



UNOFFICIAL
TRANSLATION

REGULATION OF DOWNSTREAM OIL AND GAS REGULATORY AGENCY
REPUBLIC OF INDONESIA
NUMBER 2 OF 2024
ON
PROCEDURES FOR THE AUCTION OF TRANSMISSION SECTIONS AND/OR
NATURAL GAS DISTRIBUTION NETWORK AREAS FOR THE GRANTING OF
EXCLUSIVE RIGHT

BY THE GRACE OF GOD ALMIGHTY

HEAD OF THE DOWNSTREAM OIL AND GAS REGULATORY AGENCY
REPUBLIC OF INDONESIA

- Considering :
- a. that in order to increase the utilization and fulfillment of domestic natural gas needs, it is necessary to increase the development of pipeline infrastructure for Transmission Sections and/or natural gas distribution network areas that are efficient, economical, and effective;
 - b. that in order to build the pipeline network infrastructure of the Transmission Section and/or the natural gas distribution network area as referred to in letter a, it is necessary for a business entity that has technical and financial capabilities and is able to build and operate the Transmission Section and/or natural gas distribution network area efficiently, economically and effectively;
 - c. that the Regulation of the Downstream Oil and Gas Regulatory Agency Number 20 of 2019 on the Auction of Transmission Sections and/or Natural Gas Distribution Network Areas in the Context of the Granting of Exclusive Right, is no longer in accordance with legal developments and the needs of the community, so it is necessary to rearrange the procedures and procedures for the auction of Transmission Sections and/or distribution network areas;
 - d. that based on the considerations as referred to in point a, point b and point c, it is necessary to stipulate the Regulation of the Downstream Oil and Gas Regulatory Agency on Procedures and Procedures for Auctioning Transmission Sections and/or Natural Gas Distribution Network Areas for the Granting of Exclusive Right;

- Observing :
1. Law No. 22 of 2001 on Oil and Gas (State Gazette of the Republic of Indonesia No. 136 of 2001, Supplement to State Gazette of the Republic of Indonesia No. 4152) as amended by Law No. 6 of 2023 on the Stipulation of Government Regulations in Lieu of Law No. 2 of 2022 on Job Creation into Law (State Gazette of the Republic of

- Indonesia of 2023 No. 41, Supplement to State Gazette of the Republic of Indonesia No. 6841);
2. Government Regulation No. 67 of 2002 on the Regulatory Agency for the Supply and Distribution of Fuel Oil and Natural Gas Transportation Business Activities Through Pipelines (State Gazette of the Republic of Indonesia of 2002 No. 141, Supplement to State Gazette of the Republic of Indonesia No. 4253) as amended by Government Regulation No. 49 of 2012 on Amendments to Government Regulation No. 67 of 2002 on the Regulatory Agency for the Supply and Distribution of Fuel Oil and Natural Gas Transportation Business Activities Through Pipelines (State Gazette of the Republic of Indonesia of 2012 No. 95, Supplement to State Gazette of the Republic of Indonesia No. 5308);
 3. Government Regulation No. 36 of 2004 on Downstream Oil and Gas Business Activities (State Gazette of the Republic of Indonesia No. 124 of 2004, Supplement to State Gazette of the Republic of Indonesia No. 4436) as amended by Government Regulation No. 30 of 2009 on Amendments to Government Regulation No. 36 of 2004 on Downstream Oil and Gas Business Activities (State Gazette of the Republic of Indonesia of 2009 No. 59, Supplement to State Gazette of the Republic of Indonesia No. 4996);
 4. Presidential Decree No. 86 of 2002 on the Establishment of the Agency for the Supply and Distribution of Fuel Oil and Natural Gas Transportation Business Activities Through Pipelines as amended by Presidential Regulation No. 45 of 2012 on Amendments to Presidential Decree No. 86 of 2002 on the Establishment of the Agency for the Supply and Distribution of Fuel Oil and Natural Gas Transportation Business Activities Through Pipelines (State Gazette of the Republic of Indonesia of 2012 Number 103);
 5. Regulation of the Minister of Energy and Mineral Resources Number 4 of 2018 on Natural Gas Exploitation in Downstream Oil and Gas Business Activities (State Gazette of the Republic of Indonesia Number 169 of 2018) as amended by the Regulation of the Minister of Energy and Mineral Resources Number 19 of 2021 on Amendments to the Regulation of the Minister of Energy and Mineral Resources Number 4 of 2018 on Natural Gas Exploitation in Downstream Oil and Gas Business Activities (State Gazette of the Republic Indonesia Of 2021 Number 792);

HAS DECIDED:

To issue : REGULATION OF THE DOWNSTREAM OIL AND GAS REGULATORY AGENCY ON THE PROCEDURES FOR THE AUCTION OF TRANSMISSION SECTIONS AND/OR NATURAL GAS DISTRIBUTION NETWORK AREAS FOR THE GRANTING OF EXCLUSIVE RIGHT.

