

## Unlimited sunshine, limited solar plants quota

The long talked-about regulation on rooftop solar is finally seeing the light of day.

### In brief

On 29 January 2024, the Minister of Energy and Mineral Resources ("MEMR") issued MEMR Regulation No. 2 of 2024 on Rooftop Solar That is Connected to the Grid of a Holder of a Business License for Electricity Provision for Public Use ("IUPTLU") ("Reg. 2/2024"). Reg. 2/2024 became effective on 31 January 2024 and effectively revokes the old MEMR regulation on rooftop solar (i.e., MEMR Regulation No. 26 of 2021 ("Reg. 26/2021")).

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### What's new?

Reg. 2/2024 introduces a set of catalysts and hurdles for the installation of rooftop solar. We break them down here.

FIRST, **there is a capacity quota for development of rooftop solar**. Reg. 2/2024 mandates all IUPTLU holders to propose to the Directorate General of New and Renewable Energy ("EBTKE") a five-year capacity quota for the installation of rooftop solar by its customers ("**Solar Customers**"). The first quota for 2024-2028 must be submitted to EBTKE at the latest on 30 April 2024. EBTKE must make a determination on the quota no later than a month after it receives the complete submission from the IUPTLU holders. Within ten business days after that determination, the IUPTLU holders must publish it on the website, app and/or official social media of the IUPTLU holders. We hope to see the first quota being announced by mid-June 2024. The quota determination is based on the "clustering" of the electricity system from a power plant all the way to the customers. According to Director of Retail and Business of PLN, Edi Sri Mulyanti, in an official socialization of Reg. 2/2024 on 5 March ("**Official Socialization**"), for PLN customers, the clustering is based on PLN's UP3 (*Unit Pelaksana Pelayanan Pelanggan – Customer Service Implementation Unit*) areas.

Reg. 2/2024 provides flexibility for IUPTLU holders in two regards. One, it does not prescribe a minimum quota to be proposed to EBTKE. This means IUPTLU holders are free to decide how low the quota can be. Two, it gives IUPTLU holders the freedom to decide whether or not to (ever) update the quota. If the quota is not updated, and there remains unused quota, Reg. 2/2024 allows the remaining quota to be rolled over to the coming year(s). But what happens if the quota is entirely used up? There is a concern that if the quota is not updated, then there can be no new Solar Customers, and existing Solar Customers cannot increase their capacities. This will prevent the growth of rooftop solar use by customers.

On the (perhaps) upside, each Solar Customer is no longer limited to 100% installed capacity (as previously set out in Reg. 26/2021). Based on this regulation, we look forward to seeing if there will be any more pushback from IUPTLU holders with regard to the capacity requested by Solar Customers (as long as it is within the quota).

SECOND, **it may take a while for Solar Customers to install and operate their rooftop solar**. First of all, applications for approval from IUPTLU holders for installation of rooftop solar can be done in January and July of each year (except for the first quota determination). From the drafting of Reg. 2/2024, it seems that an application filed outside those months is not guaranteed to be considered in the next open month.

Knowing there is a wait-list, we can't help but wonder if applications will be processed on a first-come, first-served basis. Director of Various New and Renewable Energy of the MEMR, Andriah Feby Misna, confirmed, in the Official Socialization of Reg. 2/2024 that IUPTLU holders should adopt a **first-in, first-served** approach. In such a case, when a Solar Customer intends to get a rooftop solar in say 10 months, would it be worth filing an application in the next open period? Our THIRD point below may also be a point of consideration. And if there are already a lot of names on the wait-list, Solar Customers who only apply in later periods may be further and further back in the list.

Further, the five-day 'deemed approval' concept that was found in the old rooftop solar regulation (i.e., the now-revoked Reg. 26/2021), has now been extended significantly. In the past, an approval was deemed given if an IUPTLU holder did not approve or reject an application within five business days after the application was received by the IUPTLU holder. Now the time has been extended to 30 days after the application month is closed.

The last step in getting the rooftop solar to operate is that Solar Customers must wait until the IUPTLU holder installs an advance meter. Fortunately, Reg. 2/2024 mandates that the advance meter be installed no later than 15 business days after the SLO is issued (or if no SLO is needed, after the MEMR issues a registration number).

Please see the timeline in Attachment 1.

