



**THE MINISTER OF ENERGY AND MINERAL RESOURCES
THE REPUBLIC OF INDONESIA**

**REGULATION OF THE MINISTER OF ENERGY AND MINERAL RESOURCES
THE REPUBLIC OF INDONESIA**

NUMBER 38 OF 2016

ON

**ACCELERATING ELECTRIFICATION IN UNDEVELOPED RURAL AREAS,
REMOTE REGIONS, BORDER AREAS, AND SMALL INHABITED ISLANDS
THROUGH THE IMPLEMENTATION OF SMALL SCALE ELECTRICITY
PROVISION ENTERPRISES**

BY THE GRACE OF GOD THE ALMIGHTY

**THE MINISTER OF ENERGY AND MINERAL RESOURCES
OF THE REPUBLIC OF INDONESIA,**

- Considering :
- a. that there are many residents who have not been supplied with electricity from the existing business license holders, particularly those in undeveloped rural areas, remote regions, border areas, and small inhabited islands;
 - b. that the Government needs to stimulate the acceleration of electricity provision with adequate quantity, good quality, and reasonable price in rural areas as referred as in letter a by empowering local state owned enterprises, private enterprises, and cooperatives to manage the business areas of the small scale electricity provision;

- c. that to attract the interest of local state owned enterprises, private enterprises, and cooperatives in managing the small scale electricity provision, the Government needs to provide incentives in the form of subsidies to consumers in the business areas;
- d. that based on the considerations as referred in letter a, letter b, and letter c, it is necessary to stipulate the Regulation of the Minister of Energy and Mineral Resources on Accelerating Electrification in Undeveloped Rural Areas, Remote Regions, Border Areas, and Small Inhabited Islands through the Implementation of Small Scale Electricity Provision Enterprises;

- In the view of:
- 1. Law Number 30 of 2007 on Energy (State Gazette of the Republic of Indonesia of 2007 Number 96, Supplement to the State Gazette of the Republic of Indonesia Number 4746);
 - 2. Law Number 30 of 2009 on Electricity (State Gazette of the Republic of Indonesia of 2009 Number 133, Supplement to the State Gazette of the Republic of Indonesia Number 5052);
 - 3. Law Number 23 of 2014 on Local Government ((State Gazette of the Republic of Indonesia of 2014 Number 244, Supplement to the State Gazette of the Republic of Indonesia Number 5587) that have been amended twice with Law Number 9 of 2015 on the second amendment of Law Number 23 of 2014 on Local Government (State Gazette of the Republic of Indonesia of 2015 Number 58, Supplement to the State Gazette of the Republic of Indonesia Number 5679);
 - 4. Government Regulation Number 14 of 2012 on Electricity Provision Business Entity (State Gazette of the Republic of Indonesia of 2012 Number 28, Supplement to the State Gazette Number 5281) as amended by Government Regulation Number 23 of 2014 (State Gazette of the Republic of Indonesia of 2014 Number 75, Supplement to the State Gazette of the Republic of Indonesia Number 5530);

5. Government Regulation Number 79 of 2014 on National Energy Policies (State Gazette of the Republic of Indonesia of 2014 Number 300, Supplement to the State Gazette of the Republic of Indonesia Number 5609);
6. Presidential Regulation Number 68 of 2015 on the Ministry of Energy and Mineral Resources (State Gazette of the Republic of Indonesia of 2015 Number 132);
7. Regulation of the Minister of Energy and Mineral Resources Number 28 of 2012 on the Procedure of Stipulating Business Areas for Public Use (State Gazette of the Republic of Indonesia of 2012 Number 1186) as amended by Regulation of the Minister of Energy and Mineral Resources Number 07 of 2016 on the Amendment of Regulation of the Minister of Energy and Mineral Resources Number 28 of 2012 on the Procedure of Stipulating Business Areas for Public Use (State Gazette of the Republic of Indonesia of 2016 Number 385);
8. Regulation of the Minister of Energy and Mineral Resources Number 35 of 2013 on the Procedure of Obtaining Business License for Electricity Enterprises (State Gazette of the Republic of Indonesia of 2013 Number 1524) as amended by Regulation of the Minister of Energy and Mineral Resources Number 12 of 2016 on the Amendment of Regulation of the Minister of Energy and Mineral Resources Number 35 of 2013 on the Procedure of Obtaining Business License for Electricity Enterprises (State Gazette of the Republic of Indonesia of 2016 Number 706)
9. Regulation of the Minister of Energy and Mineral Resources Number 35 of 2014 on Delegating the Authority to Grant Electricity Business Licenses in Order to Apply One-Door-Integrated Service to the Head of the Investment Coordinating Board (State Gazette of the Republic of Indonesia of 2014 Number 1970);