CHAPTER I
GENERAL TERMS

Article 1

In this Agency Regulation, what is meant by:

1. Natural Gas is the result of a natural process in the form of hydrocarbons that are under atmospheric pressure and temperature conditions in the form of gas phases obtained from the oil and gas mining process.
2. Natural Gas Transportation Through Pipelines is the activity of distributing Natural Gas through pipelines including transmission activities, and/or transmission and distribution through pipelines and equipment that are operated and/or operated as an integrated system unit.
3. Natural Gas Trading is the activity of buying, selling, exporting and/or importing Natural Gas.
4. The National Natural Gas Transmission and Distribution Network Master Plan, hereinafter abbreviated as RIJTDGBN, is a document regarding the development and construction plan of the Natural Gas transmission and distribution network within the territory of the Unitary State of the Republic of Indonesia and can be adjusted every year.
5. Transmission Section is a certain segment of the Natural Gas transmission network which is part of the National Natural Gas Transmission and Distribution Network Master Plan.
6. Distribution Network Area is a specific area of the Natural Gas distribution network which is part of the National Natural Gas Transmission and Distribution Network Master Plan.
7. Transmission Pipeline is a pipeline to transport Natural Gas from Natural Gas supply sources or Natural Gas fields to Transmission Sections, Distribution Network Areas, Certain Commercial Areas, and/or Natural Gas consumers.
8. Distribution Pipeline is a pipeline that transports Natural Gas from a Transmission Pipeline and/or Distribution Pipeline in a Distribution Network Area to Natural Gas consumers and/or other Distribution Network Areas in the form of a network.
9. Exclusive Right are the right granted by the Regulatory Agency to business entities to operate Natural Gas Transportation Through Pipelines on Transmission Sections and/or in Distribution Network Areas based on auction.
10. Auction is a method of selecting Business Entities to be granted Exclusive Right in the Transmission Section and/or Natural Gas Distribution Network Area.
11. Auction Document is a document determined by the auction committee that contains information and conditions that must be obeyed by the parties in the

- Auction of the Transmission Section and/or Distribution Network Area.
12. Bid Document is a document submitted by the Auction participant to the auction committee which includes the fulfillment of administrative, technical and financial requirements for evaluation by the auction committee.
 13. Feasibility Study is a study that aims to assess the feasibility of the implementation of a pipeline construction and operation activity for the Transmission Section and/or Natural Gas Distribution Network Area.
 14. *Front End Engineering Design* hereinafter referred to as FEED is the work required to produce quality documentation processes and techniques to define project requirements for detailed engineering, procurement and construction of facilities as well as to support project cost estimates.
 15. *Transporter* is a Business Entity that has an Oil and Gas Transportation Business License with Natural Gas transportation business activities through pipelines and/or has Exclusive Right.
 16. *Shipper* is a Business Entity that utilizes *Transporter* Facilities to transport Natural Gas that it owns.
 17. A minister is a minister who organizes government affairs in the field of energy and mineral resources.
 18. A Business Entity is a company in the form of a legal entity that runs a permanent, continuous and established business type in accordance with the applicable laws and regulations and works and is domiciled in the territory of the Unitary State of the Republic of Indonesia.
 19. The Committee Session is the highest meeting of the Committee chaired by the Chairman of the Committee which is the highest forum in collegial decision-making in the context of regulation, determination and supervision which are the duties and functions of the Regulatory Agency.
 20. Rebuttal is a protest mechanism submitted by Auction participants who feel aggrieved by the announcement of the ranking of potential Auction winners.
 21. The Downstream Oil and Gas Regulatory Agency, hereinafter referred to as the Regulatory Agency, is a body formed to regulate and supervise the supply and distribution of Oil and Gas Fuels and Natural Gas Transportation through Pipelines in Downstream Business Activities.

CHAPTER II
DETERMINATION OF THE TRANSMISSION SECTION AND/OR
NATURAL GAS DISTRIBUTION NETWORK AREA TO BE
AUCTIONED

Article 2

The Transmission Section and/or Natural Gas Distribution Network Area to be auctioned based on the RIJTDGBN is an initiative for:

- a. Regulatory Agency; or
- b. Enterprises

Article 3

- (1) The Transmission Section to be auctioned as referred to in Article 2 is a Transmission Section that does not yet have Natural Gas Pipeline infrastructure.
- (2) Transmission Fields to be auctioned based on RIJTDGBN through the initiator:
 - a. Regulatory Agency; or
 - b. Enterprises.

Article 4

- (1) The Distribution Network area to be auctioned consists of:
 - a. Distribution Network Areas where there is Natural Gas Pipeline infrastructure; or
 - b. Distribution Network areas where there is no Natural Gas Pipeline infrastructure.
- (2) The auction of the Distribution Network Area that already has Natural Gas Pipeline infrastructure as referred to in paragraph (2) letter a is carried out based on the initiative of the Regulatory Agency.
- (3) The auction of Distribution Network Areas that do not have Natural Gas Pipeline infrastructure as intended in paragraph (2) b is carried out based on the initiative of the Regulatory Agency or Business Entity.

Article 5

The determination of the Transmission Section and/or Distribution Network Area to be auctioned as intended in Article 3 and Article 4 is determined by the Decree of the Head of the Regulatory Agency through a Committee Session.

CHAPTER III
DETERMINATION OF TRANSMISSION SECTIONS AND/OR
NATURAL GAS DISTRIBUTION NETWORK AREAS THAT HAVE
AND DO NOT HAVE NATURAL GAS PIPELINE
INFRASTRUCTURE

Part One

Determination of Distribution Network Areas Where Natural
Gas Pipeline Infrastructure Already Exists

Article 6

In determining the Distribution Network Area where there is already natural gas pipeline infrastructure, a minimum of the following considerations must be considered:

- a. natural gas supply sources in the region;
- b. the Business Entity's commitment to build a natural gas pipeline network and/or gas refueling station for household users, small customers, and/or land transportation;
- c. Business Entities that already exist in the region;
- d. existing natural gas infrastructure facilities and facilities; and
- e. Natural Gas Infrastructure Development Planning.

