

2018 RUPTL PUBLISHED: SIGN OF A NEW ERA?

The Ministry of Energy and Mineral Resources (“MEMR”) has approved the 2018-2027 Electricity Long-Term Supply Business Plan (RUPTL) of PT PLN (Persero) based on Decision of the Ministry of Energy and Mineral Resources No. 1567K/21/MEM/2018 dated 13 March 2018 (“2018 RUPTL”) and published copy of the 2018 RUPTL in the official website of the Directorate General of Electricity as follows:

<http://www.djk.esdm.go.id/index.php/rencana-ketenagalistrikan/ruptl-pln>

Main Provisions

Rationalization of Power Plant Development Target

In the 2018 RUPTL, total development of the power plant is targeted at 56,024 MW, slashing 21,849 MW from the 2017 RUPTL’s development target which was set at 77,873 MW by the end of 2026 (representing approximately 28% of the total previous target).

The press release of the MEMR on 13 March 2018¹ reported that PLN revised its 10-year business plan due to the realization of Indonesia’s economic macro indicators in which PLN decided to take a more realistic assumption on the growth for electricity demand, using a projection of average demand growth of 6.86% per year (a 17.3% reduction compared to the annual 8.3% demand growth assumed in the 2017 RUPTL).

Revision to Energy Mix Target and PLN’s Commitment for the Development of Renewable Energy

In the 2018 RUPTL, coal power plants will still dominate Indonesian energy mix-energy until 2027. The 2018 RUPTL sets the following energy mix target by 2025:

¹ <https://www.esdm.go.id/en/media-center/news-archives/menteri-esdm-menyetujui-ruptl-pt-pln-2018-2027-pertumbuhan-yang-realistis-dan-meningkatkan-target-ebt>



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- Coal will represent 54.4% of the total energy mix target, showing quite a significant increase since the 2017 RUPTL stipulated that coal should only represent 50.4% of the total energy mix target.
- New and renewable energy mix target is slightly increased from 22.5% in the 2017 RUPTL to 23% in the 2018 RPUTL.
- Gas mix energy target is reduced significantly from 26.6% mix energy target in the 2017 RUPTL to 22.2% in the 2018 RUPTL.
- Oil fuel mix energy target is maintained at 0.4%.

It is worth to note that despite the significant reduction of the power plant development target in the 2018 RUPTL, it still maintains almost similar ratio of new and renewable energy mix target. The 2018 RUPTL provides that new and renewable energy mix target will increase from a total of around 12.4% in 2018 to 23% in 2025, representing an increase of more than 85% in only 7 years. Interestingly, the 2018 RUPTL also stipulates that by 2027, the total energy mix target for renewables and gas (including LNG) will be decreased to 20.4% and 20.6%, respectively, while the projection for coal use will be 58.6%. As such, one might assume from this projection that starting from 2025, there will be another major increase of coal power plant development. The reasoning for such policy is yet to be understood.

Other Main Points

The 2018 RUPTL also provides the following plans:

- construction of new transmission lines: 63,855 km (slight reduction compared to 2017 RUPTL with a target of 67,627 km construction);
- construction of new substation: 151,424 MVA (slight reduction compared to 2017 RUPTL with the target of 165,231 MVA);
- construction of new distribution network: 526,390 km;
- construction of new distribution substation: 50,216 MVA (slight reduction compared to the 2017 RUPTL which was targeted at 57,347 MVA).

Further, the 2018 RUPTL mandates PLN to prioritize development of mine-mouth, and wellhead gas/gas-steam/gas machine power plants. It

remains unknown how this will affect PLN's ability to satisfy the target in increasing the number of renewables power plant.

Closing

While there is almost a 30% reduction in the overall power plant development target, this update should not really come as a surprise to market players. Given the market condition, choosing to use a more realistic growth assumption might actually be more beneficial for the entire stakeholders in the electricity sector, especially the Indonesian people. Building a bridge that leads to nowhere is a classic example of mismanagement and waste of tax payers' money. The decision to alter the RUPTL gives a good indication that both PLN and the Indonesian government are committed to avoid such wasteful spending.

In addition, the fact that PLN still maintains its renewable energy mix target must also be appreciated. While the development is still slower compared to other developed countries, hopefully Indonesia is on the right track and the plan can be changed for the better, once new technological development allows to have cheaper prices for renewables. After all, the 2018 RUPTL is not set in stone, as it always can be amended, if needed, subject to MEMR's approval.

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