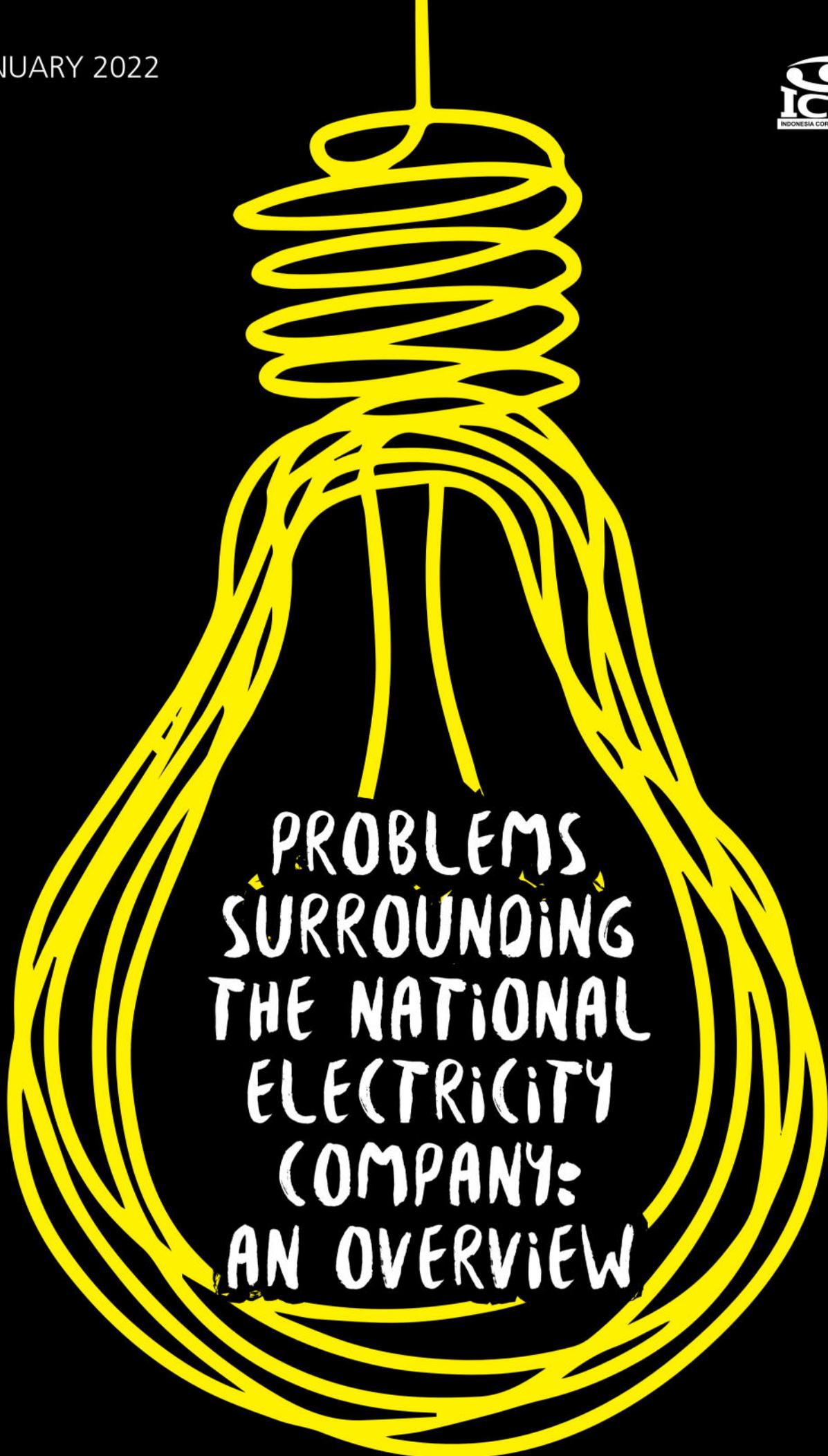


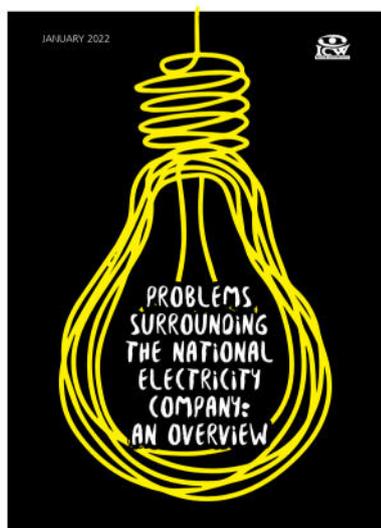
JANUARY 2022



PROBLEMS
SURROUNDING
THE NATIONAL
ELECTRICITY
COMPANY:
AN OVERVIEW

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Jakarta, January 2022

GLOSSARY

APBN (Anggaran Pendapatan dan Belanja Negara)
State Revenue and Expenditure Budget

BPK (Badan Pemeriksa Keuangan)
Indonesia Audit Board

BPKN (Badan Perlindungan Konsumen Nasional)
National Consumer Protection Agency

BPKP (Badan Pengawasan Keuangan dan Pembangunan)
Finance and Development Comptroller

BUMN (Badan Usaha Milik Negara)
State-Owned Enterprises (SOEs)

HBA (Harga Batubara Acuan)
Coal Reference Price

ICW
Indonesia Corruption Watch

IPP
Independent Power Producer

Kemenko Perekonomian (Kementerian Koordinator Bidang Perekonomian)
Coordinating Ministry of Economic Affairs

Kementerian ESDM (Kementerian Energi dan Sumber Daya Mineral)
Ministry of Energy and Mineral Resources