Part Two

Determination of Transmission Sections and/or Distribution
Network Areas Where Natural Gas Pipeline Infrastructure Is
Not Yet Available

Paragraph 1

Regulatory Agency Initiative

Article 7

- (1) In determining the Transmission Section and/or Distribution Network Area that does not have Natural Gas Pipeline infrastructure, the Regulatory Agency must prepare a Feasibility Study and FEED study on the Transmission Section and/or Natural Gas Distribution Network Area to be auctioned.
- (2) Feasibility Study and FEED as intended in paragraph (1) with at least the following considerations:
 - a. natural gas supply sources in the region;
 - b. potential natural gas consumers;
 - c. natural gas infrastructure facilities and facilities in the surrounding area;
 - d. planning and natural gas infrastructure facilities; and
 - e. natural gas infrastructure management costs.
- (3) Based on the results of the *Feasibility Study* and FEED as intended in paragraph (1), the Head of the Regulatory Agency determines the Transmission Section and/or

Natural Gas Distribution Network Area to be auctioned through the Committee Session.

- (4) The results of the *Feasibility Study* and FEED as intended in paragraph (3) are part of the Auction Document.

Paragraph 2
Initiative of Business Entities

Article 8

- (1) In the event that the determination of the Transmission Section and/or Distribution Network Area to be auctioned is proposed by the Business Entity, the Business Entity must meet the requirements consisting of:
 - a. submit an application for the determination of the Transmission Section and/or Distribution Network Area to be auctioned to the Regulatory Agency; and
 - b. attach the *Feasibility Study* and FEED of the Transmission Section and/or Distribution Network Area to be auctioned.
- (2) Based on the proposal as intended in paragraph (1), the Regulatory Agency invites Business Entities to conduct a *Feasibility Study* and FEED presentation no later than 10 (ten) working days after the submission of proposals from the Business Entity.
- (3) The Regulatory Agency evaluates the *Feasibility Study* and FEED as intended in paragraph (2) within a maximum period of 60 (sixty) working days after the presentation of FS and FEED.
- (4) The evaluation as intended in paragraph (3) considers:
 - a. natural gas supply sources in the region;
 - b. potential consumers of Natural Gas;
 - c. Natural Gas infrastructure facilities and facilities in the surrounding area;
 - d. planning and facilities for Natural Gas infrastructure;
 - e. Natural Gas infrastructure costs; and
 - f. Planning the Regulatory Agency's auction.

Article 9

- (1) Based on the results of the evaluation as referred to in Article 8, the Head of the Regulatory Agency through the Committee Session shall provide:
 - a. approval or rejection of the *Feasibility Study* and FEED;
 - b. the determination of the proposing Business Entity to be the initiating Business Entity; and
 - c. determination of the Transmission Section and/or Distribution Network Area to be auctioned.
- (2) The *Feasibility Study* and FEED as referred to in paragraph (1) letter a are part of the Auction Document.

CHAPTER IV

IMPLEMENTATION OF AUCTION OF TRANSMISSION
SECTIONS AND/OR NATURAL GAS DISTRIBUTION
NETWORK AREAS FOR THE GRANTING OF EXCLUSIVE
RIGHT

Part One
Formation of the Auction Committee

Article 10

- (1) In the implementation of the Auction of Transmission Sections and/or Natural Gas Distribution Network Areas for the granting of Exclusive Right, the Head of the Regulatory Agency forms an Auction committee.
- (2) The Auction Committee as referred to in paragraph (1) is chaired by the Director who has duties and functions in the field of Natural Gas at the Regulatory Agency.
- (3) The membership of the Auction committee consists of the following:
 - a. Regulatory Agency; and/or
 - b. Ministries that carry out government affairs in the field of energy and mineral resources;
- (4) The Auction Committee as intended in paragraph (1) is determined by the Decree of the Head of the Regulatory Agency.

Article 11

- (1) The Auction Committee as referred to in Article 10 has duties that include:
 - a. prepare Auction Documents;
 - b. set the Auction Document;
 - c. conducting evaluation and assessment of Offer Documents;
 - d. propose the prospective winner of the Auction to the Head of the Regulatory Agency by attaching a ranking based on the results of the assessment; and
 - e. prepare a report on the results of the Auction implementation to the Regulatory Agency.
- (2) The Auction Committee in evaluating and assessing the Bid Document as referred to in paragraph (1) c is attended by at least half plus one of the total members of the Auction committee.
- (3) In the implementation of the evaluation and assessment of the Bid Document as intended in paragraph (2), the Auction committee can be assisted by a consultant supervising the implementation of the investment.

Article 12

- (1) The auction of the Transmission Section and/or Natural Gas Distribution Network Area is carried out electronically.
- (2) In the event that the Electronic Auction as intended in paragraph (1) cannot be carried out or does not function, the Auction is carried out non-electronically.

Part Two
Auction Participant Criteria

Article 13

- (1) The criteria for participating in the Natural Gas Distribution Network Area Auction where there is a Natural Gas Pipeline infrastructure consist of:
 - a. have an Oil and Gas Trading Business License in Natural Gas Trading Business Activities That Have Distribution Network Facilities that are still valid in the area to be auctioned; and
 - b. owning and/or controlling distribution pipeline facilities that are still operating.
- (2) The criteria for participants in the Transmission Section Auction and/or Natural Gas Distribution Network Area where there is no Natural Gas pipeline infrastructure consist of:
 - a. have experience and technical ability in the construction and/or operation of natural gas pipelines;
 - b. have the financial ability to finance natural gas pipeline construction and operation projects; and
 - c. the ability to carry out the construction and development of natural gas pipelines in certain Transmission Sections and/or Distribution Network Areas.

