEMR Regulation No. 26 of 2021 (“**Previous Regulation**”). The New Regulation introduces several changes to the regulatory framework on rooftop solar systems, including:

- (a) Imposing an obligation on PT PLN (Persero) Tbk. (“**PLN**”), as the IUPTLU (*Izin Usaha Pemegang Tenaga Listrik untuk Kepentingan Umum*) or holder of the power supply business licence for public interest, to prepare a development quota for rooftop solar systems;
- (b) Removing the kWh metering scheme and eliminating the parallel operation payments;
- (c) Adding the deemed approval concept for rooftop solar system applications;
- (d) Introducing penalties for violation of the rooftop solar systems’ requirements; and
- (e) Continuation of the carbon economic value regulation for rooftop solar systems.

We will discuss each of these changes below and their respective impacts on the various stakeholders and the broader operational landscape in Indonesia.

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### Introduction of Development Quota

#### Development quota

The New Regulation introduces a new obligation for PLN to set a development quota for rooftop solar systems within each of its electricity system in a clustering system. This obligation represents a departure from the limitations set in the Previous Regulation, which restricted the capacity of a consumer's rooftop solar system to 100% of the connected capacity from PLN. Therefore, the installed capacity of a new rooftop solar system will now depend on whether there is any available clustered quota, which in turn is determined by the Director General of Electricity (*Direktur Jenderal Ketenagalistrikan* or "DGE") based on the proposal from PLN.

To illustrate, in the past, if a consumer wished to install a rooftop solar system, they simply had to submit an application to PLN for its construction and installation. However, with the introduction of the development quota under the New Regulation, the process has changed. Now, before proceeding with their application, consumers must first verify the availability of the clustered quota on PLN's website. If quota is available, only then can they apply to PLN for the construction and installation.

The development quota will be set for each five-year period, with specific monthly allocations. In the event that there is unused quota in a specific year, it can be carried over to the next year, thus adding to the upcoming year's quota. If there is no more quota, consumers would be prohibited from installing a rooftop solar system. Hence, it is imperative for consumers to diligently monitor the availability of quota by regularly checking the PLN's website. Failure to do so may result in being unable to install a rooftop solar system, and those who proceed despite the absence of quota risk facing penalties, as will be elaborated upon later.

#### Approval by PLN

Both the Previous Regulation and the New Regulation require the consumers to submit their applications for constructing and installing solar rooftop projects to PLN, with copies to the DGE and the Director General of Renewable Energy and Conservation (*Direktur Jenderal Energi Baru Terbarukan dan Konservasi*). PLN will then evaluate whether to approve or reject the application by considering, among others, the available quota.

The New Regulation clarifies that PLN must either approve or reject the application within 30 days of receipt. If PLN does not respond within 30 days, the application will automatically be deemed approved. On the other hand, if PLN rejects the application, it must give a clear reason for the rejection. A consumer rejected based on the absence of quota will be placed on a waitlist and will be processed in the following period if there is an available quota.

### Removal of kWh Meter, Exported Power to PLN and Parallel Operation Payments

The Previous Regulation utilised kWh metering to measure the amount of exported power, with PLN being required to accept 100% of the power exported by consumers. The 100% acceptance requirement was an increase from 65% in the previous regulation (MEMR Regulation No. 49 of 2018), and it translated into a reduction in the consumer's electricity bill.

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However, the New Regulation eliminates kWh metering as a concept altogether, replacing it with a system where the size of a rooftop solar system will depend on the allocated development quota, as discussed previously. For consumers, this means that any surplus electricity generated by their rooftop solar systems and exported to the grid will no longer factor into the calculation of their electricity bills. This is a significant change to the operational landscape as it removes the incentive (i.e., the possible decrease of electricity bills) for consumers to invest in rooftop solar systems.

On the other hand, New Regulation eliminates the parallel operation charges for rooftop solar systems established and installed by consumers. This change could potentially relieve consumers from the additional costs in the installation and operational phases of rooftop solar systems. Nonetheless, questions remain as to whether this allowance is enough to balance the elimination of the kWh metering.

