



## Milestone Planning in Building Power Plant

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

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# *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” ?



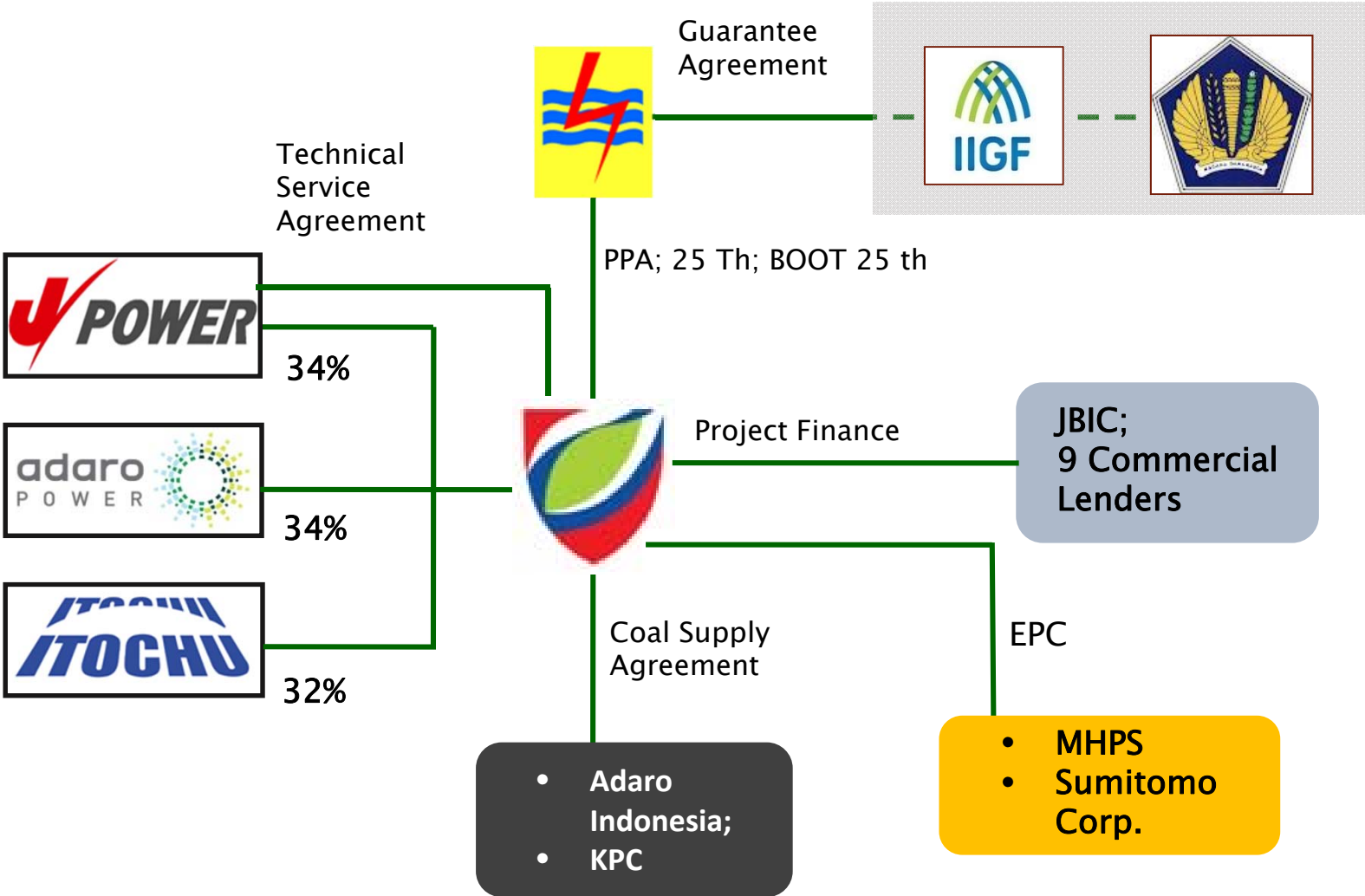
❖ Having set and agreed the milestones with the key stakeholders ... we can define milestone planning as the activities of preparation to achieve the agreed milestone(s) of a project by developing plans or activities to be performed and designating the responsibility for each of the activities.

❖ 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.