Part Three
Preparation and Determination of Auction Documents

Article 14

The Auction Committee as referred to in Article 11 prepares an Auction Document that contains at least:

- a. administrative requirements;
- b. technical requirements; and
- c. financial requirements.

Paragraph 1
Distribution Network Areas Where Natural Gas Pipeline
Infrastructure Already Exists

Article 15

- (1) The administrative requirements as referred to in Article 14 letter a for the Auction of Natural Gas Distribution Network Areas where there is already Natural Gas pipeline infrastructure include:
 - a. a copy of the Oil and Gas Trading Business License with gas trading activities that have distribution network facilities in the auctioned administrative area;

- b. in the event that the oil and gas business license as referred to in letter a is currently being adjusted or extended, the Auction participant attaches proof of the management of the extension or adjustment of the business license;
- c. Letter of offer from the company's top leadership and with sufficient stamps;
- d. Business Entity profile that describes:
 - 1. current business activities; and
 - 2. The person in charge and management of the company, namely the director and commissioner of the company is equipped with:
 - a) identification in the form of an Identity Card for Indonesian citizens; or
 - b) Passport or official identity document issued by the government of the country concerned.
- e. the deed of incorporation of the company and its amendments (if any);
- f. Taxpayer Identification Number of Business Entities participating in the Auction;
- g. a written statement with a sufficient stamp on the ability to comply with laws and regulations;
- h. a written statement with a sufficient stamp on the correctness of the bidding document;
- i. The original offer guarantee document is in the form of:
 - 1. guarantees issued by commercial banks; or
 - 2. unconditional guarantees issued by insurance companies,which explains that the Bank and/or insurance company guarantees and provides funds in connection with the bid of the Auction participant in the amount of 1% (one percent) of the investment value valid for 6 (six) months in accordance with the Auction Document;
- j. tax obligations for the last year by submitting a copy of the Company's Annual Return Letter for the last year;
- k. Annual Financial Report with the following conditions:
 - 1. for Auction participants who have been conducting business activities for 3 (three) years or more submit a copy of the financial statements of the last 3 (three) consecutive years and have been audited by the Auditor of a registered Public Accounting Firm; and
 - 2. Auction participants who have been conducting business activities for less than 3 (three) years submit a copy of the annual financial statements since the business activities have been operating and have been audited by the Auditor of a registered Public Accounting Firm.

1. a certificate from the Commercial Bank, which explains that the Auction Participant has a ceiling of credit facilities to fund the development of natural gas infrastructure in the auctioned Distribution Network Area and/or a copy of a notary deed stating that the Auction participant's affiliated company will fund the development of natural gas infrastructure in the auctioned Distribution Network Area.
 - m. a written statement with sufficient stamps on the ability to provide natural gas infrastructure in the form of natural gas pipeline networks for household users, small customers and/or gas refueling stations for land transportation; and
 - n. A written statement from the company's leadership with a sufficient stamp on the ability to cooperate and appoint an existing Commercial Business Entity as the manager of a Certain Commercial Sub-Region to carry out natural gas trading business activities in part of the Distribution Network Area.
- (2) Commercial Banks as intended in paragraph (1) l number 1 must meet the following provisions:
- a. registered with an institution with duties and authorities in the field of financial services supervision; and
 - b. included in the category of minimum group of Banks based on Core Capital III in accordance with the provisions of laws and regulations.
- (3) Insurance companies as referred to in paragraph (1) i number 2 that meet the requirements are registered as General Insurance Companies that have a license to market non-construction *surety bond products* from institutions that have duties and authority in the field of supervision in the financial services sector.

Article 16

The technical requirements as referred to in Article 14 letter b for the Auction of Natural Gas Distribution Network Areas where there is already Natural Gas pipeline infrastructure include:

- a. Natural Gas pipeline infrastructure ownership, consisting of:
 1. weighted average diameter of the length of the distribution pipe;
 2. the length of existing distribution pipelines in addition to gas networks for households and small customers;
 3. experience operating distribution pipelines in the auctioned Distribution Network Area; and
 4. Existing supporting facilities are in the form of *metering systems*, connection facilities (*tie-in, future connection*), *cathodic protection*.
- b. Consumers served, consisting of:
 1. the number of existing consumers; and

2. the volume of natural gas distribution to existing consumers;
- c. Natural Gas supply, consisting of:
 1. the amount of natural gas supply allocation that already exists; and
 2. the term of the existing natural gas supply contract;
- d. The natural gas pipeline infrastructure development plan consists of:
 1. plan to increase the length of the distribution pipeline in accordance with the Offer Document;
 2. the timing of the development of the distribution pipeline in accordance with the Offer Document;
 3. development plan for the development of the weighted average diameter of the length of the distribution pipeline;
 4. plan to add customers in accordance with the Offer Document;
 5. plan to provide natural gas pipeline infrastructure in the form of natural gas pipeline network for household users, small customers and/or Gas Filling Stations for land transportation in accordance with the Offer Document; and
 6. plan to increase the volume of distribution.

Article 17

The financial requirements as referred to in Article 14 letter c for the Auction of Natural Gas Distribution Network Areas where there is already Natural Gas pipeline infrastructure include:

- a. Development costs consist of:
 1. *Internal Rate of Return* (IRR); and
 2. transaction fees;
- b. Financial ability consists of:
 1. liquidity ratios;
 2. solvency ratio; and
 3. profitability ratio.

