

## ELECTRICITY TARIFF INCREASE PLAN AND DYNAMICS OF ELECTRICITY SUBSIDY IN INDONESIA

13

Dewi Restu Mangeswuri

### Abstract

*As of July 1, 2022, the State Electricity Company (Persero) raised the electricity tariff for certain group. This increase only applied to groups of household with a power of 3,500 volt amperes (VA) and below, which were group of R2 and R3, as well as government groups (P1, P2 and P3). This study examined the new tariff adjustment and the dynamic of electricity subsidy in Indonesia. The increase in electricity tariff has certainly reduced the burden of subsidy and compensation issued by the state. Consequently, due to this adjustment was only applied to luxurious household, this policy was expected to avoid the risk of an incline inflation and a decline in people's purchasing power. Even though the increase in electricity tariff for industrial group being postponed, the government must anticipate the potential tariff adjustment for the group in the fourth quarter of 2022 when macro assumptions were considered relatively stable. The House of Representative of Republic Indonesia through Commission VII needs to ensure that the tariff adjustment was carried out in order to actualize an equal electricity tariff in which the compensation was given to the society who are entitled to receive the adjustment.*

### Introduction

The increase in energy prices, particularly world's crude oil, eventually has resulted an increase in electricity tariff. The government officially raised the basic electricity tariff for customers with a power of 3,500 VA and above on July 1, 2022. The decision to increase electricity tariff was stated in the Letter of the Minister of Energy and Mineral Resources No. T-162/TL.04/MEM.L/2022 dated June 2, 2022 concerning Adjustment of Electricity

Tariff (period of July–September 2022 ). This tariff adjustment was carried out in order to actualize a fair electricity tariff where compensation was given to the society who were entitled to it, while the upper class society was able to pay the electricity tariff according to the economy (Kompas, June 14, 2022). Another reason for the tariff increase was to correct government assistance which has not been well targeted, so that it is well accepted by the economically weak society.



This increase in electricity tariff applied to the the upper class society. Amount of the affected customers were 2.5 million customers, which was equivalent to 3% of all PT PLN (Persero) customers (Bisnis Indonesia, June 14, 2022). This adjustment was carried out by taking into account to the component of society's purchasing power and inflation. The average increase was 17.64% with the amount of IDR 1,444.70/kWh to IDR 1,699.53/kWh (cnbcindonesia.com, June 13, 2022). The Director General of Electricity at the Ministry of Energy and Mineral Resources, Rida Mulyana, said that by raising the electricity tariff for the 3,500 VA class and above, the state would save trillions of rupiahs. With the increase in electricity tariff for upper class society, the State Budget (APBN) allocated for subsidy and compensation may certainly be reduced for around IDR 3.1 trillion. This amount was only 4.7% of the compensation paid by the government to PT PLN (Media Indonesia, June 14, 2022). The increase in electricity tariff has an impact on inflation of around 0.019%. The impact on inflation was not huge. There was no amendment in electricity tariff for industry and business. Even though currently there was no increase in electricity tariff for the industrial and business sectors, the government still has to anticipate the possibility of an increase in the fourth quarter of 2022. This paper examined the dynamics of electricity tariff subsidy that occurred in Indonesia along with plans to increase or adjust electricity tariff.

### **The Dynamics of Electricity Tariff Subsidy in Indonesia**

In the State Budget, subsidy was transfer of fund from the Government which create cheaper good or service. Electricity subsidy was interpreted as a

form of government assistance to society so they paid cheaper electricity tariff than their economic rates. The provision of electricity subsidy was a mandate in Law no. 30 of 2007 concerning Energy and Law no. 30 of 2009 concerning Electricity. In order to share the electricity subsidy to the underprivileged society, the government continued to make improvement so that the distribution of electricity subsidy can be more efficient and more targeted to the underprivileged society. Below are the dynamics of amendment in electricity subsidy policy in Indonesia.

In 2014, the amendment of the electricity subsidy policy were policies to increase or decrease electricity tariff, such as the policy to increase electricity tariff by 10% in 2010 and 15% in 2013. However, all classes of PLN customers still receive electricity subsidy during this period.

In 2015, the government removed electricity subsidy for 12 types of PLN customers consisting of house hold type customers with the power of 1,300 VA and above, Large Industry customers (200 VA and above), Large Business customers (6,600 VA and above), and Government (6,600 VA and above). This policy is based on the assumption that this group of customers were not entitled to receive electricity subsidy. This policy significantly reduced the electricity subsidy budget from IDR 99.30 trillion in 2014 to IDR 56.55 trillion in 2015.

In 2017, government and House of Representative of Republic Indonesia agreed to continue improving the targeted electricity subsidy receiver by reforming electricity subsidy for household group of 450 VA dan 900 VA. Household customers of 900 VA who were entitled to receive subsidies were households registered in the Integrated Database/BDT (currently known as Social Welfare Integrated Data/DTKS).