10. Regulation of the Minister of Energy and Mineral Resources Number 13 of 2016 on the Organization and the Working Procedure of the Ministry of Energy and Mineral Resources (State Gazette of the Republic of Indonesia of 2016 Number 762);
11. Regulation of the Minister of Energy and Mineral Resources Number 28 of 2016 on the Tariff of Electricity Provided by the State-Owned Electricity Share Company (PLN Persero) (State Gazette of the Republic of Indonesia of 2016 Number 1565);

HEREBY DECIDES

To enact : REGULATION OF THE MINISTER OF ENERGY AND MINERAL RESOURCES ON ACCELERATING ELECTRIFICATION IN UNDEVELOPED RURAL AREAS, REMOTE REGIONS, BORDER AREAS, AND SMALL INHABITED ISLANDS THROUGH THE IMPLEMENTATION OF SMALL SCALE ELECTRICITY PROVISION ENTERPRISES

CHAPTER I

GENERAL PROVISIONS

Article 1

In this Regulation of the Minister, the following terms shall have the following meanings:

1. The Electricity Provision Enterprise is a provision of electricity which includes generation, transmission, distribution, and sales of electricity to consumers.
2. Business Entity is a state-owned business entity, a local state-owned business entity, a privately owned business entity with legal status in Indonesia, or cooperatives running the business in electricity provision.
3. Business Area is the area stipulated by the Minister as the location where the business entity that distributes and/or sell electricity power conducts its business in providing electricity power.

4. New energy resources are sources of energy that are generated through new technology, either from renewable or non-renewable energy sources, among a few, nuclear, hydrogen, coal bed methane, liquified coal, and gasified coal.
5. Renewable energy resources are sources of energy that are generated from sustainable energy resources when they are well-managed, among a few, geothermal, wind, bioenergy, solar, water flow and water fall, as well sea waves and temperature differences.
6. Electricity tariff is the tariff of electricity provided by the enterprise for consumers.
7. Consumers are each individual or agency that purchases electricity from electricity provision license holders.
8. The Minister is the minister that handles government business in electricity matters.
9. The Directorate General is the directorate general that conducts the tasks and is being responsible on the creation and implementation of policies in electricity maintenance, provision, technicalities, work safety, and environment

Article 2

This Regulation of Minister stipulates the provisions on the small scale electricity provision enterprise with the total capacity of the electricity system up to 50 (fifty) megawatts, for:

- a. Undeveloped rural areas without basic infrastructure, among a few, electricity network;
- b. Remote rural areas with limited facilities and equipments;
- c. Rural areas in the borders; and/or
- d. Small inhabited islands.

CHAPTER II
IMPLEMENTATION OF SMALL SCALE ELECTRICITY PROVISION
ENTERPRISE

Part One

General

Article 3

- (1) The Government implements the acceleration of electricity provision with adequate quantity, good quality, and reasonable price for residents in undeveloped rural areas, remote regions, villages at the border, and small inhabited islands with no electricity.
- (2) In order to accelerate the provision of electricity as referred in paragraph (1), the Government and/or Local Government according to its authority provides opportunity to Business Entities as the Developer of Small Scale Integrated Electricity Provision Enterprise.

Article 4

The activities of providing small scale electricity are conducted by considering the type and the needs of the consumers as well as the community buying power through:

- a. The use of subsidy budget; or
- b. Without subsidy budget.

