Milestone Planning in Building Power Plant

Case Study: Coal Fired Power Plant 2x1000 MW in Batang / Central Java

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Jakarta, 3rd March 2017
The rationale for “milestone planning”

- Planning is the core of project management. Network planning is the pride of the project management profession. Most textbooks advocate that a network plan should be made at the start of the project.

- However, network planning does not secure success. It is worth noting that many unsuccessful projects have very detailed plans.

This seems to contradict normal expectations. What's the explanation? Why is activity planning at the start of the project to be considered harmful? (Andersen, 1996).
The rationale for “milestone planning”

- As implied by the definition of a project (“a unique endeavor”), it is doubtful whether project planners can foresee all the activities at the beginning of the project. This is especially true for totally new projects for the project planners.

- Unsuccessful projects are characterized by rigorous attention to detailed planning, which may draw attention away from the more important issues in the planning process.

- The main questions at the initial planning stage should be “what kinds of results the project should achieve”. The focus should be also on “in which order the results and the sub-results necessary for achieving the end results, should be delivered”.
What is a “milestone”?

- Milestone: In a reference to Project Management, a milestone is a special event that requires special attention. It is a significant event or stage in the progress or development of a project that we want to achieve.

  A milestone anticipates what the project is supposed to achieve at a pre-set date. It should describe a desired state of affairs, a desired future situation.

  Milestones can add significant value to project scheduling. They help project managers to more accurately determine whether or not the project is on schedule.

Milestones are also control stations in the project, an opportunity for stakeholders to assure themselves that the project is moving in the right direction.
What is “milestone planning”? 

- Having set and agreed the milestones with the key stakeholders ... we can define milestone planning as the activities of preparation to achieve the agreed milestone(s) of a project by developing plans or activities to be performed and designating the responsibility for each of the activities.

- The milestone plan charts the logical ties or dependencies between milestones. The milestone plan is not concerned with activities. Reaching a given milestone does involve, however, a number of activities.

In the focus of achieving the milestones ... it would be sensible to have a detailed plan for every milestone. So after the milestone planning, there is also the need for activity planning.
Project Scheme
Case Study: Coal Fired Power Plant 2x1000 MW in Batang / Central Java

- JPower; 34%
- Adaro; 34%
- Itochu; 32%

Guarantee Agreement

Technical Service Agreement

PPA; 25 Th; BOOT 25 th

Project Finance

Coal Supply Agreement

- Adaro Indonesia;
- KPC

JBIC; 9 Commercial Lenders

EPC

- MHPS
- Sumitomo Corp.
# Project Description

## Case Study: Coal Fired Power Plant 2x1000 MW in Batang / Central Java

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<tr>
<th><strong>LARGEST</strong></th>
<th>Power Plant Capacity (2 x 1,000 MW) in South East Asia</th>
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<tbody>
<tr>
<td></td>
<td>Project Investment ($ 4.2 Billion)</td>
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<td>Project Financing Deal in Indonesia</td>
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<td>Priority Project supported by KPPIP regulated under Coordinating Minister of Economics Decree No 12/2015</td>
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<th><strong>HIGHEST</strong></th>
<th>AMDAL Standard for IPP Project</th>
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<td>Environmental Social Management System Standard (IFC PS 2012, JBIC Guidelines, EP III)</td>
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<th><strong>FIRST</strong></th>
<th>PUBLIC-PRIVATE PARTNERSHIP (PPP) Project in Power Sector in Indonesia</th>
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<td>Ultra-Super Critical Technology Power Plant in Indonesia</td>
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<td>IPP to implement Law No. 2/2012</td>
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<td>IPP to implement BI Regulation for mandatory Rupiah payment</td>
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Overall Project Stages

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Milestone 0
- Feasibility Study
- Obtain Strategic Business Partner
- Passed Pre-Qualification