In 2021, all 450 VA household customers still received electricity subsidies. In order to implement more targeted subsidies, the Government implemented policies for underprivileged and vulnerable households according to DTKS. This policy was a continuation of the targeted implementation of electricity subsidies which have been implemented by the previous government.

During 2014-2021, the Government through State Electricity Company (PLN) has distributed subsidies of IDR 457 trillion (Ministry of Finance, 2022). This was carried out in order to reduce economic tension on the unprivileged society and small business performers. PLN ensured the existence of state with a reliable and affordable energy supply to support the society's activities and economy as well as support the growth of MSMEs. One of the ways was through the distribution of electricity subsidies for underprivileged society and small business performers as an effort to eliminate poverty. Electricity subsidies were provided by the government to keep electricity tariff affordable for the underprivileged (poor) and small businesses with a power of 450 VA. Below is a summary of the distribution of subsidies for the last 8 years.

The realization of electricity subsidy during the period of 2017-2021 approximately has increased. This increase was mainly due to the policy of providing electricity discount in 2020-2021 with regard to the impact of the Covid-19 pandemic. In addition, the realization of electricity subsidies was influenced by the realization of electricity consumption, the development of basic assumption of macro economic

and the implementation of well-targeted electricity subsidy policy for household group of the non Social Welfare Integrated Data (DTKS) of 900 VA.

Currently, public access to electricity in Indonesia was not evenly distributed. This can be seen from the different electrification ratios of each province. In Papua Province, the electrification ratio still reached 46.67% as of September 2016. More than half of households in Papua have not yet enjoyed the electricity. Meanwhile, Java Island has been above 90% until September 2016. Based on this, the Ministry of Energy and Mineral Resources continued to carry out equal distribution of electricity in Indonesia including Papua. One of the distribution was through electricity development in 2,500 villages that have not been electrified according to mandated in the Regulations of Minister of Energy and Mineral Resources No. 38 of 2016, The Ministry of Energy and Mineral Resources focused on 2,500 villages in Papua. Until Quarter III/2021, the electrification ratio has reached 99.44%, however, the Province of NTT was still below 90%. Meanwhile Bali has reached 100% ([www.esdm.go.id](http://www.esdm.go.id), June 13, 2022).

### **The Increase or Adjustment of Electricity Tariff**

The increase of electricity tariff was carried out due to the increase of commodity prices and energy in international market. This year, Indonesia faced a global economic turmoil which caused an increase in Electricity Generation Basic Cost (BPP). Electricity Generation Basic Cost (BPP) was the cost of providing electricity by PT. PLN (Persero) to

carry out operating activities in the generation, distribution (transmission) and distribution of electricity to customers divided by the total kwh of sold (esdm.go.id, June 13, 2022). The adjustment of electricity tariff was contained in the Regulation of the Minister of Energy and Mineral Resource No. 03 of 2020 concerning the Fourth Amendment to the Regulation of the Minister of Energy and Mineral Resource No. 28 of 2016 concerning Electricity Tariff Provided by PT PLN (Persero). Electricity tariff adjustment (tariff adjustment) was carried out every 3 (three) months in case there was an amendment, either

an increase or a decrease in one and/or several factors which affected the basic cost of electricity supply, namely: the exchange rate of the US dollar against the rupiah (exchange rate); (2) Indonesian Crude Price (ICP); (3) inflation; and/or (4) coal standard price.

Chairman of the Indonesian Consumer Foundation (YLKI) Tulus Abadi considered the increase of electricity tariff of groups of power of 3,500 VA and above had minimal impact on inflation (Media Indonesia, June 14, 2022). The increase did not cause serious turmoil in society. Below is customer data of PLN in 2021 based on the number and type.

**Table 1. Number of Customers per Type in 2021**

| Type of Customers      | Numbers    | Percentage (%) |
|------------------------|------------|----------------|
| Household              | 75,701,985 | 91.71          |
| Industry               | 159,057    | 0.19           |
| Business               | 4,300,034  | 5.21           |
| Social                 | 1,838,087  | 2.23           |
| Government's Office    | 230,577    | 0.28           |
| Public street lighting | 314,240    | 0.38           |

*Source: pln.co.id, 2022.*

The following was tariff adjustment of household of 3,500 VA and above in quarter III/2022: (i) Group R2 (households) with a power of 3,500 VA - 5,500 VA the tariff was adjusted from IDR 1,444.70 per kWh to IDR 1,699.53 per kWh with an average increase in account of IDR 111,000 per month; (ii) R3 Group (household) with a power of 6,600 VA and above, the tariff was adjusted from IDR 1,444.70 per kWh to IDR 1,699.53 per kWh with an increase in account approximately of IDR 346,000 per month; (iii) P1 Group (government) with a power of 6,600 VA to 200 kVA, the tariff was adjusted from IDR 1,444.70 per kWh to IDR

1,699.53 per kWh with an increase in account approximately of IDR 978,000 per month; (iv) The tariff of P3 Group (government) was adjusted from IDR 1,444.70 per kWh to IDR 1,699.53 per kWh with an increase in accounts approximately IDR 271,000 per month; (v) P2 group with power above 200 kVA, the tariff adjustment was from IDR 1,114.74 per kWh to IDR 1,522.88 per kWh with an increase in account approximately of IDR 38.5 million per month.