Part Two

By Using the Subsidy Budget

Article 5

- (1) The implementation of small scale electricity provision for undeveloped rural areas, remote regions, villages at the border, and

small inhabited islands by using subsidy budget is stipulated as follows:

- a. The Minister through the Directorate General stipulates a Business Area based on the recommendation from the Governor after coordinating with PT PLN (Persero);
 - b. The recommendation from the Governor as referred in letter a, is submitted to the Minister c.q. the Directorate General using the format stipulated in Appendix I which is an indivisible part of this Minister Regulation; and
 - c. The recommendation as referred in letter b is accompanied by the following documents:
 1. The boundaries of the Business Area, the scale of the area and the location map with the coordinate points, with the scale of the area is at least 1 (one) district or equivalent;
 2. The analysis on the potentials of the local New and Renewable Energy Resources;
 3. The need analysis and business plan of the electricity provision enterprise, as well as the type of the power plant in the proposed Business Area.
 4. The analysis on the number of households to be electrified, their professions, and their monthly income;
 5. The analysis of people's buying power and desire; and
 6. Estimate for materials, services, and transportation cost.
- (2) In preparing the documents referred in paragraph (1) letter c, the Governor can coordinate with the Directorate General.

Article 6

- (1) Based on the recommendation as referred in Article 5 paragraph (1), the Directorate General, through a technical team, verifies the documents.
- (2) The technical team as referred in paragraph (1) conducts research and evaluation on the application documents as referred in Article 5 paragraph (1) letter c for at the most 30 (thirty) working days after the complete documents are received.
- (3) Based on the results of the research and evaluation as referred in paragraph (2), the technical team submits a report to the Directorate General.
- (4) Based on the report from the technical team as referred in paragraph (3), the Directorate General on behalf of the Minister approves or rejects the application to stipulate a Business Area at the latest 7 (seven) working days after receiving the report.

Article 7

- (1) In the case where the Governor does not give a recommendation of Business Area stipulation, the Minister through the Directorate General can stipulate the Business Area for Small Scale Electricity Provision Enterprises in undeveloped rural areas, remote rural regions, villages at the borders, and small inhabited islands.
- (2) The stipulated Business Area as referred in paragraph (1) is communicated to the Governor.

Article 8

- a. Based on the approval from the Directorate General as referred in Article 6 paragraph (4) or stipulation of the Minister through the Directorate General as referred in Article 7, the Governor offers a Business Area to the Business Entity to join the selection process of Small Scale Electricity Provision Business Enterprises.

- b. In conducting the selection as referred in paragraph (1), the Governor considers the following issues:
 - a. The technical and funding capabilities of the Business Entity;
 - b. The electrification ratio target and completion time; and
 - c. The main cost of electricity provision.
- c. Based on the results of the selection as referred in paragraph (1), the Governor issues a Business License to the Business Entity for providing electricity for public use.

Article 9

- (1) In the case where no Business Entity is interested in joining the selection process of small scale electricity provision enterprise, the Governor can assign the local state-owned business entity to run the small scale electricity provision enterprise.
- (2) The local state-owned business entity as referred in paragraph (1) is given a Business License by the Governor to provide electricity for public use.

Article 10

- (1) The Business Entity as referred in Article 8 paragraph (3) or a local state-owned business entity as referred in Article 9 paragraph (2) that has obtained a Business License to provide electricity for public use is recommended in written by the Governor to the Minister through the Directorate General to obtain assignment to provide small scale electricity with the format stipulated in Appendix II which is an indivisible part of this Minister Regulation.

- (2) The recommendation for assignment as referred in paragraph (1) is accompanied by the Business License to provide electricity for public use issued by the Governor.
- (3) Based on the recommendation from the Governor as referred in paragraph (1), the Directorate General on behalf of the Minister gives an assignment to provide small scale electricity to the Business Entity or the proposed local state-owned business entity.