THIRD, **an approval from an IUPTLU holder may be revoked if the SLO is not obtained within six months** after the IUPTLU holder grants its approval. The provisions in Reg. 2/2024 are not sufficiently clear as to whether the approval is automatically considered revoked, or if the IUPTLU holder *may* or *must* undertake a certain action to revoke its approval. Note that the revocation of the approval also applies to 'deemed approval' as discussed above.

In cases where an SLO is not needed, the Solar Customer will need a registration number from the MEMR. If the Solar Customer still has not obtained the registration number from the MEMR within three months after the approval is granted, its IUPTLU holder approval will face the same consequences.

FOURTH, **no more electricity export and no more capacity charge**. Another significant departure from Reg. 26/2021 is the removal of the capacity charge and export of electricity. Reg. 2/2024 also explicitly prohibits the sale of electricity (including export of electricity) generated from the solar plants and does not have any provisions relating to capacity charge. Solar Customers who were expecting to take some economic benefit from installing solar plants (i.e., to set off their electricity bills from export of electricity) will have to shelve their plans.

FIFTH, **the carbon economic value from rooftop solar is for the Government to grab**, until there is a clear legal framework regulating the implementation of the economic value of carbon. Although the MEMR has issued Regulation No. 16 of 2022 on Guidelines for the Implementation of Economic Value of Carbon in the Sub-sector of Power Plants which regulates carbon in electricity industry in general, the Director of Various New and Renewable Energy of the MEMR noted that there is not yet any regulation on carbon economic value from rooftop solar. As such, for now, the economic value will become the entitlement of the Government.

## What licenses/approvals are required?

Solar Customers must apply for a Business License for Electricity Provision for Self-Use ("IUPTLS") if the capacity that is connected to one electricity system is >500kW. If the capacity is <500kW, the Solar Customers only need to file a report to the MEMR or governor before installing the rooftop solar. The capacity is determined based on the total inverter capacity.

SLO must be obtained for installations where (i) the capacity that is connected to one electricity system is >500kW, and (ii) the capacity is <500kW and has a control panel technical specification that is separated.

Capacity	> 500 kW	≤ 500kW	
Technical details	Connected to one electricity system	Has control panel technical specification that is separated	Has a control panel technical specification that is <b>not</b> separated and can be operated in a plug-and-play manner
			(i) There is only one inverter or more than one inverter with total capacity of < 10kW. (ii) The solar panel series is in one building construction. (iii) The rooftop solar system is in one grounding system. (iv) The rooftop solar system serves one utilization installation.
IUPTLU holder approval	✓	✓	✓

IUPTLS	✓	X Only reporting obligation to the MEMR or the governor	X Only reporting obligation to MEMR or the governor	X Only reporting obligation to MEMR or the governor
SLO	✓	✓	✓	X Only a registration obligation to the MEMR, by providing a statement letter of liability, accompanied with either (i) a product certificate, (ii) a producer warranty that is still effective, (iii) a commissioning test report from a technician of the distributor or from an IUJPTL company, or (iv) maintenance documents.

If a Solar Customer operates its rooftop solar without first getting IUPTLU holder approval, then the IUPTLU holder may require the Solar Customer to disconnect the rooftop solar from the IUPTLU holder's network and pay a fine calculated based on inverter capacity times 240 hours times electricity tariff.

Solar Customers with an industry tariff are required to report their operation plan to IUPTLU holders periodically, as may be required by IUPTLU holders.

## Who else is impacted?

Aside from IUPTLU holders and Solar Customers, Reg. 2/2024 also imposes certain requirements on business entities with business certificates to perform electricity supporting services ("**IUJPTL Companies**"). Installation and assembly of rooftop solar must be performed by IUJPTL Companies in accordance with prevailing regulations. IUJPTL Companies are also required to provide an app that monitors the electricity production of the rooftop solar, which should be able to integrate into the service and reporting app established by the MEMR.

