

Operation of Gas Distribution Networks to Private Residences - Offering Procedures

The government has realized for some time that there needs to be a move away from the traditional reliance on oil-based fuels and energy to natural and liquefied gas. The government has committed to developing and building a natural gas distribution network specifically to provide fuel and energy to private residences. To this end, the Minister of Energy and Mineral Resources has issued Regulation No. 29 of 2009 setting out the procedures for offering to businesses and other parties the rights to operate the natural gas distribution network.

The keys to the process require that the minister confirm a policy in this area of endeavour. The policy will take into consideration issues relating to technical specifications, economics, risks, efficiency, as well as openness, fairness, accountability, and sound / healthy business competition.

The regulation explicitly states that the offer to become the operator of the natural gas distribution network is to be done through a tender process. The Director General is to establish a Tender Team for the purpose of managing and administering the tender process. The Tender Team is to comprise of a minimum of seven individuals. It is expected that the team will include members that are familiar with both the art of the tender and with the natural gas distribution networks being offered through tender.

The primary responsibilities of the Tender Team are to compile and prepare tender documents, make the necessary announcements of the tender offer, evaluation of participant documents, assessment of the participants and the compilation of a list of the best participants in order from best to worst, and to make recommendations to the Director General.

The Tender Team will stipulate a tender schedule. This Schedule will note, among other matters, when tender documents are available for collection; when those documents are due for return; and when the announcement of the tender winner(s) is expected. The regulation lists at Article 5(3) the documents and information that is to be made available.

The participants in the tender process are listed in Article 6 and include: businesses that hold a commercial gas via pipes business license (*Izin Usaha Niaga Gas Bumi Melalui Pipa*) and do not own any distribution network facilities, businesses that hold a license and also own distribution network facilities, businesses that hold a license for dedicated downstream pipes, or Regional Owned Enterprises (ROE). Interestingly, ROE are granted the right to amend their tender offer (right to match) under very explicit circumstances.

Generally, the required documents consist of the following:

❖ Past Issues

- ✍ Indonesian National Standards in the Industrial Sector (Issue 1212 - 21/10/2009)
- ✍ Delegation of Authority, Investment Coordinating Board, and Integrated One-Door Services (Issue 1211 - 21/10/2009)
- ✍ Forest Reclamation - Assessment Guidelines (Issue 1210 - 20/10/2009)
- ✍ Alcohol Supply, Distribution, Sales, Supervision, and Control in Indonesia (Issue 1209 - 19/10/2009)

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- Administrative documents (the participant's company profile, statement of eligibility, and statement of the originality of all the documents, among others);
- Technical documents (working plans, and experience, among others), and;
- Financial documents (the participant's financial reports for, at least, the last 3 years, and financial plans, among others).

As would be expected, the bids are to be assessed on four basic criteria: administrative, financial, technical, and performance.

The winning bid will be appointed as the operator of the natural gas distribution network through a Ministerial Decision. The winning bidder is then required to enter into a joint work contract. This contract will be formalized through the Secretary of the Directorate General of Oil and Gas. The terms to be included in the joint contract are listed in Article 16(2).

The guidelines have been in force since 30 September 2009.



⚙ Documents

The Minister of Energy and Mineral Resources
Regulation No. 29 of 2009
(PERMEN_ESDM_29_2009.pdf - 41.Kb)

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