KIP (Keterbukaan Informasi Publik)
Public Information Disclosure

KPK (Komisi Pemberantasan Korupsi)
Anti-Corruption Agency

Partai Golkar (Partai Golongan Karya)
Party of Functional Groups

PJBL (Perjanjian Jual Beli Listrik)
Power Purchase Agreement (PPA)

PT PLN (PT Perusahaan Listrik Negara)
State Electricity Company

PLTU (Pembangkit Listrik Tenaga Uap)
Coal-fired Power Plant

PMN (Penyertaan Modal Negara)
State Capital Participation

RUPTL (Rencana Usaha Penyediaan Tenaga Listrik)
National Electricity Supply Business Plan

INTRODUCTION

The COVID-19 pandemic has been affecting many state-owned enterprises (SOEs), including The State Electricity Company (PT PLN) and their customers. Millions of employees were forced to work from home, resulting in the sharp increase of electricity bills and families worrying about their expenses. Some of these households claimed that there had been no change in their power use pattern during the pandemic, yet their bills jumped.¹ The issue was widely discussed on the Internet and covered by the media.

According to the National Consumer Protection Agency (*Badan Perlindungan Konsumen Nasional, BPKN*), complaints concerning rising power bills in May 2020 rose significantly. One PLN customer reported that her power bills had increased more than twofold from IDR600 thousand per month in the period of January to April 2020 to IDR1.4 million in May 2020.²

The public outcry immediately put PT PLN under the spotlight. The company said that any increase in the bill would be a result of growing consumption and emphasized that PT PLN had not raised power tariff.³ The Ministry of Trade got involved and investigated the increase.⁴ and the

Electricity bills issue was not the only problem that PT PLN faced. The company was also under public criticism because of the financial loss that it recorded.

Indonesian President issued a statement through the presidential spokesperson in social affairs.⁵ The statement, however, was aligned with PT PLN's argument and the investigation result of the Trade Ministry has never been reported.

But electricity bills issue was not the only problem that PT PLN faced. The company was also under public criticism because of the financial loss that it recorded. Zulkifli Zaini, the

¹ Residents Complaining Soaring Electricity Bills When Working From Home | cnnindonesia.com, May 04 2020. Accessed from: <https://app.cnnindonesia.com/cnnindonesia.com/ekonomi/20200504081746-85-499677/warga-mengeluh-tagihan-listrik-melonjak-saat-work-from-home>.

² Maulandy Rizky Bayu Kencana, The Surge In PLN Electricity Bills Is Proof That Consumers Always Lose | Liputan6.com, June 16, 2020. Accessed from: <https://www.liputan6.com/bisnis/read/4279479/lonjakan-tagihan-listrik-pln-bukti-bahwa-konsumen-selalu-kalah>.

³ PLN Explain the Main Causes of Soaring Electric Bills | Liputan6.com, June 16, 2020. Accessed from <https://www.liputan6.com/bisnis/read/4280720/pln-beberkan-penyebab-utama-tagihan-listrik-membengkak>.

⁴ Ilham Wibowo, Ministry of Trade Participates in Investigating Soaring Electricity Bill | medcom.id, June 16, 2020. Accessed from: <https://www.medcom.id/ekonomi/bisnis/3NOG313N-kemendag-turut-investigasi-tagihan-listrik-membengkak>.

⁵ Soaring Electric Bills, Here's An Explanation From The Palace | rmoljatim.id, June 8, 2020. Accessed from: <https://www.rmoljatim.id/2020/06/08/tagihan-listrik-membengkak-ini-penjelasan-dari-istana>.



President Director of PT PLN, admitted this loss. PT PLN revenue dropped from IDR25 trillion per month to just IDR3 trillion per month during the pandemic. In the first quarter of 2020, PT PLN reported financial loss of IDR38.8 trillion.⁶ This indicated that PT PLN had been struggling to run its business during the pandemic.

Indeed, the pandemic has been detrimental to PT PLN's financial performance. However, the company has been under scrutiny long before for many issues. For instance, PT PLN's inadequate transparency and accountability, which consequences included corruption and financial losses that had occurred frequently prior to the pandemic.

PT PLN was also criticized for not providing enough details in their report concerning the progress of their power plant development projects although many communities were affected. In addition, stories of small towns and villages that had to deal with insufficient power supply had continued to be heard. While Indonesia's electrification ratio is now near 100%, there remain families who continue living in the dark.⁸

Moreover, PT PLN's commitment to transition from fossil fuel, especially coal, is questioned. As recent as 2021, coal-fired power plants have continued to dominate Indonesia's energy supply with over 50% of power plants in operation are coal-based.⁹ And it is not only PT PLN that will need to answer to its commitment to clean energy, but also the government that has pledged a transition to new and renewable energy sources by 2030.

However, the company has been under scrutiny long before for many issues. For instance, PT PLN's inadequate transparency and accountability, which consequences included corruption and financial losses that had occurred frequently prior to the pandemic.

On the back of this situation, the Indonesia Corruption Watch (ICW) decided to carry out a short monitoring on the management of PT PLN. Our monitoring covered PT PLN's transparency and accountability, financial performance, corruption, the implementation of the 35,000 MW megaproject, and findings of Indonesia Audit Board (*Badan Pemeriksa Keuangan, BPK*). ■

⁶ Yanita Petriella, Dirut PLN: Kondisi Keuangan Tertekan Saat Pandemi Covid-19 | Bisnis.com, June 25, 2020. Accessed from <https://ekonomi.bisnis.com/read/20200625/44/1257769/dirut-pln-kondisi-keuangan-tertekan-saat-pandemi-covid-19>.