Part Three

Without Using the Subsidy Budget

Article 11

The implementation of small scale electricity provision without using the subsidy budget is conducted according to the provisions of rules and regulations.

CHAPTER III

UTILIZATION OF PRIMARY ENERGY RESOURCES

Article 12

- (1) The Business Entity which is given an assignment as referred in Article 10 paragraph (3) must optimize the use of local new or renewable energy resources.
- (2) The Business Entity which uses new or renewable energy resources as referred in paragraph (1) can be given fiscal incentives according to the provisions of the rules and regulations.

CHAPTER IV
THE AMOUNT OF DOMESTIC COMPONENTS

Article 13

- (1) The Business Entity prioritizes the use of domestic goods/services in implementing the small scale electricity provision enterprise in its Business Area.
- (2) The utilization of domestic goods/services as referred in paragraph (1), uses the minimum standards of domestic components level according to the provisions of rules and regulations.

CHAPTER V
THE RIGHTS AND OBLIGATIONS OF THE BUSINESS ENTITY

Article 14

The Business Entity which is given an assignment as referred in Article 10 paragraph (3) in conducting its business is obliged to:

- a. Create a business plan for providing electricity according to the provisions of rules and regulations;
- b. Provide electricity in its Business Area;
- c. Strive to achieve the electrification ratio level of at least 95% (ninety five) within its Business Area within 5 (five) years of its assignment from the Minister;
- d. Construct electricity infrastructure and operate according to its functions at least within 1 (one) year after it receives the assignment from the Minister;
- e. Meet the provisions of safety and environment of the electricity;

- f. Provide electricity power and electricity distribution network with good quality and reliability level; and
- g. Report its electricity provision business enterprise in its Business Area every 6 (six) months to the Directorate General.

Article 15

In order to fulfill its obligation in providing electricity power within its Business Area as referred in Article 14 letter b, the Business Entity which receives the assignment can cooperate with another Business Area license holder according to the provisions of the rules and regulations.

Article 16

The Business Entity which receives an assignment can transfer its Business Area to another Business Area license holder after:

- a. Completing its construction obligations in its Business Area; and
- b. Obtaining an agreement from the Minister through the Directorate General.

Article 17

- (1) The Business Entity which receives the assignment can take over another Business Area after receiving an approval from the Minister through the Directorate General.
- (2) The Business Entity as referred in paragraph (1) can take over another Business Area provided that it has fulfilled its obligations as referred in Article 14 and/or received an assignment from the Minister through the Directorate General.

Article 18

- (1) The Business Entity which receives an assignment can obtain more than one Business area for small scale electricity provision by joining the selection process as referred in Article 8.
- (2) The Business Entity as referred in paragraph (1) must meet the following requirements:
 - a. It possesses adequate technical and financial capabilities;
 - b. The electrification ratio in the Business Area in which it owns the facilities to provide small scale electricity power has reached at least 95% (ninety five); and
 - c. The service of electricity power provision within its Business Area has met good quality and reliability standards.

CHAPTER VI

ELECTRICITY TARIFF STIPULATION

Part One

By Using the Subsidy Budget

Article 19

- (1) In order to calculate the electricity subsidy, the Business Entity which receives the assignment proposes the main cost of electricity provision every year to the Directorate General.
- (2) The proposal as referred in paragraph (1) is submitted at the latest in the 3rd (third) month of the current year, accompanied by the following documents:

- a. The realization and projected use of fuel if any fuel is used;
 - b. The actual and projected expenses of running the electricity provision business;
 - c. Realization of depreciation in the transmission network and/or electricity distribution and future depreciation target;
 - d. Realization of the main cost in providing electricity power and projection of future cost;
 - e. The expansion plan of the Business Area in the future, including among a few the projected need and supply of electricity, the development of electricity power plant, transmission and/or distribution.
- (3) Based on the recommendation as referred in paragraph (1), the Directorate General conducts evaluation on the main cost of providing electricity power.

