NEW SOLAR ROOFTOP REGULATION: IS IT A GAME CHANGER? UNVEILING THE IMPACT OF NEW REGULATIONS ON CONSUMERS

I. Introduction

In a strategic move to enhance the growth of solar rooftop projects in Indonesia, the Minister of Energy and Mineral Resources has recently enacted Regulation No. 2 of 2024, specifically focusing on Solar Rooftops Connected to the Grid of the Holder of Electricity Supply Business License for Public Interest ("**MEMR 2/2024**"). This updated regulation supersedes MEMR No. 26 of 2021, marking a significant transformation in the regulatory landscape governing solar rooftop projects. This Article aims to identify and analyze the key modifications brought about by MEMR 2/2024 and assess their implications for both the government, private solar rooftop developers and customers within the solar rooftop industry.

Key Changes to solar rooftop business:

No.	Key Changes	MEMR 26/2021	MEMR 2/2024
1.	Installation is subject to available quotas.	Limits the capacity of solar rooftop system installed by prospective solar rooftop developers to be 100% of the connected capacity from PLN.	Installation of solar rooftop is subject to available quotas.
2.	Time required for Approval	Application of solar rooftop installation and construction submitted by prospective solar rooftop developers will take up to 5 business days approval.	Application of solar rooftop installation and construction submitted by prospective solar rooftop developers will take up to 30 calendar days approval. Automatic approval will occur if the IUPTLU Holder fails to respond within 30 calendar days.
3.	Net-Metering and Parralel Operation	Net-metering and parallel operation cost	Removal of Net metering and parallel operation cost

© Copyright GHP Law Firm

4.	Penalties	Penalities for unauthorized solar rooftop not mentioned.	Penalties for unauthorized solar rooftops.

All of the above points are further elaborated below:

II. Installation is Subject to Available Quotas

MEMR 26/2021, stated that the rooftop solar power systems to be installed by electricity power user ("**consumer**") of a IUPTLU Holder[1] (*pemegang Izin Usaha tenaga Listrik untuk Kepentingan Umum* such as for example PLN or other business area holders), were limited to a maximum of 100 percent of the consumer's installed capacity. It is crucial to note that although MEMR 26/2021 allows rooftop solar power systems to be installed by the consumer, in reality IUPTLU Holder approval of full 100% installed capacity is uncommon. Typically, the approved capacity for rooftop solar power systems was within the range of 10-30% of the installed capacity depending the grid capacity of the IUPTLU Holder.

However, with the recent implementation of MEMR 2/2024, the fixed capacity limit provision no longer exists for the development of solar rooftop projects. Instead, the MEMR 2/2024 introduces a new scheme enabling consumers to propose development of solar rooftop within available quotas to be set by the IUPTLU Holder. This means that as long as there is still available quota for the development of solar rooftop, the customer can still submit applications for develop solar rooftop exeeding its installed capacity.

The formulation of the quota prepared by the IUPTLU holder for every 5-year period must be considered based on: (i) national energy policy, (ii) plans and realization of electricity supply business plans, and (iii) reliability of the Electric Power System[2] in the relevant business area. The Directorate General of Electricity (DGE) will determine the development quota based on proposals from the relevant IUPTLU Holder (e.g., PLN).

It's important to note that MEMR Regulation 4/2024 does not explicitly specify the procedures or the allocated amount for available quotas. Therefore, we assume that the allocation will follow a first-come-first-served basis. If this is the case, there is a possibility where one consumer could monopolize the

[1] IUPTLU Holder is an entity that has a license to conduct business of supplying electricity for public interest that has a business area in accordance with the provisions of laws and regulations in electricity sector.
[2] Electric Power System is a system in electricity that functions to distribute electrical energy from power generators to electricity consumers.

© Copyright GHP Law Firm

available quota and will result in other consumers in the same cluster(region) not able to develop solar rooftop due to the quota has been exhausted.

Having said the above, we believe that MEMR 4/2024 needs to provide clear and fair procedures for proportional quota distribution and implementation.

III. Time required for Approval

Consumers seeking to construct and install solar rooftop systems are required to submit applications to the IUPTLU Holder, with copies to the Director General of EBTKE and the Director General of Electricity. The submission is limited to January or July, with specified documentation outlined in Appendix II of MEMR 2/2024. With the submission, MEMR 2/2024 extends the approval timeline, allowing the IUPTLU holder a maximum of 30 calendar days (from previously 5 working days) to approve or reject the application from the application deadline.

A notable concept introduced by MEMR 2/2024 is that if the IUPTLU Holder fails to respond within the stipulated period, the application is automatically approved. This provision would be beneficial for consumers, as it compels IUPTLU Holders to adhere to the required response time, providing certainty to consumers in the application process.

However, the introduction of the automatic approval concept prompts questions about the scenario where the applied rooftop solar capacity exceeds the available quota for rooftop solar projects.

Furthermore, it's essential to highlight that MEMR Regulation 2/2024 offers a more detailed framework for the requirements and processes involved in the installation of solar rooftop systems. Specific requirements and documentation details for applications are thoroughly explained in the annexes of this regulation.