⁷ Aris Prasetyo, From Glasgow to Yapan | Harian Kompas, November 16, 2021, 'Indonesia's Electrification Ratio Until September 2021 Reaches 99.39%, Ministry of Energy and Mineral Resources'. Accessed from <https://www.kompas.id/baca/ekonomi/2021/11/16/dari-glasgow-ke-yapan>.

⁸ Deonisia Arlinta, "Su Trada" Another Dinner In The Dark | Harian Kompas, October 25, 2021. Accessed from <https://www.kompas.id/baca/nusantara/2021/10/25/su-trada-lagi-makan-malam-dalam-gelap>.

⁹ Electricity Statistics 2020, Ministry of Energy and Mineral Resources Directorate General of Electricity.

MONITORING METHOD AND TIMELINE

To monitor PT PLN's management, ICW gathered information from different sources, such as print and electronic media, articles, company deeds, the annual and financial reports of PT PLN and subsidiaries, BPK's audit reports, and scientific journals. We carried out the monitoring activities from 1 August 2021 to 30 November 2021.



PT PLN'S NEGATIVE PERFORMANCE

From our monitoring, we found that PT PLN's performance has been suboptimal from year to year. PT PLN is also associated to the highest number of corruption cases. From 2010 to 2018, there were at least 21 corruption cases that were connected to PT PLN. We listed the following top 5 SOEs to provide a comparison:

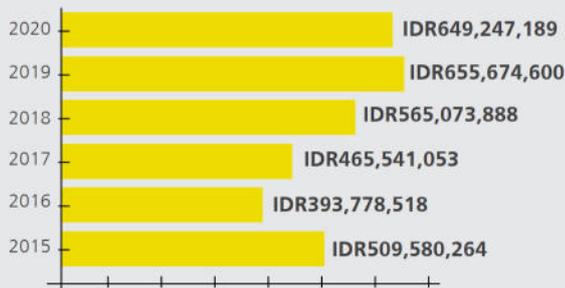
SOES WITH THE HIGHEST NUMBER OF CORRUPTION CASES, 2010-2018



Trends of Corruption Prosecution, Indonesia Corruption Watch

In terms of financial performance, PT PLN performed inconsistently from year to year, although the amount of company liabilities increased every year since 2017 with a decrease only in 2020.

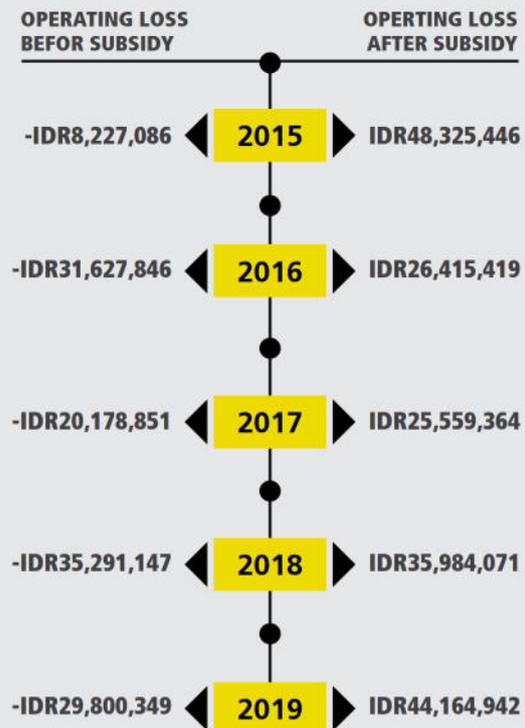
TOTAL LIABILITIES OF PT PLN, 2015 – 2020 (IN MILLION RUPIAH)



Financial Statements of PT PLN, 2015 – 2020

PT PLN also reported operating loss from 2015-2019, although this changed in the 2020 statements. Every fiscal year, PT PLN receives electricity subsidy from the government and compensation income and in 2020 these items put PT PLN's bottom line in the black.

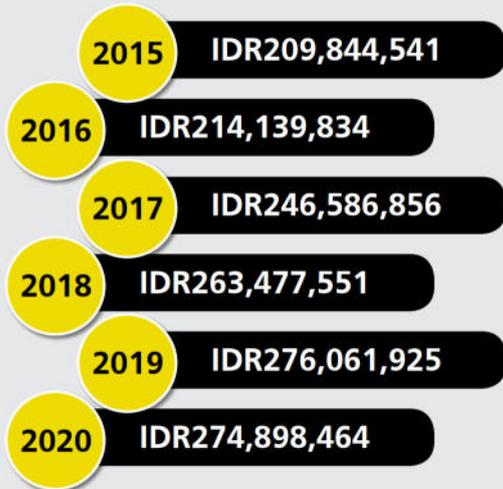
OPERATING LOSS BEFORE SUBSIDY AND OPERATING PROFIT AFTER SUBSIDY, PT PLN, 2015 – 2019 (IN MILLION RUPIAH)



Financial Statements of PT PLN, 2015 – 2020

In terms of electricity sales, PT PLN has been able to consistently demonstrate sales increase, even though sales dipped in 2020.