Paragraph 2

Transmission Sections and/or Distribution Network Areas
Where Natural Gas Pipeline Infrastructure Is Not Yet Available

Article 18

- (1) Administrative requirements as referred to in Article 14 letter a for Auctions of Transmission Sections and/or Natural Gas Distribution Network Areas where there is no Natural Gas pipeline infrastructure include:
 - a. an offer letter from the company's top management and with a sufficient seal;
 - b. Business Entity profile that describes:
 1. current business activities; and

2. The person in charge and management of the company, namely the director and commissioner of the company is equipped with:
 - a) identification in the form of an Identity Card for Indonesian citizens; or
 - b) Passport or official identity document issued by the government of the country concerned.
- c. the deed of incorporation of the company and its amendments (if any);
- d. Taxpayer Identification Number of Business Entities participating in the Auction;
- e. a written statement with a sufficient stamp on the ability to comply with laws and regulations;
- f. a written statement with a sufficient stamp on the authenticity of the Offer Document;
- g. The original offer guarantee document is in the form of:
 1. guarantees issued by commercial banks; or
 2. unconditional guarantees issued by insurance companies,which explains that the Bank and/or insurance company guarantees and provides funds in connection with the bid of the Auction participant in the amount of 1% (one percent) of the investment value valid for 6 (six) months in accordance with the Auction Document;
- h. tax obligations for the last year by submitting a copy of the Company's Annual Return Letter for the last year;
- i. Annual Financial Report with the following conditions:
 1. for Auction participants who have been conducting business activities for 3 (three) years or more submit a copy of the financial statements of the last 3 (three) consecutive years and have been audited by the Auditor of a registered Public Accounting Firm; and
 2. Auction participants who have been conducting business activities for less than 3 (three) years submit a copy of the annual financial statements since the business activities have been operating and have been audited by the Auditor of a registered Public Accounting Firm.
- j. a certificate from the Commercial Bank explaining that the Auction Participant has a ceiling of credit facilities to fund the development of natural gas infrastructure in the auctioned Distribution Network Area and/or a copy of a notary deed stating that the Auction participant's affiliated company will fund the development of natural gas infrastructure in the auctioned Distribution Network Area.

- (2) Commercial Banks as intended in paragraph (1) letter g number 1 must meet the following provisions:
 - a. registered with an institution with duties and authorities in the field of financial services supervision; and
 - b. included in the category of minimum group of Banks based on Core Capital III in accordance with the provisions of laws and regulations.
- (3) Insurance companies as referred to in paragraph (1) letter g number 2 that meet the requirements are registered as a General Insurance Company that has a license to market non-construction *surety bond products* from institutions that have duties and authority in the field of supervision in the financial services sector.
- (4) Specifically, Distribution Network Area Auctions are required to submit a written statement letter from the company's leadership with a sufficient stamp on the ability to provide natural gas infrastructure including natural gas pipeline networks for household users, small customers and/or gas refueling stations for land transportation.

Article 19

- (1) The technical requirements as referred to in Article 14 letter b for the Auction of Natural Gas Transmission Sections where there is no Natural Gas pipeline infrastructure consists of:
 - a. a joint agreement on the transportation of Natural Gas between Business Entities participating in the Auction and prospective *Shippers*;
 - b. Feasibility *Study* and FEED;
 - c. the experience of Business Entities in Natural Gas Transportation business activities through Pipelines or Natural Gas Trading Business Activities that have Natural Gas Distribution Network facilities; and
 - d. Schedule for the implementation of pipeline construction.
- (2) The technical requirements as referred to in Article 14 letter b of the auction of Natural Gas Distribution Network Areas where there is no Natural Gas pipeline infrastructure consist of:
 - a. list of potential natural gas consumers;
 - b. planning of Natural Gas allocation for Natural Gas Trading activities;
 - c. facility development plans;
 - d. Feasibility *Study* and FEED;
 - e. the experience of Business Entities in Natural Gas Trading Business Activities Through Pipelines or Natural Gas Trading Business Activities That Have Natural Gas Distribution Network Facilities; and
 - f. Schedule for the implementation of pipeline construction.

Article 20

The financial requirements as referred to in Article 14 letter c for the Auction of Transmission Sections and/or Natural Gas Distribution Network Areas where there is no Natural Gas pipeline infrastructure include explanations and/or commitments:

- a. annual operating and maintenance costs of *Operational Expenditure* (OPEX) offered for 5 (five) years from the determination of Exclusive Right; and
- b. investment costs (*capital expenditure*) from the determination of Exclusive Right.

Article 21

The Auction Committee determines the Auction Document which contains information and conditions that must be obeyed by the parties in the Auction of the Transmission Section and/or Distribution Network Area.

Part Four

Announcement, Registration and Explanation (*aanwijzing*)

Article 22

- (1) The Auction Committee announces and opens Auction registration through the official website of the Regulatory Agency or other announcement media no later than 8 (eight) working days with the provisions as stated in the Auction Document.
- (2) The Auction Committee shall explain the Auction Documents to all Auction participants no later than 2 (two) working days after the end of the Auction announcement and registration period.
- (3) In the event that it is necessary to change the provisions of the Auction Document after an explanation (*aanwijzing*), the Auction Committee makes an amendment (*addendum*) to the Auction Document no later than 5 (five) working days from the explanation (*aanwijzing*).
- (4) Business Entities that have registered, submit Bid Letters and Bid Documents according to the Auction Document with a maximum period of 20 (twenty) working days from the explanation (*aanwijzing*) or from the amendment (*addendum*).
- (5) The Bid Documents that have been submitted to the Auction Committee belong to the Regulatory Agency.