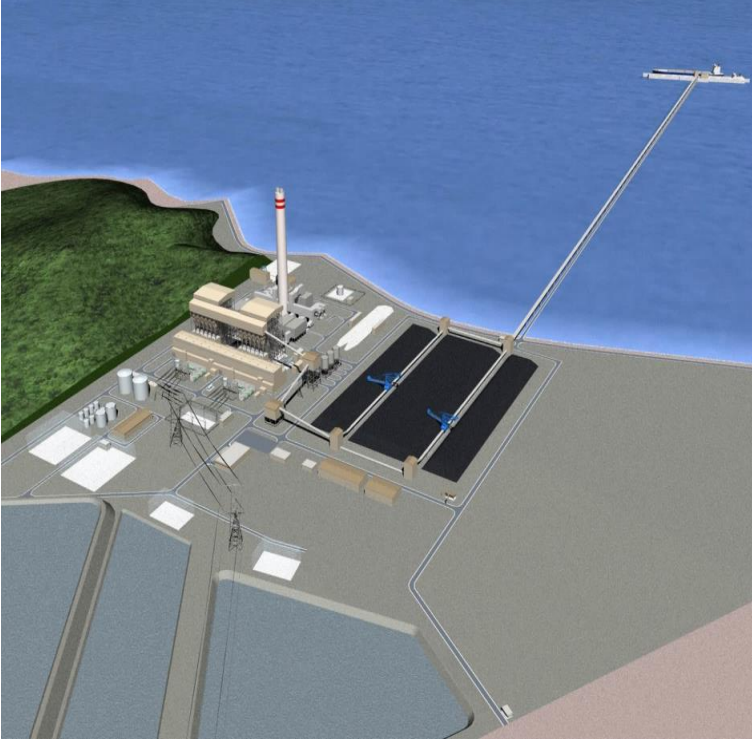
# Project Scheme

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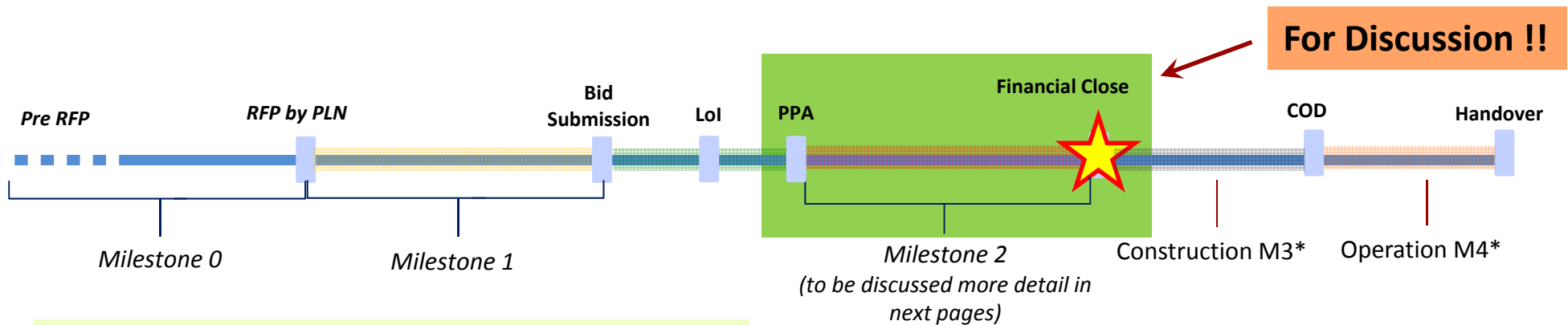
## Project Description

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

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

# Overall Project Stages

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



### 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 Unit2

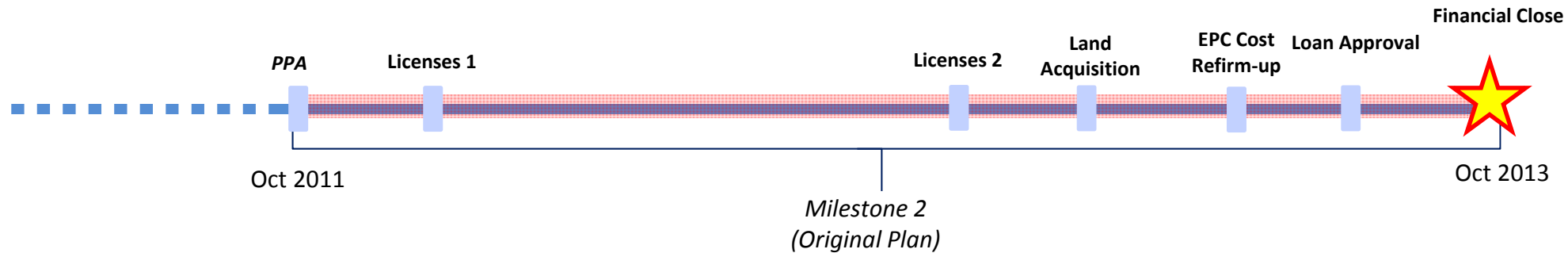
### Note on M4:

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

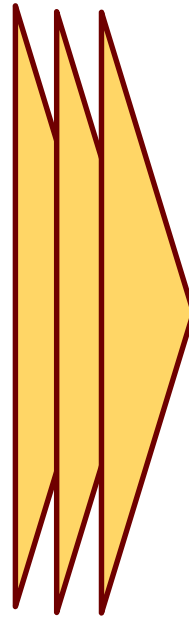
## Milestone 2 – Road Blocker and Recovery Plan

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#### Road Blockers and issue

##### 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.

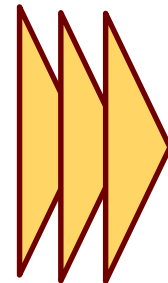


##### Recovery Plan

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

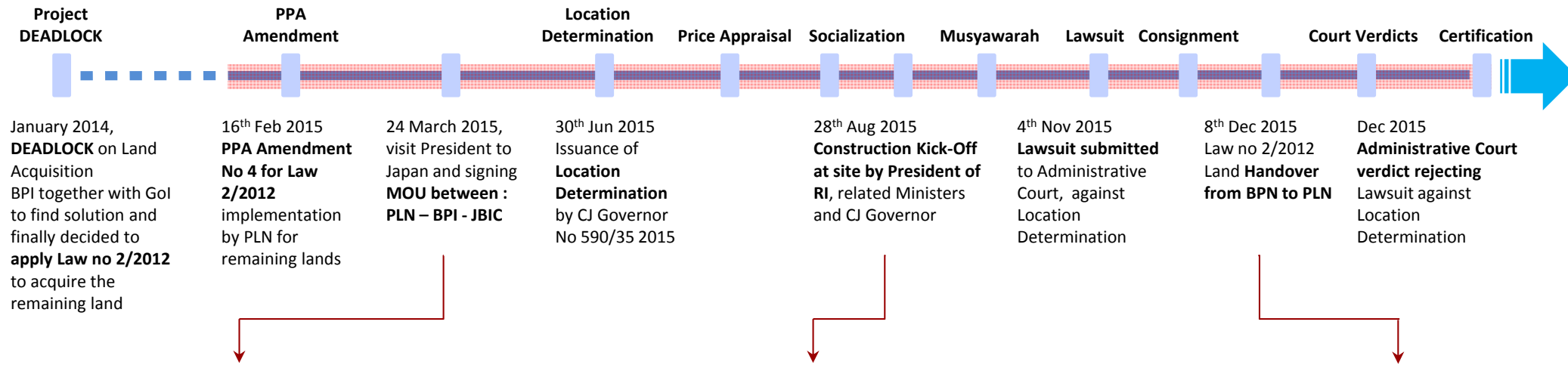


##### Recovery Plan

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

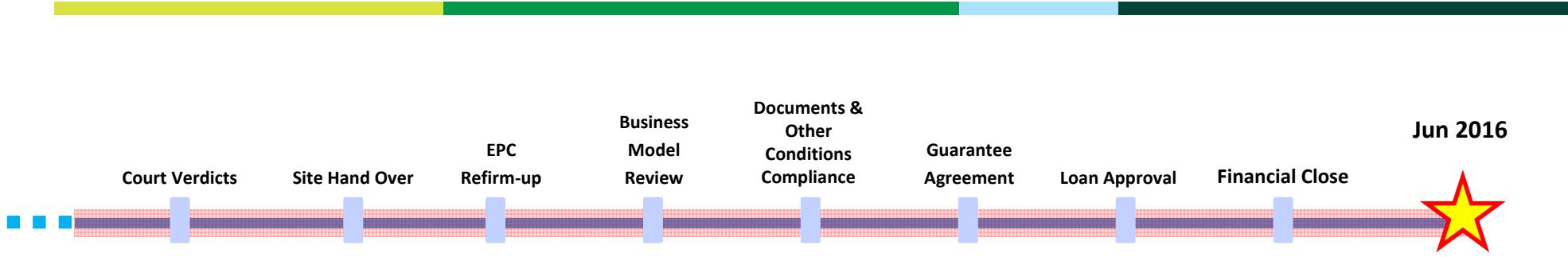
## Milestone 2 – Recovery

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# Milestone 2 – Recovery

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24<sup>th</sup> Feb 2016  
**Supreme Court (MA) verdict rejecting** Lawsuit against Location Determination

31<sup>st</sup> Mar 2016  
**Site Hand Over** from BPI to EPC Contractor



6<sup>th</sup> Jun 2016  
**PPA Financial Close – signing of CP fulfillment** by PLN and BPI

9<sup>th</sup> Jun 2016  
**FC Ceremony at Presidential Palace of RI** witnessed by President of RI





**THANK YOU**