IV. Removal of Net-Metering and Parallel Operation Cost

Under the previous regulation, MEMR 26/2021, an incentive for consumers to develop rooftop solar was provided through a net-metering concept. This allowed excess electricity from rooftop solar to be exported to IUPTLU Holders, offsetting consumers' electricity bills. However, MEMR 2/2024 has discontinued the net-metering concept. Extra electricity sent to the grid from a consumer's solar rooftop can no longer be utilized to reduce their electricity bills.

© Copyright GHP Law Firm

To balance this change, MEMR 2/2024 has eliminated the imposition of parallel operation costs, previously applicable to industrial consumers under MEMR 26/2021. While this alteration may not significantly impact commercial and industrial consumers, it may not be attractive for the household and residential consumers to install rooftop solar. This is particularly true given that the peak use of electricity in households typically occurs in the evening when solar energy generation is minimal.

For rooftop solar to remain economically feasible for residential consumers, the installation of a battery system is now essential. This allows energy generated during the daytime to be stored and utilized in the evening. However, the high cost of batteries may pose a challenge for household and residential consumers contemplating rooftop solar installations.

V. Penalty for Unauthorized Solar Rooftops

In the recently enacted MEMR 2/2024, specific penalties are introduced for unauthorized rooftop solar systems. If a rooftop solar system is found operating and connected to the IUPTLU Holder's network without prior approval, the IUPTLU Holder is authorized to take immediate action. This includes disconnecting the solar system from the network and imposing a penalty on the consumer. The penalty is calculated based on the total inverter capacity, multiplied by 240 hours, and then further multiplied by the applicable electricity tariff. Additionally, if the consumer fails to meet the stipulated conditions within one month from the detection, the IUPTLU Holder is empowered to implement temporary service suspension. The suspension is lifted only when the consumer fulfils the conditions outlined in the regulation. This provision underlines the significance of obtaining proper approvals to avoid penalties and potential disruptions in service.

VI. Carbon Economic Value for Solar Rooftop

According to MEMR 2/2024, in the absence of specific regulations addressing the carbon economic value of rooftop solar use, the rights to this value will be vested in the Government of Indonesia. Currently, there is no regulation on the carbon economic value of the solar rooftop activities. However, under Presidential Regulation No. 98 of 2021 on Carbon Economic Value ("**PR 98/2021**"), Carbon Economic Value[3] will be granted to the business actors conducting the Climate Change Mitigation Actions[4], such as the development of solar rooftops, in order to carry out the carbon trading. Under

[3] Carbon Economic Value is the value of each unit of greenhouse gas emissions resulting from human activities and economic activities.
[4] Climate Change Mitigation is a control effort to reduce risks due to climate change through activities that can reduce emissions or increase greenhouse gases absorption and storage/strengthening of carbon stocks from various emission sources

© Copyright GHP Law Firm

PR 98/2021, Business actors is defined as individuals that engage mitigation activities this means that business actor is entitled to carbon economic value through carbon credit certificate.

However, this raises questions about whether solar rooftop developers can register carbon credit certificates as permitted by PR 98/2021. If this is not possible, it could have a detrimental impact on the market's interest in adopting solar rooftop systems. Such a scenario would be contrary to the purpose of MEMR 2/2024, which aims to promote solar rooftop development to reduce greenhouse gas emissions in Indonesia.

VII. Conclusion

While MEMR 2/2024 does not explicitly differentiate between commercial and industrial consumers and residential or household consumers, the provisions within the regulation appear to be more advantageous for the former group. Notably, the introduced capacity quotas seem to favor larger industrial consumers with larger rooftop sizes, potentially placing smaller household consumers at a disadvantage. The removal of the net-metering concept and the imposition of parallel operation costs could particularly affect household consumers who rely on solar energy during daylight to offset their electricity bills.

This raises the question of whether there is a need for a specific regulation tailored to residential or household consumers to incentivize the development of solar rooftops. Focusing not only on commercial and industrial consumers but also on residential consumers could be crucial to achieving a more balanced and inclusive approach.

The effective implementation of the determination of quotas and the application process remains to be seen. It is essential that clear and fair procedures are established for proportional quota distribution and implementation to address potential disparities among consumer segments.

© Copyright GHP Law Firm

We will continue to follow the developments of this topic. Should you have any queries on this topic, please contact our consultants:

Dirgantara Adi Nugroho
Partner
dirgantara.adi@lawghp.com

Yohanes Masengi
Partner
yohanes.masengi@lawghp.com

Irsyaad Daffa
Associate
irsyaad.daffa@lawghp.com

GHP law firm

World Trade Center 3, Level 27
Jl. Jend. Sudirman Kav. 29-31
Jakarta 12920, Indonesia

T: +6221 50110199

www.lawghp.com

This publication has been prepared by GHP Law Firm for educational and informational purposes only. The information contained in this publication is not intended and should not be construed as a legal advice. Due to the rapidly changing nature of law, GHP Law Firm makes no warranty or guarantee concerning the accuracy or completeness of this content. You should consult with an attorney to review the current status of the law and how it applies to your circumstances before deciding to take any action.