

## Client Alert

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### PLN re-opens prequalification process for Indonesian renewable projects

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Indonesia's State-owned power utility, PT PLN (Persero) (**PLN**) has (again) invited renewable developers to submit applications to be included on the List of Selected Providers (commonly referred to by its Bahasa Indonesia acronym as "**DPT**") for solar PV, hybrid energy, wind, biomass, biogas, biofuel, tidal, and new energy.

PLN first opened the DPT prequalification process for similar types of renewable projects in October 2017 and the results were announced more than a year later, in November 2018. Pending the result of the DPT prequalification process, the procurement process for renewable projects was effectively put on hold, with PLN not issuing any bid packages for renewable projects for more than 12 months whilst this DPT process was being undertaken.

PLN also opened a DPT prequalification process for large hydro developers in April 2018, and the result is yet to be announced. In the meantime, various PLN Regional offices have also been opening DPT prequalification processes for IPP developers who are looking into small scale renewable projects (up to 10MW).

This new DPT prequalification process opened by Central PLN (PLN Pusat) allows developers who either missed the window to participate in, or were not successful in, PLN's 2017 DPT process to apply (or re-apply) to be included in the DPT.

#### Why the need for the DPT process?

Under a series of Minister of Energy and Mineral Resources (**MEMR**) regulations issued in 2017, all renewable energy projects (with the exception of geothermal and municipal waste projects) must be awarded by PLN through a "Direct Selection" process. The "Direct Selection" process is conducted by PLN calling a limited tender and selecting at least two participants to submit bids.

Accordingly, the DPT process is intended to collect a list of potential bidders that PLN will select to participate in the Direct Selection process.

#### Is it similar to the 2017 DPT process?

Slightly different from the 2017 DPT process, this new DPT process excludes waste to energy projects and includes biofuel and "new energy" projects.

The removal of waste to energy projects is not surprising, given that under prevailing regulations PLN is allowed to do direct appointment for these projects.



In waste to energy projects, the local government is the one that usually opens a bid process to choose the developer. So they should not have been included in the 2017 DPT prequalification process in the first place.

The introduction of "biofuel" is new, because biofuel previously was not regulated in MEMR Regulation No. 50 of 2017 on Utilization of Renewable Energy for Electricity Supply (**Regulation 50**). Regulation 50 was just very recently amended to also include biofuel projects.

The announcement does not provide further explanation on what constitutes "new energy". However, Law No. 30 of 2007 on Energy defines new energy to include nuclear, hydrogen, coal bed methane, liquefied coal and gasified coal.

### **How can foreign developers participate?**

PLN's new DPT process announcement clearly provides that foreign entities (from countries with diplomatic relations with Indonesia) can participate in the DPT process. If a foreign developer is awarded a project from the Direct Selection process, it must establish a new special purpose company (with a local partner to satisfy any foreign shareholding limitation requirement) for the signing of the power purchase agreement (**PPA**).

As PLN has not opened any Direct Selection process for renewable projects since the 2017 DPT process, it is not clear whether all members in a consortium bidding for a project need to be included in the DPT, or whether it will be enough to have the lead consortium member alone in the DPT.

### **Technical and Financial Criteria**

As it is with the previous DPT processes, PLN's new DPT process announcement does not reveal many detailed requirements for interested participants. It does, however, set out the following insights:

1. **Technical criteria:** The interested applicant must have experience in implementing at least one IPP contract, EPC contract and/or O&M contract, which has been completed within the past 10 years and achieved satisfactory records for one-year operation for each power plant unit.

The 2017 DPT prequalification process also had a similar requirement for technical criteria. This requirement became the main stumbling block for local developers. As Indonesia currently has very few operating non-hydro renewable projects, the local developers (who have minimal or even zero experience in power or renewable projects) may have difficulty passing this requirement.

In the old PLN procurement process for renewable projects (before the introduction of the Direct Selection mechanism), a consortium consisting of foreign investor(s) and Indonesian investor(s) usually fulfilled the technical criteria by relying on the experience of the foreign investors who already had renewable projects in other countries. In the DPT prequalification process, a company is assessed individually and not as a part of a consortium.



2. **Financial criteria:** The announcement does not detail the required financial experience other than that the applicant must meet the requirements detailed in the prequalification questionnaire document and provide supporting evidence.

In the 2017 DPT prequalification process, the minimum requirements were:

- positive net worth based on audited financial statements in the last three years
- D&B rating of 3A3 or an investment grade credit rating by S&P or Moody's or Fitch or equivalent

and that applicants could not rely on financial statements or credit ratings of their parent companies or affiliates.

## Timing

Registration is open from 15 January to 15 March, and the deadline for submission of applications is 15 March. Interested developers can pick up the prequalification questionnaire document in PLN's head office, for which they would need to provide a copy of the company's deed of establishment.