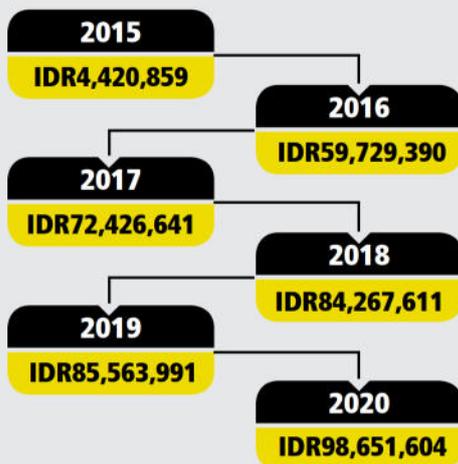
**TOTAL SALE OF ELECTRICITY, PT PLN,
2015 – 2020 (IN MILLION RUPIAH)**



Financial Statements of PT PLN, 2015 – 2020

Prior to 2020, PT PLN had continued to book a significant growth of electricity sales every year. Growth of the sale of electricity was particularly strong in 2016 and continued as such until 2020.

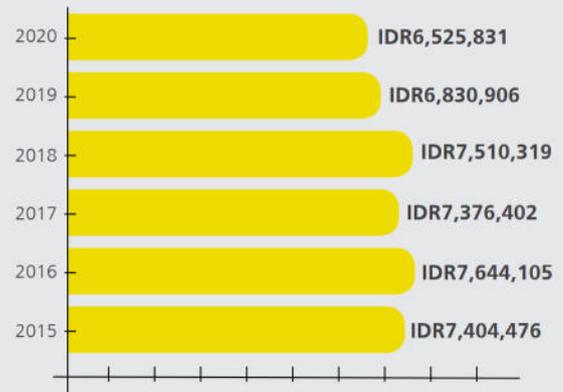
**SALE OF ELECTRICITY, PT PLN, 2015 – 2020
(IN MILLION RUPIAH)**



Financial Statements of PT PLN, 2015 – 2020

PT PLN also has payables of electricity purchase to Independent Power Producers (IPPs). This liability has been restructured through payment renegotiation with the IPPs.

**TOTAL ELECTRICITY PURCHASE PAYABLES,
PT PLN, 2015 – 2016**



Financial Statements of PT PLN, 2015 – 2020

In 2020, PT PLN received State Capital Participation (*Penyertaan Modal Negara, PMN*) in a total amount of IDR9.6 trillion. The PMN was part of the government's National Economic Recovery program (*Pemulihan Ekonomi Nasional, PEN*) and comprised two parts. The first portion of the capital, amounting to IDR4.63 trillion, was intended as equity to strengthen the company's capital structure and business capacity.¹⁰

The second portion was IDR5 trillion PMN, which was taken from the 2020 State Revenue and Expenditure Budget (*Anggaran Belanja dan Pendapatan Negara, APBN*). The purpose was to support PLN's funding capacity so that the company could continue with its power infrastructure projects.¹¹ However, it was not clear of how PEN impacted PT PLN and to what extent; until today, the company and the government have not disclosed the use and impacts of PMN in a detailed and transparent manner. ■

¹⁰ Yusuf Imam Santoso, Government Injects IDR9.6 Trillion PLN for Working Capital | Kontan.co.id, July 13, 2020. Accessed from <https://industri.kontan.co.id/news/pemerintah-suntik-pln-rp-96-triliun-untuk-modal-kerja>.

¹¹ *Ibid.*

BPK FINDINGS IN PLN

As The National Audit Board, BPK regularly carries out audit on PT PLN. BPK examines PT PLN's performance and finances and conducts audit for special purposes. ICW reviewed BPK's audit reports on PT PLN from the period of 2014-2020. Our review found at least 79 issues relating to electricity and coal management.

We mapped the issues and grouped them into seven key themes, namely: price/stock/supply/quality of coal, contract/sale and purchase agreement/cooperation between PT PLN and a third party, power plants, infrastructure development, hazardous and toxic wastes, goods and services procurement, and subsidiaries. The following table links the themes and the number of issues identified:

Issues concerning power plants were the most flagged by BPK with 36 findings. In this case, the type of power plants in question is primarily coal-fired power plant (*Pembangkit Listrik Tenaga Uap, PLTU*), which uses coal as its main fuel. There are at least 29 PLTU units identified in BPK's findings:

With respect to PLTU, BPK's findings concern the planning, development, and financing of a PLTU, PLTU location and land acquisition, tender for PLTU construction, and the lack of oversight. For instance, BPK found poor financing planning of PLTU Amurang and PLTU Asam-Asam that resulted in financing excess of US\$2.85 million

ISSUES IDENTIFIED RELATING TO ELECTRICITY AND COAL MANAGEMENT ACCORDING TO BPK AUDIT FINDINGS

1.	Concerning PT PLN's subsidiaries.	10
2.	Concerning price/stock/supply/quality of coal.	13
3.	Concerning infrastructure development	19
4.	Concerning contract/sale and purchase agreement/cooperation with a third party	16
5.	Concerning hazardous and toxic wastes.	2
6.	Concerning goods and services procurement.	23
7.	Concerning power plants.	36

BPK Audit Reports on PT PLN, 2014 - 2020

and IDR141.31 billion. In terms of contracting, BPK found violations in tender awarding for projects PLTU Tenayan Riau, PLTU Pulang Pisau in Central Kalimantan, and PLTU East Kalimantan – causing the company to suffer US\$27.31 million and IDR326.88 billion in losses.