### Penalties for Violations

As mentioned earlier, a consumer may be subject to penalties if they proceed to install a rooftop solar system despite the absence of quota (and, consequently, PLN's approval). If a rooftop solar system is found to be operating and connected to PLN's network without PLN's approval, PLN will send a notice to disconnect the rooftop solar system from its network and impose a penalty amounting to the total inverter capacity multiplied by 240 hours, and then multiplied by the electricity tariff.

If a consumer fails to comply with the provisions outlined above within one month of receiving the notification, PLN can temporarily suspend the consumer's service (which may be lifted upon compliance).

### Carbon Trading for Rooftop Solar Systems

With the spotlight on carbon trading, the New Regulation introduces a provision on the trade of carbon credits resulting from rooftop solar system installations. In the New Regulation, the carbon economic value from the utilisation of rooftop solar systems will be calculated based on the existing legislative framework (i.e., under Presidential Regulation No. 98 of 2021).

However, in the absence of specific guidelines, the government will assume ownership of these credits. Consequently, it is unclear whether a rooftop solar system consumer can register carbon offset certificates under Presidential Regulation No. 98 of 2021.

### Concluding Remarks

Compared to other countries, Indonesia has only begun championing renewable energy. Now, however, with the enactment of the New Regulation, it seems that the government has taken a step back. Various stakeholders, including installers, manufacturers, distributors, are likely to be adversely affected by the greatly reduced incentives that had encouraged consumers to install rooftop solar panel systems.

While the full implications of the New Regulation on the industry and the adoption of renewable energy remain unclear, the anticipated changes can carry implications for the market dynamics, investment trends, and the overall trajectory of renewable energy in the country. As stakeholders await further developments, the outcome of these changes could influence the future landscape of renewable energy adoption in Indonesia.

If you have any queries on the above, please feel free to contact our team members below who will be happy to assist.

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## Contacts



**Ahmad Fikri Assegaf**  
Co-Founder & Senior  
Partner  
  
T +62 21 2555 7880  
[ahmad.asegaf@ahp.id](mailto:ahmad.asegaf@ahp.id)



**Kanya Satwika**  
Partner  
  
T +62 21 2555 7807  
[kanya.satwika@ahp.id](mailto:kanya.satwika@ahp.id)



**Tracy Tania**  
Partner  
  
T +62 21 2555 7836  
[tracy.tania@ahp.id](mailto:tracy.tania@ahp.id)

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Irfan Yunus also contributed to this alert.

## Regional Contacts

RAJAH & TANN SOK & HENG | *Cambodia*  
**Rajah & Tann Sok & Heng Law Office**  
T +855 23 963 112 / 113  
F +855 23 963 116  
kh.rajahtannasia.com

RAJAH & TANN 立杰上海  
SHANGHAI REPRESENTATIVE OFFICE | *China*  
**Rajah & Tann Singapore LLP  
Shanghai Representative Office**  
T +86 21 6120 8818  
F +86 21 6120 8820  
cn.rajahtannasia.com

ASSEGAF HAMZAH & PARTNERS | *Indonesia*  
**Assegaf Hamzah & Partners**

**Jakarta Office**  
T +62 21 2555 7800  
F +62 21 2555 7899

**Surabaya Office**  
T +62 31 5116 4550  
F +62 31 5116 4560  
www.ahp.co.id

RAJAH & TANN | *Lao PDR*  
**Rajah & Tann (Laos) Co., Ltd.**  
T +856 21 454 239  
F +856 21 285 261  
la.rajahtannasia.com

CHRISTOPHER & LEE ONG | *Malaysia*  
**Christopher & Lee Ong**  
T +60 3 2273 1919  
F +60 3 2273 8310  
www.christopherleeong.com

RAJAH & TANN | *Myanmar*  
**Rajah & Tann Myanmar Company Limited**  
T +95 1 9345 343 / +95 1 9345 346  
F +95 1 9345 348  
mm.rajahtannasia.com

GATMAYTAN YAP PATACSIL  
GUTIERREZ & PROTACIO (C&G LAW) | *Philippines*  
**Gatmaytan Yap Patacsil Gutierrez & Protacio (C&G Law)**  
T +632 8894 0377 to 79 / +632 8894 4931 to 32  
F +632 8552 1977 to 78  
www.cagatlaw.com