Article 20

- (1) The electricity tariff for the consumers of the Business Entity that receives an assignment by using the subsidy budget uses the tariff applied by the State-Owned Electricity Company (PT PLN Persero) for household consumers with 450 VA connected power capacity.
- (2) The Government calculates the amount of electricity subsidy needed and allocates the budget for electricity subsidy based on the electricity usage volume per connecting point per month with the highest volume to be 84 kWh.
- (3) The electricity subsidy as referred in paragraph (2) is calculated using the following formula:

$$S = - (TTL - BPP (1 + M)) \times V$$

$$S = \text{Electricity Subsidy}$$

$$TTL = \text{PT PLN Persero Household Consumer Tariff with 450 connected power capacity (Rp/kWh)}$$

BPP = Low voltage Provision Main Cost (Rp/ kWh)

M = Margin (%)

V = Volume of electricity usage per connecting point per month

- (4) The margin in the calculation of the payment of electricity subsidy as referred in paragraph (3) is stipulated by the Directorate General by considering the geographical conditions of the Business Area.
- (5) The margin in the calculation of the payment of electricity subsidy as referred in paragraph (4) is the margin used in the calculation of the amount of electricity subsidy to produce the number of electricity subsidy stipulated in the State National Budget and/or the Revised State National Budget.

Part Two

Without Using the Subsidy Budget

Article 21

- (1) The stipulation of electricity tariff for a Business Entity that holds a Business Area in the business of providing small scale electricity power without using the subsidy budget is stipulated by the Minister or Governor based on its authority according to the provisions of rules and regulations.
- (2) In the case where the local government cannot stipulate the electricity tariff as referred in paragraph (1), the Government stipulates the electricity tariff for a Business Entity that holds a Business Area in the business of providing small scale electricity power according to the PT PLN (Persero) electricity tariff.

CHAPTER VII
GUIDANCE AND SUPERVISION

Article 22

The guidance and supervision of the Business Entity that holds a Business Area in the business of providing electricity power, which:

- a. Uses the subsidy budget through assignment, is conducted by the Minister; and
- b. Does not use the subsidy budget, is conducted by the Minister or the Governor based on its authority according to the provisions of rules and regulations in electricity matters.

CHAPTER VIII
ADMINISTRATIVE SANCTIONS

Article 23

- (1) In the case where a Business Entity that holds a Business Area in the business of providing electricity power does not perform its obligations as referred in Article 14, the Directorate General on behalf of the Minister gives administrative sanctions in the form of:
 - a. Written warning; and /or
 - b. Revocation of Business Area
- (2) The written warning as referred in paragraph (1) letter a is given at the most 3 (three) times, with the duration in between the warnings to be at the most 1 (one) month.
- (3) In the case where the Business Area holder of the small scale electricity provision business receives a written warning as referred in paragraph (2) in which after the end of the duration of the third written warning it has not perform its obligations, the Directorate General on behalf of the Minister imposes administrative sanction of revoking the Business Area.

CHAPTER IX
CLOSING PROVISIONS

Article 24

This Minister Regulation shall come into force on the date of promulgation.

For public cognizance, this Minister Regulation shall be published in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta
On 25 November 2016

THE MINISTER OF ENERGY AND MINERAL RESOURCES
THE REPUBLIC OF INDONESIA,

(signed)

IGNASIUS JONAN

Promulgated in Jakarta
on 29 November 2016

THE DIRECTORATE GENERAL
REGULATIONS AND LAWS
THE MINISTRY OF LAW AND HUMAN RIGHTS
THE REPUBLIC OF INDONESIA,

(signed)

WIDODO EKATJAHJANA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2016 NUMBER 1812

This is a true copy of the original document
THE MINISTRY OF ENERGY AND MINERAL
RESOURCES

The Head of the Law Bureau,


Hutomo Asrofi

APPENDIX I
REGULATION OF THE MINISTER OF ENERGY AND MINERAL
RESOURCES THE REPUBLIC OF INDONESIA
NUMBER 38 OF 2016
ON
ACCELERATING ELECTRIFICATION IN UNDEVELOPED RURAL
AREAS, REMOTE REGIONS, BORDER AREAS, AND SMALL
INHABITED ISLANDS THROUGH THE IMPLEMENTATION OF
SMALL SCALE ELECTRICITY PROVISION ENTERPRISES