Milestone 1
- Obtain source of potential Project Financing
- Obtain good and appropriate EPC Contractor
- Obtain O&M Cost overview
- Establish Feasible and Bankable Business Model
- Bid preparation
- Preparation for Special Project Company (SPC)

Note on M3:
- 48 months construction and COD for Unit 1
- 54 months construction and COD for Unit 2

Note on M4:
25 Years operation after which the project will be handed over to PLN, in line with concept of BOOT (Build, Own, Operate, Transfer)
Milestone 2 – Original Plan
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Milestone 2

- **Licenses**
  - Location Permit by Regency (Pemkab)
  - Environmental Permit by Province / AMDAL (Pemprov)

- **Land Acquisition**
  - 226 Ha for Power Block – all HGB certified
  - 34 Ha for Switchyard and 25 Tower Footings for Transmission Line – all HGB Certified

- **EPC Cost Re-Firm Up**

- **Loan Approval process**
  - Review Business Model
  - Settlement of all Licenses, Agreement and Risk Mitigation (for Lender purpose)
  - Guarantee Agreement
  - Loan Signing

Financial Close

Oct 2011

Oct 2013
**Milestone 2 – Road Blocker and Recovery Plan**

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### Land Acquisition
1. Lawsuit raised by NGO against Location Permit issued by Pemkab at PTUN
2. Rejection from Land Owners to sell their lands
3. Rejection from Daily and Tenant Farmer to forbid the relinquishment of village lands
4. BPI cannot continue the land acquisition process, although only 12.5 Ha remain unpurchased.

### Recovery Plan
1. Multi Ministries approach to solve the land issues
2. Implementation of Law 2/2012 for remaining 12.5 Ha of land, including individual and village lands
3. Coordination with PLN & BPN as the executor of Law 2/2012 implementation
4. BPI need to review the project Milestone Planning

### Local Currency payment issue
1. New BI regulation that required to use IDR for local payment. While loan repayment to Lender itself is in USD

### Recovery Plan
1. Multi Institution approach to solve the issue i.e
   - Kemenko Ekonomi, MoF, IIGF, BI, Investment Board (BKPM)
   - PLN, Bank Mandiri
   - Lender and their legal counsel
Milestone 2 – Recovery

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January 2014, DEADLOCK on Land Acquisition
BPI together with GoI to find solution and finally decided to apply Law no 2/2012 to acquire the remaining land

PPA Amendment
16th Feb 2015
PPA Amendment No 4 for Law 2/2012 implementation by PLN for remaining lands

Location Determination
24th March 2015,
visit President to Japan and signing MOU between: PLN – BPI - JBIC

Price Appraisal
30th June 2015
Issuance of Location Determination by CJ Governor No 590/35 2015

Socialization
28th Aug 2015
Construction Kick-Off at site by President of RI, related Ministers and CJ Governor

Musyawarah
4th Nov 2015
Lawsuit submitted to Administrative Court, against Location Determination

Lawsuit
8th Dec 2015
Law No 2/2012 Land Handover from BPN to PLN

Consignment
Dec 2015
Administrative Court verdict rejecting Lawsuit against Location Determination

Court Verdicts
Certification

8th Dec 2015
Law No 2/2012 Land Handover from BPN to PLN
Milestone 2 – Recovery

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- Court Verdicts
- Site Hand Over
- EPC Refirm-up
- Business Model Review
- Documents & Other Conditions Compliance
- Guarantee Agreement
- Loan Approval
- Financial Close

24th Feb 2016
Supreme Court (MA) verdict rejecting Lawsuit against Location Determination

31st Mar 2016
Site Hand Over from BPI to EPC Contractor

6th Jun 2016
PPA Financial Close – signing of CP fulfillment by PLN and BPI

9th Jun 2016
FC Ceremony at Presidential Palace of RI witnessed by President of RI

Images of ceremonies and agreements.

Documents & Other Conditions Compliance

Guarantee Agreement

Loan Approval

Financial Close

Jun 2016
THANK YOU