All five PLTU units were included in the 10,000 MW electrification acceleration program 2006-2015. BPK reported its findings on the program in 2017 and elaborated various issues connected with the program. This program was not the only electricity mega project in Indonesia; ICW requested information disclosure to the



PLTU UNITS IDENTIFIED IN BPK'S AUDIT FINDINGS

NO.	NAME OF PLANT
1.	PLTU 1 Ropa Ende-NTT
2.	PLTU 2 Bolok Kupang-NTT
3.	PLTU 2 NTB-Lombok
4.	PLTU 3 Tambak Lorok Semarang
5.	PLTU Adipala
6.	PLTU Amurang
7.	PLTU Asam-Asam
8.	PLTU Babel 3
9.	PLTU Babel 4
10.	PLTU Jawa Barat - Palabuhan Ratu
11.	PLTU Kalbar 1
12.	PLTU Kalbar 2
13.	PLTU Kalimantan Tengah
14.	PLTU Kalselteng 2
15.	PLTU Kaltim

NO.	NAME OF PLANT
16.	PLTU Lampung
17.	PLTU Lati
18.	PLTU Maluku Ambon Stagnan
19.	PLTU Nii Tanasa
20.	PLTU Paiton Baru
21.	PLTU Pangkalan Susu
22.	PLTU Rembang
23.	PLTU Ropa Ende
24.	PLTU Sulut – Amurang
25.	PLTU Suralaya 1-8
26.	PLTU Tanjung Awar-Awar
27.	PLTU Tanjung Balai Karimun
28.	PLTU Tanjung Kasam
29.	PLTU Tenayan Riau

Finance and Development Comptroller (*Badan Pengawasan Keuangan dan Pembangunan, BPKP*) on the 35,000 MW project that President Joko Widodo committed to. In this case, BPKP acts as the auditor of the program. However, BPKP denied the request and therefore we are not able to ascertain whether there was any problem with the program.

In BPK's audit, the agency also found 19 issues concerning infrastructure development, including PLTU development. Under the 10,000 MW program, for example, there was an excess payment of IDR182.23 million for land acquisition for the development of PLTU West Kalimantan 2. Further, BPK found job performance that was inconsistent with job specifications and work equipment damage and non-repair by the contractor, which caused unnecessary expenses of at least IDR7.89 billion.

The findings concerning goods and services procurement were also important to evaluate. BPK identified at least 23 findings relating to procurement, such as excess payment for coal supply contract to be used in PLTU Suralaya in the amount of IDR11,551,653,971. Meanwhile, PLTU Paiton Baru lost as much as 37,07 thousand MW of its power because of inappropriate mill spare parts. In terms of finances, BPK found a case of profligacy when PLN planned for an additional project in PLTU East Kalimantan; it was inappropriately executed and wasted IDR67 billion.

With respect to contract/sale and purchase agreement/cooperation between PT PLN and a third party, BPK found at least 16 issues, including issues at the subsidiary level, such as PT PLN Batam and PT PLN Batubara. In the power purchase agreement for PLTU Tanjung Kasam for instance, the calorific value of coal had not been specified. As the result, PT PLN Batam had no grounds to impose heat rate penalty. Moreover, PT PLN Batubara at one point potentially lost IDR593,453,860,762.00 of joint operation (JO)

funds that had been paid to the subsidiary's partner.

Finally, there were issues concerning coal management, comprising price/stock/supply/ quality of coal, and toxic and hazardous wastes. In its 2014 audit, BPK found that coal supply to PLTU units were frequently delayed and often went over the delay tolerance threshold regulated in the coal supply contract.

There were three suppliers that were particularly tardy: PT Dwi Guna Laksana, a consortium comprising PT Oktasan Baruna Persada, PT Golden Great Borneo, and PT Buana Eltra; and a consortium comprising PT Eksploitasi Energi Indonesia Tbk and CV Multi Bara Persada. While their actions affected the performance of several PLTU units, PT PLN has continued to do business with the companies. PT PLN was also found to purchase coal from PT Hanson Energy and a consortium comprising PT Kasih Industri Indonesia and PT Senamas Energindo Mulia; BPK's audit revealed excess payment of IDR13.53 billion because of the difference with coal reference price (*harga batubara acuan, HBA*).

Regarding toxic and hazardous wastes, in 2012/2013 there was IDR74 billion in proceeds from the sale of coal ash that PT PLN did not put into use. Additionally, the plan to re-use toxic and hazardous wastes from coal combustion residuals in PLTU Asam-Asam was not supported by an agreement letter and it was likely that the plan would not benefit PT PLN.

These issues point to the fact that PT PLN's management has a significant room for improvement. PT PLN has not been practicing good corporate governance and often contravenes the applicable regulations. These problems are potentially detrimental to PT PLN and if the company continues this course, their customers will suffer. ■

TRANSPARENCY AND ACCOUNTABILITY IN PT PLN

Transparency and accountability are obligatory for an SOE. PT PLN, as the sole power supplier in Indonesia, is not exempted from these principles. Moreover, Law No. 14 of 2008 on Public Information Disclosure (*Keterbukaan Informasi Publik, KIP*) mandates public organizations to be transparent to their stakeholders. These principles are not exactly upheld by PT PLN.

To assess PT PLN's transparency and accountability, ICW exercised two measures. First, we monitored PT PLN's official website and, second, we made an information request to PT PLN to examine their response. Our activities found that PT PLN has not strictly adhered to the transparency and accountability principles. PT PLN's official website misses the disclosure of some regular information and information of public interest that must be immediately published according to the law.

While the company's basic information, e.g., company profile and contact number, are easy to find in the website, further information proved harder to access, such as performance summary, procurement, and list of relevant regulations. Where available, some these items have not been updated.

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One example is the 35,000 MW project – initiated by Joko Widodo's administration with PT PLN as the project executor. Despite the project's importance, PT PLN's website lacks sufficient information. As per October 2021, the website only has progress updates up to September 2018.¹² More information of the project can be

¹² Warta PLN, 35,000 MW Program Progress – August 2018 | pln.co.id, September 18, 2018. Accessed from: <https://web.pln.co.id/media/warta-pln/2018/09/progres-program-35-000-mw-agustus-2018>.

found in PT PLN's annual report, albeit limited and detailed information is difficult to gain.

