

Government unfazed by court decision

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The government is not worried by the Constitutional Court's decision to annul two articles in the 2009 Electricity Law, which regulated the private sector involvement in its electricity procurement program, stating that there would be no significant changes in the ongoing projects.

The Constitutional Court on Wednesday annulled Article 10 paragraph 2 which previously allowed an integrated business model in electricity procurement for the public, and Article 11 paragraph 1, which allowed state-owned enterprises (SOEs), private companies, cooperatives and NGOs to distribute electricity.

The Energy and Mineral Resources Ministry has stated that all of its

electricity programs and all of the existing technical regulations are already in accordance with the court's ruling, which highlights the state's control over the country's electricity business.

"Even the 35,000 megawatts will not be affected by the decision, because the state is still there to control each business unit in the electricity sector. It means that the state wants to protect all parties involved, whether private investors or public," the ministry's legal department head Hufron Asrofi said on Thursday.

The ambitious 35,000-MW generation program, with a completion target of 2019, involves the construction of 219 power plants and 737 transmission facilities consisting of 75,000 towers, 1,375 main stations and 2,600 transformers using 300,000 kilometers of cable across the country.

The program is expected to help increase the national electrification ratio to 97 percent by 2019, up from the current ratio of 88.3 percent.

Energy and Mineral Resources Ministry spokesman Sujatmiko said such a program strictly complied with the Constitution, as the government's presence could be seen in its authority to set the electricity prices, determine the working areas and issue all relevant permits.

State-owned electricity firm PLN corporate communications head I Made Suprateka concurred with Sujatmiko, as he said PLN could still form partnerships with private companies, particularly through a power purchasing agreement (PPA) with independent power plants (IPPs).

"The Court decision won't restrict private investors developing IPPs, because PLN is the body that will buy the electricity from them

and eventually distribute it to the public," Made said.

Fahmy Radhi, an energy observer at Gadjah Mada University, also said PLN would still be able to use PPA schemes but it should consider higher profit margins for investors. "Those private investors are expected to build power plants with a massive investment value and high risks along the way. So, it is natural if they demand better margins," Fahmy said.

PLN president director Sofyan Basir said only 5,000 MW worth of IPP projects had reached financial closure, meaning that they are ready for construction. The financial closure of another 6,300 MW has been postponed until the business feasibility guarantees are issued by year-end.

As of September, PLN data showed that only 232 MW of the total 35,000 MW is already in commercial operation.