PROPOSAL LETTER FOR STIPULATING BUSINESS AREA IN THE SMALL
SCALE ELECTRICITY PROVISION ENTERPRISE

Number : 20....
Encl. :
Subject : Proposal for Stipulating Business Area in the Small
Scale Electricity Provision Enterprise

Attn. The Minister of Energy and Mineral Resources
c.q. the Directorate General of Electricity
Jln. H. R. Rasuna Said Blok X-2 Kav. 7-8
Kuningan, Jakarta

In order to accelerate the provision of electricity power in undeveloped rural areas, remote regions, villages at the borders, and small inhabited islands which are not covered by electricity either from private companies or PT PLN (Persero), we would like to propose for the area of District Regency Province *) to be stipulated as a Business Area in the business of providing electricity power for public use.

For your consideration, we hereby submit:

- a. The boundaries of the Business Area, the scale of the area and the location map with the coordinate points;
- b. The analysis on the potentials of the local New and Renewable Energy Resources;
- c. The need analysis and business plan of the electricity provision enterprise, as well as the type of the power plant in the proposed Business Area.
- d. The analysis on the number of households to be electrified, their professions, and their monthly income;
- e. The analysis of people's buying power and desire; and
- f. Estimate for materials, services, and transportation cost.

Thank you for your kind attention and consideration.

Governor of Province

Signed, stamped

(Full Name)

Note

*) Filled according to the location

THE MINISTER OF ENERGY AND MINERAL RESOURCES
THE REPUBLIC OF INDONESIA,

(signed)

IGNASIUS JONAN

This is a true copy of the original document
THE MINISTRY OF ENERGY AND MINERAL
RESOURCES

The Head of the Law Bureau,

Kepala Biro Hukum,



APPENDIX II
REGULATION OF THE MINISTER OF ENERGY AND MINERAL RESOURCES
THE REPUBLIC OF INDONESIA
NUMBER 38 OF 2016
ON
ACCELERATING ELECTRIFICATION IN UNDEVELOPED RURAL
AREAS, REMOTE REGIONS, BORDER AREAS, AND SMALL
INHABITED ISLANDS THROUGH THE IMPLEMENTATION OF
SMALL SCALE ELECTRICITY PROVISION ENTERPRISES

PROPOSAL LETTER FOR ASSIGNING A BUSINESS ENTITY IN THE SMALL
SCALE ELECTRICITY PROVISION ENTERPRISE

Number : , 20....
Encl. :
Subject : Proposal for Assigning a Business Entity in the Small
Scale Electricity Provision Enterprise

Attn. The Minister of Energy and Mineral Resources
c.q. the Directorate General of Electricity
Jln. H. R. Rasuna Said Blok X-2 Kav. 7-8
Kuningan, Jakarta

Based on the provision in Article 10 paragraph (1) of the Regulation of the Minister of Energy and Mineral Resources Number of on Accelerating Electrification in Undeveloped Rural Areas, Remote Regions, Border Areas, and Small Inhabited Islands through The Implementation of Small Scale Electricity Provision Enterprises, we hereby propose to the Minister to issue an assignment letter to the Business Entity which holds the the Business License in the provision of electricity power in the area of District Regency Province *) to provide small scale electricity power in the said area by using the tariff stipulated by the Minister.

For your consideration, we enclose the Business License for providing electricity

power of the said Business Entity.

Thank you for your kind attention and consideration.

Governor of Province

Signed, stamped

(Full Name)

Note

*) Filled according to the location

THE MINISTER OF ENERGY AND MINERAL RESOURCES
THE REPUBLIC OF INDONESIA,

(signed)

IGNASIUS JONAN

This is a true copy of the original document
THE MINISTRY OF ENERGY AND MINERAL
RESOURCES

The Head of the Law Bureau,

Kepala Biro Hukum,