ICW attempted to glean more information on the project by going through information disclosure procedure as specified in the KIP Law and requested information to the BPKP. BPKP denied the request, saying that the information had been submitted to the Coordinating Ministry of Economic Affairs. ICW followed up and made another request to the ministry; the ministry replied with a statement that it did not obtain any of the audit result from BPKP. The lack of information in PT PLN's website and our empirical experience in accessing information to two public agencies regarding the 35,000 MW project suggest the lack of seriousness in the part of the government or PT PLN when it comes to transparency and accountability of the project.

Another information to highlight is PT PLN's financial statements. The company received a penalty in 2019 from the Indonesia Stock Exchange because of the delayed submission of their financial statements and annual report of fiscal year 2018.¹³ This showed the company's lack of accountability and transparency, as the delay hindered public access to PT PLN's financial position.

Moreover, it was also difficult to learn more of the company's goods and services procurement and the policies it has issued. The information aspects that we tried to access on procurement were, among others, ongoing procurement activities, budget allocated, tender participants and winners, procurement policy and technical guideline, and other regulations concerning procurement in PT PLN.

Indeed, PT PLN provides procurement-related information in its Electronic Procurement (e-proc) system.¹⁴ However, the system does not provide comprehensive information. For example, not all tender notices disclose information on budget allocation. We also found irregular information, such as the same date stamps for both tender announcement and tender award.¹⁵

In addition to examining the website, ICW also conducted information access test to PT PLN, which we carried out in 2019 and 2021. In 2019, ICW requested information to the company on the details of fuel consumption in the power plants managed by PT PLN and their subsidiaries. We found PT PLN's reply unsatisfactory and decided to challenge their response by raising our case to the Central Information Commission. In 2021, ICW was summoned to attend information dispute proceedings by the Commission. At the time this report is developed, the adjudication is still ongoing.

In 2021, ICW again requested information on PT PLN's procurement policy and guideline as well as the power purchase agreements between PT PLN and IPPs. We have also appealed for information using the procedure specified in the KIP law, but PT PLN chose not to respond. At the time this report is developed, ICW is considering raising the case as an information dispute.

Our experience indicates serious transparency and accountability problems in PT PLN, although both principles are mandated to all public agencies, including SOEs. Without a strong commitment to address this issue, we may see even more potential of irregularities. ■

¹³ Annisa Ayu Artanti, Late Financial Report, Stock Exchange Sanctions PLN | medcom.id, May 28, 2019. Accessed from: <https://www.medcom.id/ekonomi/bursa/akWV014b-laporan-keuangan-telat-bursa-beri-sanksi-pln>.

¹⁴ <https://eproc.pln.co.id/>.

¹⁵ https://eproc.pln.co.id/portal/homepage;jsessionid=t6ubmBhkB6cD05XHGVeKIUTGvVEcSSkrxW_kZquMGclLYGOI27W!-1212249586#.

**BERBAHAYA
LISTRIK**



TEGANGAN TINGGI

SBGR

THE 35,000 MW PROJECT AND ITS ISSUES

In 2015, President Joko Widodo initiated an electrification program that targets installed capacity of 35,000 MW. This is a mega-project that aims to expedite the development of power infrastructure in the country. The project is also drafted into a regulation and issued as Presidential Regulation Number 4 of 2016 concerning the Acceleration of Electricity Infrastructure Development. It was also identified in the National Electricity Supply Business Plan (*Rencana Usaha Penyediaan Tenaga Listrik, RUPTL*) 2015-2024 that was stipulated by virtue of Decree of the Energy and Mineral Resource Decision Number 0274/K21/MEM/2015 dated 12 January 2015.

The government mandates PT PLN to realize the project. According to PT PLN's estimates, the project would require up to US\$72.3 billion.¹⁶ Because of the scale of funding, PT PLN sought partnership from independent power producers, or IPPs.

6 years following its launch, the megaproject experienced decline and was met with various problems, including corruption. The project was initially slated for completion in 2019, but reached only 27.79% power plants by the end of 2020, or only 9,931 MW of installed capacity in operation.¹⁷ The project's deadline has been

6 years following its launch, the megaproject experienced decline and was met with various problems, including corruption. The project was initially slated for completion in 2019, but reached only 27.79% power plants by the end of 2020, or only 9,931 MW of installed capacity in operation. The project's deadline has been extended to 2028 with a potential delay to 2030

¹⁶ PT PLN Annual Report 2018.