Part Five

Evaluation and Assessment

Article 23

- (1) The Auction Committee evaluates and assesses the Bid Document in 2 (two) stages, namely:
 - a. Phase I is in the form of an administrative evaluation, including:
 1. completeness of documents; and
 2. validity of the document.
 - b. Phase II in the form of assessment, including:
 1. technical documents; and
 2. Financial Documents.
- (2) Administrative evaluation as referred to in paragraph (1) letter a uses a knockout system.
- (3) Auction Participants who are declared to meet the requirements in phase I, proceed to the assessment of phase II as referred to in paragraph (1) letter b.
- (4) The valuation as referred to in paragraph (1) b is based on the weight value set out in the Auction Document.
- (5) Evaluation and assessment as intended in paragraph (1) shall be carried out within a maximum period of 20 (twenty) working days from the deadline for submission of the Offer letter and Offer Document as intended in Article 22 paragraph (4).

Article 24

- (1) The Auction Committee prepares a recapitulation of the results of the evaluation and assessment of the Bid Document as referred to in Article 23.
- (2) The Auction Committee announces a maximum of 3 (three) prospective auction winners in order of ranking based on the results of the recapitulation as intended in paragraph (1).
- (3) Announcement as intended in paragraph (1) through the application system of the Regulatory Agency.

Part Six Disclaimer

Article 25

- (1) The highest leadership of the Auction Participating Business Entity may submit a rebuttal to the Auction Committee on the results of the ranking of prospective Auction winners as referred to in Article 24 paragraph (2).
- (2) The submission of a rebuttal as intended in paragraph (1) must meet the criteria:
 - a. the occurrence of deviations from the provisions and procedures of the Auction that have been stipulated in the Auction Document;
 - b. certain engineering so that unfair competition occurs; and/or
 - c. abuse of authority by the Auction Committee and/or other authorized officials.
- (3) The submission of a Objection as intended in paragraph (1) shall be submitted within a maximum period of 5 (five)

working days after the announcement of the prospective winner of the Auction.

- (4) The rebuttal answer is submitted by the Chairman of the Auction Committee for all rebuttals no later than 3 (three) working days after the end of the rebuttal period.
- (5) In the event that the rebuttal is submitted beyond the period as intended in paragraph (3), the rebuttal submission is declared not accepted.

Article 26

- (1) In the event that the submission of a Rebuttal meets the criteria as referred to in Article 25 paragraph (2), the Rebuttal submission is declared accepted and the Auction Committee conducts the following stages:
 - a. evaluation and reassessment of bid documents; and
 - b. the re-announcement of 3 (three) prospective winners of the Auction in order of ranking based on the results of the evaluation and re-evaluation of the Bid Document.
- (2) In the event that the submission of a Rebuttal does not meet the criteria as referred to in Article 25 paragraph (2), the submission of a Rebuttal is not accepted and the Auction Committee continues the Auction process to the next stage.

Article 27

- (1) In the implementation of the Auction, the initiating Business Entity is given the right to make changes to the bid (*right to match*).
- (2) The right to make changes to the bid (*right to match*) as intended in paragraph (1) is granted within a maximum period of 14 (fourteen) working days after the rebuttal period is completed.
- (3) The right to make changes to the bid (*right to match*) as intended in paragraph (1) with the provision that the Auction initiating Business Entity equalizes the Auction Initiator Business Entity Bid Document with the Bid Document of the first rank Auction winner.
- (4) The initiating Business Entity that has exercised the right to make changes to the bid (*right to match*) as intended in paragraph (1) is determined as a candidate for the first place Auction winner.

Part Seven

Determination of Auction Winners

Article 28

The determination of the winner of the Auction is carried out in stages:

- a. the Auction committee announces a maximum of 3 (three) prospective winners of the Auction in order of ranking through the Regulatory Agency's application system;

- b. The Auction committee publishes a notification letter of the Auction winner to the first stage of the Auction winner to convey:
 - 1. the statement of ability stipulated in the Auction Document; and
 - 2. Ensuring the execution of the work.
- c. the Auction committee submits the first place winner candidate for the Auction who has fulfilled the statement of ability and guarantee of the implementation of the work to the Head of the Regulatory Agency;
- d. The Head of the Regulatory Agency through a committee meeting determines the candidate for the first place Auction winner as the winner of the Auction; and
- e. The Head of the Regulatory Agency announces the determination of the winner of the Auction.

Article 29

- (1) The statement of ability and guarantee of the implementation of the work as referred to in Article 28 letter b shall be submitted by the prospective winner of the Auction no later than 7 (seven) working days from the issuance of the notification letter of the prospective winner of the Auction.
- (2) The guarantee of the implementation of the work as referred to in Article 28 letter b number 2 is in the form of:
 - a. Original performance guarantee issued by the Commercial Bank; and/or
 - b. unconditional guarantees issued by insurance companies,which explains that the Bank and/or insurance company guarantees and provides funds of 3% (three percent) of the total investment value in the Bid Document for prospective auction winners.
- (3) Commercial Banks as referred to in paragraph (2) letter a are Commercial Banks as intended in Article 18 paragraph (2).
- (4) The insurance company as intended in paragraph (2) b is a General Insurance Company as intended in Article 18 paragraph (3).
- (5) The implementation guarantee as intended in paragraph (1) has a period of time in accordance with the development plan in the Offer Document plus 30 (thirty) calendar days and must be extended until all obligations in the Offer Document are fulfilled.
- (6) The extension of time as intended in paragraph (5) shall be submitted no later than 30 (thirty) calendar days before the expiration of the implementation guarantee period.

Article 30

- (1) Business Entities that do not extend the implementation guarantee within a period of 30 (thirty) days as referred to in Article 29 paragraph (5) are subject to administrative

sanctions in the form of written reprimands a maximum of 3 (three) times for a maximum period of 1 (one) month each.