Executive Director of ReforMiner Institute, Komaidi Notonegoro considered the government's decision to increase electricity tariffs for upper class customers with a power of 3,500

VA and above was reasonable. This was a government effort to reduce the burden on the state budget which was getting harder for energy subsidies. Energy subsidies have drained up to IDR 502 trillion, including for fuel and LPG. Agree with Komaidi, Deputy Chairman of Commission VII of House of Representative of Republic Indonesia, Eddy Soeparno also agreed with the government's decision. Eddy considered the customers of upper class should be able to pay for electricity more expensively (Bisnis Indonesia, 14 June 2022). This movement was considered as a way to protect the society to maintain economic stability and purchasing power so that compensation was really only for those who are entitled.

Therefore, the decision to increase the electricity tariff this time brought a positive impact to the country. One of the ways was that to arrange the subsidy precisely on target, thus the state will save trillions of rupiah. In the event that the impact of inflation was minimum and insignificant, the government still has to anticipate the challenge in the fourth quarter of 2022. The anticipation taken by the government was to navigate the development of world commodity prices, which were currently still fluctuating, and ensuring affordable electricity rates.

### Closing

The government decided to increase electricity tariffs only for group of society who are considered capable and government groups. Of all the customer groups, only five groups were affected by the tariff increase, which are household R2, R3, and government group P1, P2, and P3. The reason for the government to increase

electricity tariff was to actualize the fair electricity tariffs in which compensation given to the society who deserved to receive it, while in fact some groups of society able to pay the electricity tariff according to their economies. The government ensured that the electricity tariff adjustment in the third quarter of this year has not yet targeted business sectors such as malls and industry. Business sectors such as malls and industry were considered to have not fully recovered yet due to the Covid-19 pandemic.

The government should anticipate the potential for an increase in the inflation rate in the fourth quarter of 2022, due to its impact on re-adjusting tariffs. In addition, PT PLN must improve the governance of electricity supply so that all society receive proper electricity tariffs. The House of Republic of Indonesia especially Commission VII through its supervisory function, needs to ensure that this tariff adjustment is carried out in order to realize a fair electricity tariff in which compensation is given to the people who deserve to receive it.

### References

- "Ada yang Naik, Ini Daftar Terbaru Tarif Listrik 2022", June 13, 2022, <https://www.cnbcindonesia.com/news/20220613091539-4-346451/ada-yang-naik-ini-daftar-terbaru-tarif-listrik-2022>, accessed on June 14, 2022.
- The Ministry of Finance of the Republic of Indonesia, Buku II Nota Keuangan beserta APBN Tahun Anggaran 2022.
- "Kompromi Tarif Listrik", *Bisnis Indonesia*, June 14, 2022, page 1.

“Penaikan Tarif Listrik Minim Dampak Inflasi”, *Media Indonesia*, June 14, 2022, page 2.

“Penerapan Tarif Listrik Adjustment Sama Sekali Tidak Menyentuh Masyarakat Tidak Mampu”, Press Release of the Ministry of Energy and Mineral Resources, June 13, 2022, <https://www.esdm.go.id/id/media-center/arsip-berita/penerapan-tarif-listrik-adjustment-sama-sekali-tidak-menyentuh-masyarakat-tidak-mampu>, accessed on June 16, 2022.

PLN Statistic of 2021 (Unaudited), <https://web.pln.co.id/statics/uploads/2022/03/Statistik-PLN-2021-Unaudited-21.2.22.pdf>, accessed June 14, 2022.

“Tarif Listrik Mal dan Industri Tidak Naik”, *Media Indonesia*, June 14, 2022, page 10.

“Tarif Listrik Pelanggan Mampu Dinaikan”, *Kompas*, June 14, 2022, page 10.



Dewi Restu Mangeswuri  
[dewi.mangeswuri@dpr.go.id](mailto:dewi.mangeswuri@dpr.go.id)

Dewi Restu Mangeswuri, S.E., M.Sc., completed her Bachelor of Economics, majoring in Accounting in 2004 and Master of Accounting in 2006 at YKPN Economic Higher Education, Yogyakarta. She currently serves as a Young Researcher at the Research Center, Expertise Board of the House of Representative of Republic Indonesia. Her scientific papers have been published include: “Efforts to Overcome Cartel Practices in Indonesia” (2019), “Readiness of the Bandung City Government, West Java in Utilizing Disruptive Technology for Regional Economic Development” (2019), Entrepreneurship Development through Utilizing Effective Marketing Strategy Properly” (2018), and “Housing Financing Policy Through Housing Financing Liquidity Facility (FLPP)” (2016).

### Info Singkat

© 2009, Research Center, Expertise Agency of DPR RI  
<http://puslit.dpr.go.id>  
ISSN 2088-2351

Copyright is protected by law. It is forbidden to quote or reproduce part or all of the contents of this study without the publisher's permission.