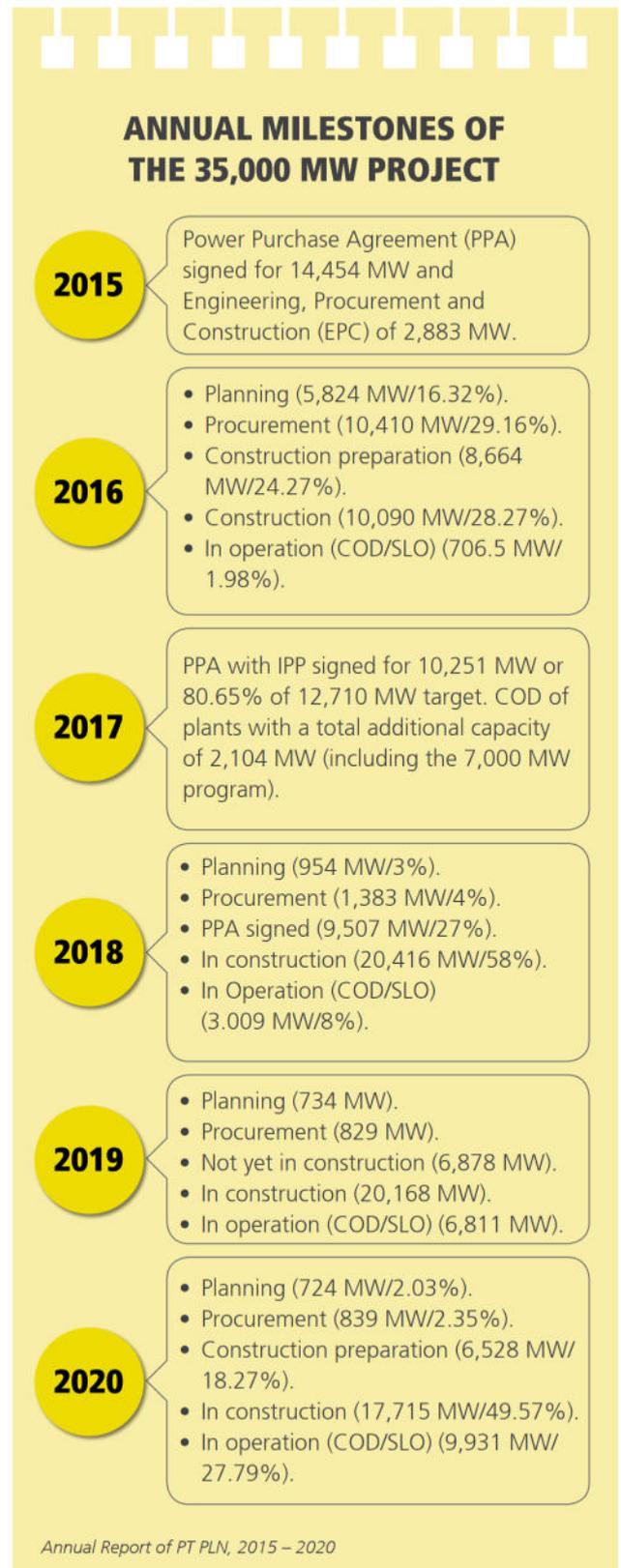
¹⁷ PT PLN Annual Report 2020.

extended to 2028 with a potential delay to 2030.¹⁸

In August 2021, the Ministry of Energy and Mineral Resources announced that the megaproject was just hovering near 30% of its target. Of 35,000 MW, there were only 10,469 MW of installed capacity that has met the commercial operation date.¹⁹ The following table lists the milestones of the project..

There was corruption found in the 35,000 MW megaproject with at least two cases investigated by the authorities. The cases were associated with PLTU Riau-1 and PLTU Cirebon 2. Both cases exhibited the involvement of three parties – public officials, business owners, and politicians – and used a similar method namely bribery. The cases were investigated by the Anti-Corruption Agency (*Komisi Pemberantasan Korupsi, KPK*).

In PLTU Riau-1, KPK investigators launched an operation to arrest the suspects during the commission of the crime. They are Eni Maulani Saragih, a former member of Commission IV of the National Parliament, and Johannes Kotjo, owner of Blackgold Natural Resources Ltd. As the case unfolded, the KPK also arrested a former secretary-general of the Party of Functional Groups (*Golongan Karya*) and the then minister of social affairs, Idrus Marham. PT PLN's then president director Sofyan Basir was also arrested and prosecuted.²⁰ In this case, Johannes Kotjo bribed Eni Saragih and Idrus Marham with IDR4.75 billion. All defendants were convicted and sentenced, except Sofyan Basir who was acquitted by the court.



¹⁸ Muhammad Julian, Until September 2021, 10,864 MW From the 35,000 MW Program Has Entered the COD Stage | kontan.co.id, October 21, 2021. Accessed from: <https://industri.kontan.co.id/news/hingga-september-2021-10864-mw-proyek-pembangkit-sudah-memasuki-tahap-cod>.

¹⁹ Muhammad Julian, The 35,000 Megawatt (MW) Power Generation Project only Approaches 30% Of Target | kontan.co.id, September 24, 2021. Accessed from: <https://newssetup.kontan.co.id/news/proyek-pembangunan-pembangkit-35000-megawatt-mw-baru-mendekati-30-dari-target>.

²⁰ M. Rosseno Aji, Chronology of the Riau-1 PLTU Case Until Sofyan Basir Becomes a Suspect | tempo.co, April 24 2019. Accessed from: <https://nasionaltempo.co/read/1198746/kronologi-kasus-pltu-riau-1-hingga-sofyan-basir-jadi-tersangka/full&view=ok>.

Unlike the PLTU Riau-1 case, the case of PLTU Cirebon remains active and prosecution is ongoing. There are two suspects named in the case, namely GM of Hyundai Engineering Construction Herry Jung and former Cirebon Head of District who took office in the 2014-2019 period, Sunjaya Purwadisastra. Herry Jung allegedly bribed Sunjawa with IDR6.04 billion – initially promising IDR10 billion – to get the permit to build PLTU Cirebon 2.²¹ As of October 2021, the suspects – now defendants – are still waiting their conviction.

The problems surrounding the 35,000 MW mega-project should serve more than enough reason for PT PLN and the government to carry out a thorough evaluation and audit of the project. Moreover, the audit result needs to be disclosed to the public, considering that public funds are used to finance the project. Not only that, but the mega-project has also caused hardships to many communities affected by the plants' development.²²

PT PLN also needs to anticipate the potential of power over supply that may harm PT PLN. Under the take or pay scheme, PT PLN is the mandatory off taker of electricity supplied by the plants regardless of actual demand. The oversupply risk occurred during the pandemic when power demand declined. On 2 June 2021, the national electricity supply reached 42,871 MW with peak load of 38,081 MW.²³ As the result, there was 4,790 MW surplus that PT PLN had to pay for.