- (2) In the event that after a written reprimand as intended in paragraph (1), the Business Entity holding the Exclusive Right still does not carry out its obligations, the Regulatory Agency imposes administrative sanctions in the form of revocation of Exclusive Right.

Article 31

- (1) The winner of the first stage of the Auction is declared to be disqualified if:
 - a. do not submit a statement of ability as referred to in Article 28 letter b number 1;
 - b. does not convey a guarantee of the implementation of the work as referred to in Article 28 letter b number 2;
or
 - c. Resigned.
- (2) In the event that the prospective winner of the first place Auction is declared disqualified as intended in paragraph (1), the Auction Committee replaces the prospective winner in the next rank and the Head of the Regulatory Agency disburses the bid guarantee to be deposited into the State Treasury in accordance with the provisions of laws and regulations.
- (3) The Chairman of the Auction Committee submits a notification letter to the prospective winner of the next rank of Auction as intended in paragraph (2) to submit a statement of ability and guarantee of the implementation of the work in accordance with the procedures as intended in Article 29.

Article 32

- (1) In the event of an Auction of Distribution Network Areas where there is a Natural Gas pipeline infrastructure as referred to in Article 4 paragraph (1) letter a, only one Business Entity participating in the Auction, the Auction is continued to the next stage and the Business Entity participating in the Auction must meet the administrative, technical, and financial requirements as intended in Articles 15 to 17.
- (2) In addition to the requirements as referred to in paragraph (1), the Business Entities participating in the Auction must also meet the requirements as intended in Article 28 letter b.
- (3) In the event that the Business Entity participating in the Auction does not meet the requirements as intended in paragraph (1) and paragraph (2), the Auction of the

Distribution Network Area where there is already infrastructure is declared to be no winner of the Auction.

- (4) In the event that the auction of the Distribution Network Area is declared to be no winner as intended in paragraph (3), the Regulatory Agency may conduct a re-auction with the provisions of the auction in the Distribution Network Area where there is no Natural Gas pipeline infrastructure.

Article 33

- (1) In the event of the implementation of the Auction of Transmission Sections and/or Distribution Network Areas where there is no Natural Gas pipeline infrastructure as referred to in Article 3 paragraph (1) and Article 4 paragraph (1) letter b, only 1 (one) Business Entity participating in the Auction will be re-auctioned.
- (2) In the event that after the Re-Auction as intended in paragraph (1), there is only 1 (one) Business Entity participating in the Auction, the Auction process is continued to the next stage and must meet the provisions of administrative, technical, and financial requirements as referred to in Articles 18 to 20.
- (3) In addition to the requirements as intended in paragraph (2), the Auction Participating Business Entities must also meet the requirements as intended in Article 28 letter b.

Part Eight

Return of Offer Guarantee

Article 34

- (1) The Auction Committee returns the guarantee of bids for Auction participants who are not prospective winners of the Auction within a maximum period of 15 (fifteen) working days from the announcement of the prospective Auction committee.
- (2) The Auction Committee returns the guarantee of bids for Auction participants who do not become the winner of the Auction within a maximum period of 15 (fifteen) working days from the announcement of the Auction winner.

Part Nine

Auction Execution Report

Article 35

The Auction Committee shall prepare a report on the implementation of the Auction of the Transmission Section and/or Distribution Network Area to the Head of the Regulatory Agency no later than 7 (seven) working days after the Auction is completed.

Article 36

The Head of the Regulatory Agency submits a report on the implementation of the Auction of Transmission Sections and/or Distribution Network Areas as intended in Article 35 to the Minister.

CHAPTER V
ASSIGNMENT OF EXCLUSIVE RIGHT

Article 37

- (1) The winner of the Transmission Section Auction as referred to in Article 28 is obliged to increase the document of the joint agreement for the transportation of Natural Gas between the Business Entity participating in the Auction and the prospective *Shipper* in accordance with the Offer Document to become a document of the natural gas transportation agreement with *the Shipper*.
- (2) The document of the natural gas transportation agreement as referred to in paragraph (1) shall be submitted to the Regulatory Agency within a maximum period of 3 (three) months from the determination of the Auction winner.
- (3) The winner of the Distribution Network Area Auction that does not have natural gas pipeline infrastructure as intended in Article 28 is required to increase the list of potential natural gas consumers to the main document of agreement between *the* Auction winner and the natural gas consumer in accordance with the Offer Document.
- (4) The principal document of agreement (*head of agreement*) between the Auction winner and the natural gas consumer in accordance with the Bid Document as intended in paragraph (3) shall be submitted to the Regulatory Agency within a maximum period of 3 (three) months from the determination of the Auction winner.
- (5) In the event that the Auction Winner does not carry out the obligations as referred to in paragraph (1) and paragraph (2), the determination of the Auction winner is revoked and the guarantee for the implementation of the work is disbursed and deposited into the State Treasury in accordance with the provisions of laws and regulations.
- (6) The original documents of the bid guarantee are kept by the chairman of the Auction committee and the original documents of the guarantee of the implementation of the work are kept by the Director who organizes affairs in the field of Natural Gas.

Article 38

The Auction Winner as referred to in Article 28 prioritizes the use of goods, services, technology, as well as domestic engineering and design capabilities in a transparent and competitive manner in accordance with the provisions of laws and regulations.

Article 39

The Head of the Regulatory Agency through the Committee Session determines Exclusive Right to the Auction Winner who has fulfilled the obligations of the Auction Winner as referred to in Article 37.