RAJAH & TANN | *Singapore*  
**Rajah & Tann Singapore LLP**  
T +65 6535 3600  
sg.rajahtannasia.com

RAJAH & TANN | *Thailand*  
**R&T Asia (Thailand) Limited**  
T +66 2 656 1991  
F +66 2 656 0833  
th.rajahtannasia.com

RAJAH & TANN LCT LAWYERS | *Vietnam*  
**Rajah & Tann LCT Lawyers**  
**Ho Chi Minh City Office**  
T +84 28 3821 2382 / +84 28 3821 2673  
F +84 28 3520 8206

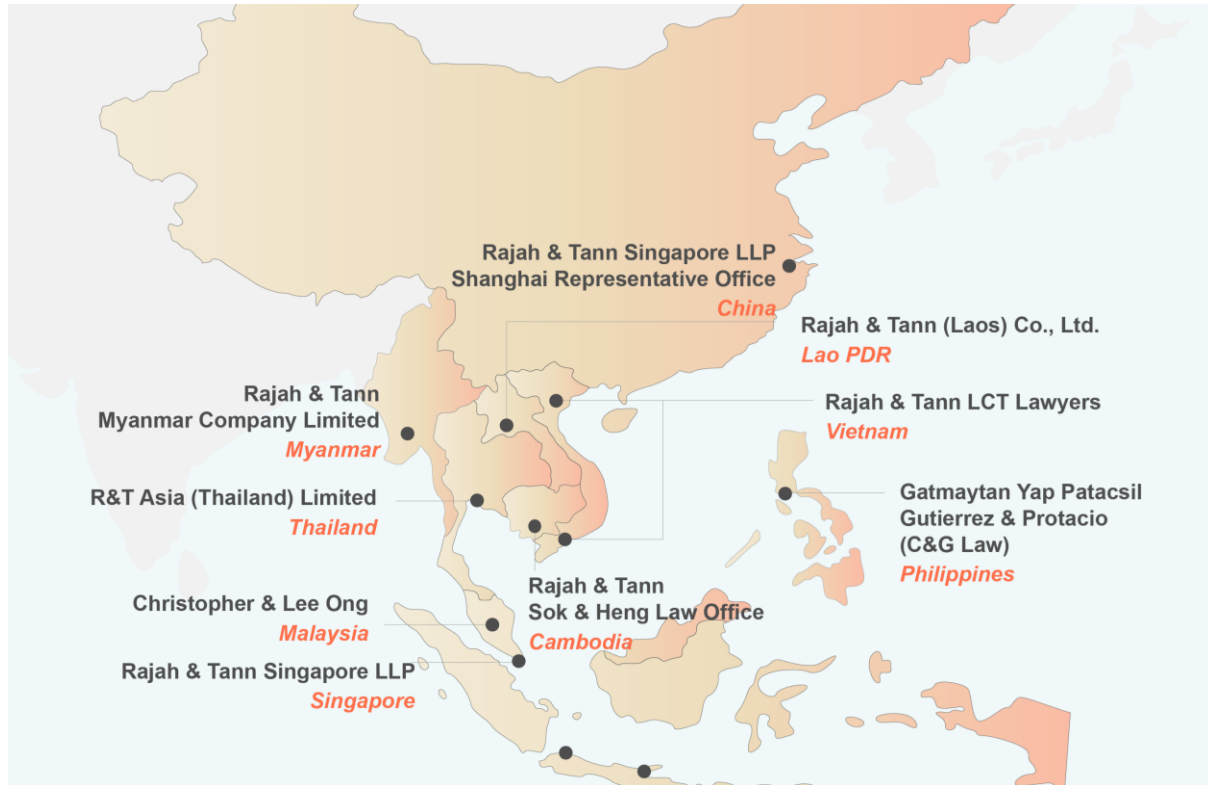
**Hanoi Office**  
T +84 24 3267 6127  
F +84 24 3267 6128  
www.rajahtannlct.com

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