In 2020, PT PLN's President Director Zulkifli Zaini admitted that demand had declined. Because of

The audit result needs to be disclosed to the public, considering that public funds are used to finance the project. Not only that, but the mega-project has also caused hardships to many communities affected by the plants' development.

the pandemic, power consumption dropped by 9.7 per cent. For every 1 per cent of consumption decrease, PT PLN lost IDR2.8 trillion of revenue. If the decrease had reached 10 percent, PT PLN would have suffered losses of IDR28 trillion.²⁴ The 35,000 MW may cause and perpetuate oversupply, which only increases the likelihood of PT PLN's profitability to contract.

Another development to anticipate is the outcome of the High-Level Conference on Climate Change in Glasgow, November 2021, where conference participants agreed to phase out coal power plants in 2030. Meanwhile, the 35,000 MW project is heavily relying on coal plants. This should call for a review and reconsideration. ■

²¹ KPK Examines GM Hyundai Engineering Suspect of Bribery of Cirebon Regent | merdeka.com, December 5, 2019. Accessed from: <https://www.merdeka.com/peristiwa/kpk-periksa-gm-hyundai-engineering-tersangka-suap-bupati-cirebon.html>.

²² M. Iqbal, Residents Complain about Fly Ash Air Pollution PLTU Suralaya in Cilegon | detik.com, February 23, 2021. Accessed from: <https://news.detik.com/berita/d-5407434/warga-keluhkan-polusi-udara-fly-ash-pltu-suralaya-di-cilegon>.

²³ Down Because of the Old Contract | Majalah Tempo August 21, 2021 Edition. Accessed from: <https://majalah.tempo.co/read/opini/163926/bagaimana-skema-bisnis-pln-merugikan-diri-sendiri>.

²⁴ Muhammad Hendartyo, Corona, Begini Dampaknya Terhadap Konsumsi Listrik PLN | tempo.co, April 22, 2020. Accessed from: <https://bisnis.tempo.co/read/1334522/corona-begini-dampaknya-terhadap-konsumsi-listrik-pln/full&view=ok>.

CONCLUSION AND RECOMMENDATIONS

PT PLN is Indonesia's sole electricity supplier and its presence is vital for the economy and all aspects of societal life. As an SOE, PT PLN is also expected to generate the greatest benefit for the public. In this context, PT PLN should be closely guarding its performance, realizing that one problem may trickle to other aspects.

Nevertheless, ICW's brief monitoring shows that PT PLN has multiple issues that the company must work on. In terms of transparency and accountability, PT PLN is not being optimally transparent and accountable as it could be, although these aspects are the gateway for public participation to oversee PLN's performance. Considering PT PLN's crucial position in the society, the public should ideally be able to easily access information on electricity tariff base, the process and outputs of PT PLN's activities, relevant regulations, and goods and services procurement.

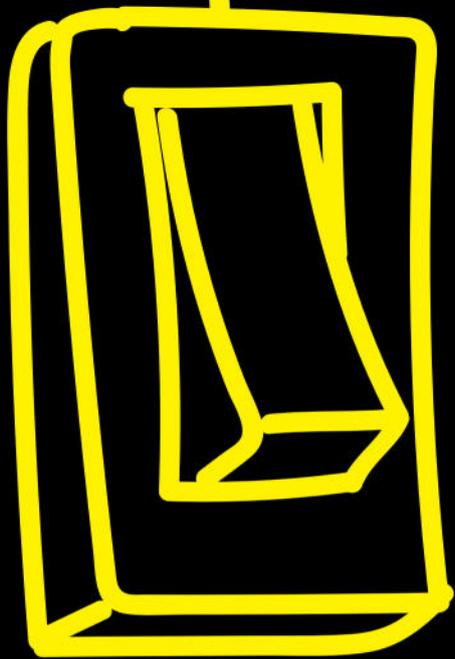
In terms of company performance, PT PLN's management is tarnished by corruption. There were at least 21 cases in 2010-2018. Additionally, PT PLN's financial performance indicates several issues, such as operating losses, significant amount of liabilities, and payables to IPPs. BPK also found issues in PT PLN; ICW mapped out at least 79 issues concerning electricity and coal management with issues relating to power plants and procurement as the most prominent.

The 35,000 MW projects mandated to PT PLN also encountered issues, mainly in terms

of implementation but also other problems. Corruption cases were found in this project, such as PLTU Riau-1 and PLTU Cirebon. Other, more specific issues relating to the project are not yet identified. BPKP as the auditor did not make its report public, while ICW's initiative to request information about their audit report was denied.

BASED ON OUR MONITORING, ICW RECOMMENDS THE FOLLOWING

1. PT PLN should improve its transparency and accountability in managing its business. PT PLN should comply with the provisions of KIP Law when it comes to public information disclosure, ensuring that the information it provides is complete, regularly updated, and easily understood.
2. PT PLN should establish an anti-corruption unit to prevent fraud and the crime of corruption in the company.
3. PT PLN should strengthen its financial performance, among others by reconsidering the take or pay scheme that potentially harms PT PLN.
4. PT PLN should follow-up all issues that BPK identified and announced its follow-up progress to the public.
5. PT PLN should evaluate its procurement policy.
6. PT PLN should evaluate delayed plant development projects or projects that are not yet in construction.
7. Comprehensive audit of the 35,000 MW mega project with audit report disclosure. ■



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