CHAPTER VI
SUPERVISION AND EVALUATION OF THE IMPLEMENTATION
OF NATURAL GAS PIPELINE CONSTRUCTION

Article 40

- (1) The Regulatory Agency supervises and evaluates the construction of pipelines in the Transmission Section and/or Distribution Network Area by the Business Entity based on the determination of Exclusive Right as intended in Article 39.
- (2) The Regulatory Agency evaluates the progress report on the construction of the Natural Gas pipeline in accordance with the Offer Document submitted by the Business Entity holding Exclusive Right.
- (3) The Regulatory Agency supervises and evaluates the implementation of the construction of natural gas pipelines.
- (4) In the implementation of supervision of infrastructure development in the Transmission Section and/or Distribution Network Area, the Regulatory Agency can be assisted by a consultant to supervise the implementation of investment.

Article 41

The Head of the Regulatory Agency establishes technical guidelines for supervision and evaluation of pipeline construction in the Transmission Section and/or Distribution Network Area.

Article 42

- (1) Based on technical and economic considerations, Business Entities holding Exclusive Right that are unable to carry out development in accordance with the Offer Document, must request approval for changes and/or adjustments to the development to the Regulatory Agency.
- (2) Technical and economic considerations as referred to in paragraph (1) are at least:
 - a. changes in government assignments and/or policies;
 - b. force majeure situation;
 - c. changes or absence of supply;
 - d. significant changes in gas demand;
 - e. changes in the governance of Natural Gas development; or

- f. changes in spatial planning and regional development areas.
- (3) The approval of the Regulatory Agency on the application for changes and/or adjustments to development as intended in paragraph (1) is given through a Committee Meeting.

Article 43

- (1) Based on the results of supervision and evaluation, there are violations in the form of:
- a. the construction of the pipeline is not in accordance with the specifications of the pipeline and supporting facilities; and/or
 - b. the construction of the pipeline is not in accordance with the implementation schedule,
- The Regulatory Agency imposes administrative sanctions.
- (2) Violations of pipeline construction that are not in accordance with the specifications of pipeline and supporting facilities as referred to in paragraph (1) letter a are subject to administrative sanctions in the form of written reprimands at most 3 (three) times for a maximum period of 1 (one) month each.
- (3) In the event that after a written warning as intended in paragraph (2), the Business Entity holding the Exclusive Right still does not carry out its obligations, the Regulatory Agency imposes administrative sanctions in the form of revocation of Exclusive Right and/or disbursement of implementation guarantees and deposited into the State Treasury in accordance with the provisions of laws and regulations.
- (4) Violations of pipeline construction that are not in accordance with the implementation schedule as referred to in paragraph (1) b are subject to administrative sanctions in the form of:
- a. written reprimand if the implementation of pipeline construction exceeds 4 (four) months from each stage of the implementation schedule;
 - b. fine;
 - c. revocation of Exclusive Right; and/or
 - d. disbursement of execution guarantees.

Article 44

- (1) In the event that the Exclusive Right Holder carries out the construction past the deadline for the pipeline construction implementation schedule as referred to in the Offer Document, the Exclusive Right Holder will be subject to a fine of 1/1000 (one thousandth) per day of the remaining investment value stated in the Offer Document, with a

maximum fine for a period of 365 (three hundred and sixty-five) days or 5% (five percent) of whichever investment value is achieved first.

- (2) The fine as intended in paragraph (1) shall be deposited into the State Treasury in accordance with the provisions of laws and regulations.

Article 45

In the event that the holder of the Exclusive Right carries out the construction of the pipeline exceeding the period of 365 (three hundred and sixty-five) days from the deadline of the implementation schedule, the holder of the Exclusive Right may be subject to sanctions in the form of:

- a. revocation of Exclusive Right; and/or
- b. guarantee of the implementation of the work is disbursed and deposited into the State Treasury in accordance with the provisions of laws and regulations.

Article 46

All losses arising from the imposition of administrative sanctions as referred to in Articles 43 to 45 are the burden and responsibility of the Business Entity.

CHAPTER VII TRANSITIONAL TERMS

Article 47

At the time of the Agency's Regulation:

- a. The decision of the Head of the Regulatory Agency regarding the determination as the winner of the Exclusive Right Auction before this Agency Regulation is promulgated, is declared to still be valid; and
- b. Auctions that are still in process before this Agency Regulation comes into effect, will still be carried out in accordance with the provisions of this Agency Regulation.

CHAPTER VIII CLOSING PROVISIONS

Article 48

At the time this Agency Regulation came into effect, Regulation of the Downstream Oil and Gas Regulatory Agency Number 20 of 2019 on the Auction of Transmission Sections and/or Natural Gas Distribution Network Areas in the Context of the Granting of Exclusive Right (State Bulletin of the Republic of Indonesia Year 2019 Number 1288), was revoked and declared invalid.

Article 49

This Agency Regulation comes into force on the date of promulgation.

In order for everyone to know about it, order the promulgation of this Agency Regulation with its placement in the State Gazette of the Republic of Indonesia.

Issued in Jakarta
on August 27, 2024

HEAD OF THE DOWNSTREAM OIL
AND GAS REGULATORY AGENCY
REPUBLIC OF INDONESIA

Ttd

ERIKA RETNOWATI

Promulgated in Jakarta
on September 10, 2024

PLT. DIRECTOR GENERAL
LAWS & REGULATIONS
MINISTRY OF LAW AND HUMAN RIGHTS
REPUBLIC OF INDONESIA

Ttd

ASEP N. MULYANA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2024 NUMBER 583

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DOWNSTREAM OIL AND GAS REGULATORY AGENCY
SECRETARY OF BPH MIGAS,

Patuan Alfon S.