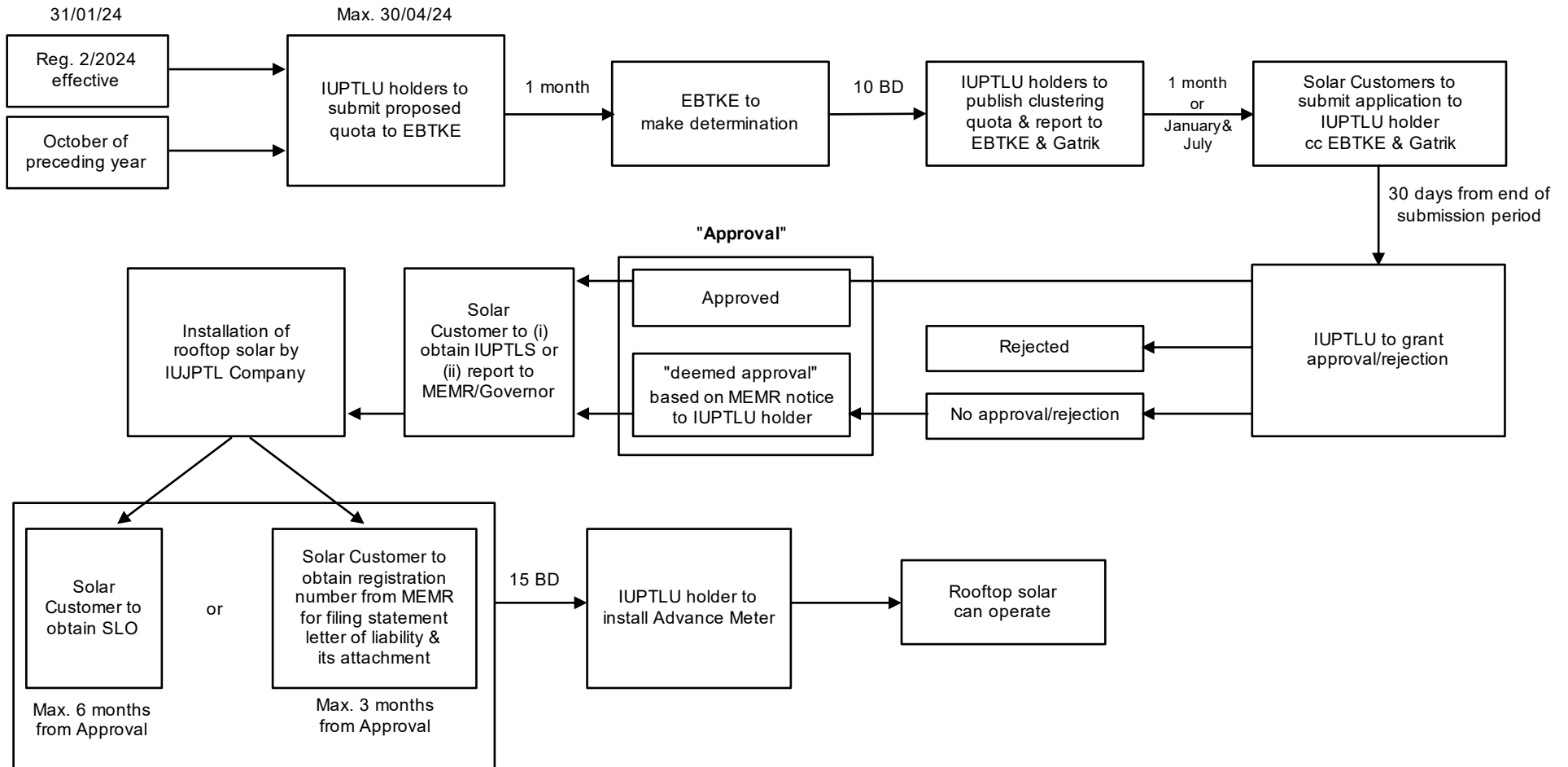
Other industry players, such as rental companies leasing solar panels to Solar Customers, are not captured under Reg. 2/2024.

## What to do now?

Interested Solar Customers must get themselves ready for a race to apply for the installation of rooftop solar due to the quota system. Applications to IUPTLU holders (with a copy to the EBTKE and Directorate General of Electricity) must be submitted within one month after the quota is published. Since the MEMR has confirmed that applications should be processed and approved on a first-come, first-served basis, it may be worthwhile applying as early as possible. Given the application form attached to Reg. 2/2024, which looks pretty straightforward, we think it may be possible for Solar Customers to apply for rooftop solar installation even if they do not have any solar panel suppliers yet.

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**Attachment 1**  
**Timeline for rooftop solar operation**



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