PLN will hold a clarification meeting on 31 January.

## Validity Period of DPT

The invitation published by PLN also clarified that a DPT for IPP developers will be valid for three years. This means that developers who make it to the DPT will need to effectively re-qualify again in 3 years time. What is not clear however is whether this 3 year reference means that PLN will only re-open the next DPT process in 3 years (i.e. if a developer misses out on this round, it will need to sit on the sidelines for 3 years before being able to have another opportunity to get itself on the DPT). PLN has previously indicated that it would be carrying out the DPT process once a year, so it is hoped that PLN will be again repeating the DPT process early in 2020 for developers who are unsuccessful in making the DPT this round.



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# ATTACHMENT

## Copy of the Announcement



PT PLN (PERSERO)

### INVITATION FOR CORPORATE LIST OF SELECTED PROVIDERS (DAFTAR PENYEDIA TERSELEKSI / DPT) FOR IPP (INDEPENDENT POWER PRODUCERS) RENEWABLE ENERGY POWERPLANTS ANEKA ENERGY YEAR 2019

1. PT PLN (Persero) intends to select a potential project sponsor which will be list on Selected Providers (Daftar Penyedia Terseleksi / DPT) to develop IPP Renewable Energy Powerplants. As per Ministry of Energy and Mineral Resources Regulation No. 50 / 2017 and 53 / 2018, the Procurement Process of IPP Renewable Energy Powerplants will be held with direct selection mechanism from a pool of Qualified Applicants listed on Selected Providers (as the case maybe update from time to time) (Daftar Penyedia Terseleksi / DPT) that meet criteria on Pre-Qualification Quesionnaire Document.
2. The project for IPP Renewable Energy Powerplants are Solar PV, Hybrid Energy, Wind Energy, Biomass, Biogass, Bionabati, Tidal Wave and New Energy (the "Project"), which will be implemented on BOOT (Build, Own, Operate & Transfer) pursuant to a long term Power Purchase Agreement (PPA).
3. PT PLN (Persero) hereby invites interested Parties who have intention to be qualified and included on Selected Providers List (Daftar Penyedia Terseleksi / DPT) for development of IPP Renewable Energy (RE) Powerplants :

**Title** : **DAFTAR PENYEDIA TERSELEKSI (DPT)**

**RE Powerplant Type** : Solar PV, Hybrid Energy, Wind Energy, Biomass, Biogass, Bionabati, Tidal Wave and New Energy.

The interested Party have to submit application and state type of RE powerplant that will be applied, in accordance with Pre- Qualification Quesionnaire Document.

4. The interested Party shall be a company from Indonesia or Country which has diplomatic relation with Indonesia. The Qualified Applicant will be required to incorporate Special Purpose Company among the listed Qualified Applicant on Selected Providers. In accordance with Laws of Indonesia, if a Party is foreign company, they shall engage with reputable local company for Special Purpose Company incorporation in order to execute Power Purchase Agreement.

For qualification, the Parties must demonstrate that they have experience in implementing at least 1 (one) IPP Contract, EPC Contract and/or O&M Contract which has been completed within the last 10 (ten) years and achieved satisfactory records for one (1) years operation for each unit of Power Plant.

In addition, the interested Parties shall fulfill financial requirement as set forth in the Pre-qualification Questionnaire Document. Whereas for each criteria / requirement, the interested Parties shall submit evidence on their application with a recent valid document.

5. The interested Parties, which represented by its authorized person, may respond with intent to register the Pre-qualification Questionnaire Document from **January 15<sup>th</sup> 2019 – March 15<sup>th</sup> 2019 (working hours from 08.00 – 16.00 West Indonesian Standard Time)**, after provide copy of original deed of company establishment at the address below:

**PT PLN (Persero) Head Office**

c/o Vice President Aneka Energi Divisi Energi Baru dan Terbarukan

Main Building, 13<sup>th</sup> Floor, Jalan Trunojoyo Blok MI/135, Kebayoran Baru, Jakarta 12160

Phone +6221- 7251234, 7261122, Ext. 1175

Fax +6221- 7227063

6. PT PLN (Persero) will conduct Explanation Meeting (aanwizjing) on **January 31<sup>st</sup>, 2019** with detail information written in Pre-Qualification Quesionnaire Document.
7. The Application shall be submitted in one (1) original, one (1) copy and one (1) electronic copy by hand not later than **15:00 PM** local time on **March 15<sup>th</sup>, 2019** to the above address in the sealed envelopes with clearly marked the type of powerplant as mentioned as Project.
8. For information, the Validity of (Daftar Penyedia Terseleksi / DPT) IPP (Independent Power Producers) Renewable Energy Powerplants for 3 (three) years.

Jakarta, January 14<sup>th</sup>, 2019

**Vice President Aneka Energi Divisi Energi Baru dan Terbarukan**