

The background of the slide is a photograph of a high-voltage power line tower. The tower is a dark metal lattice structure, silhouetted against a bright blue sky with scattered white clouds. Several power lines extend from the tower across the frame. A semi-transparent dark blue horizontal band is overlaid on the middle of the image, containing the text and logo.

# UPDATE ON DIRECT POWER PURCHASE AGREEMENT MECHANISM FOR RENEWABLE ENERGY UNDER DECREE 80/2024

*July 2024*

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## GENERAL OVERVIEW

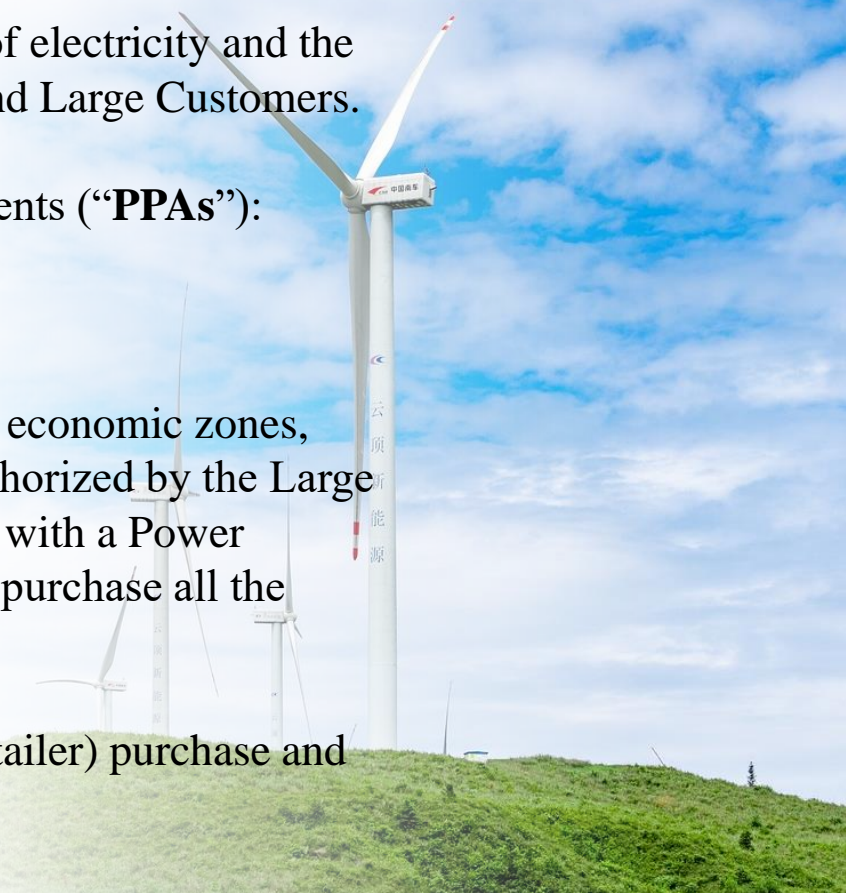
- Principles for direct power purchase agreement has been embedded in the Law on Electricity (“**LOE**”). The LOE allows customers to purchase electricity (i) through the competitive retail electricity market (Article 46.1(a)), and (ii) directly from electricity generators pursuant to fixed term contracts (Article 47.1(b)).
- On July 3, 2024, the Government of Vietnam officially issued Decree No. 80/2024/ND-CP on direct power purchase agreement (“**DPPA**”) mechanism between renewable energy generators (“**RE Generators**”) and large customers (“**Large Customers**”) (“**Decree 80**”), marking a significant milestone in the renewable energy sector in Vietnam. Decree 80 took effect on the same day of the signing date.
- The first time the MOIT shared a draft Circular on a pilot DPPA program for public comments was April 2021. The draft has changed its form from a circular to a Prime Minister decision, then a Government resolution and now it is issued in the form of a Government’s decree, which ranks higher than all other previous legislative forms of the drafts under Vietnamese legislation hierarchy.
- The DPPA mechanism was once proposed as a pilot program applicable only to a pool of 1,000 MW capacity of wind and solar power projects, each with a capacity of more than 30 MW. The fact that Decree 80 permits an official program, rather than a pilot program, and that it applies to all sources of renewable energy shows the Government’s effort to promote the development of renewable energy in the coming time.



# SUMMARY OF DPPA MODELS

Decree 80 regulates the mechanism for DPPA through two models, being: (i) DPPA via private wires (“**Physical DPPA**”), and (ii) DPPA through the national grid and Vietnam Wholesale Electricity Market (“**VWEM**”) (“**Financial DPPA**”).

- **Physical DPPA** involves signing a contract for the purchase and sale of electricity and the delivery of electricity through private wires between RE Generators and Large Customers.
- **Financial DPPA** involves the following three power purchase agreements (“**PPAs**”):
  - The RE Generator sells all electricity produced into the VWEM;
  - The Large Customer (or an authorized retailer in industrial zones, economic zones, export processing zones and the like (“**Authorized Retailer**”) authorized by the Large Customer) signs a contract for the purchase and sale of electricity with a Power Corporation under EVN (or an authorized entity) (“**EVN PC**”) to purchase all the electricity needed to meet their demand; and
  - The RE Generator and the Large Customer (or the Authorized Retailer) purchase and sell electricity through a forward contract.



# PHYSICAL DPPA

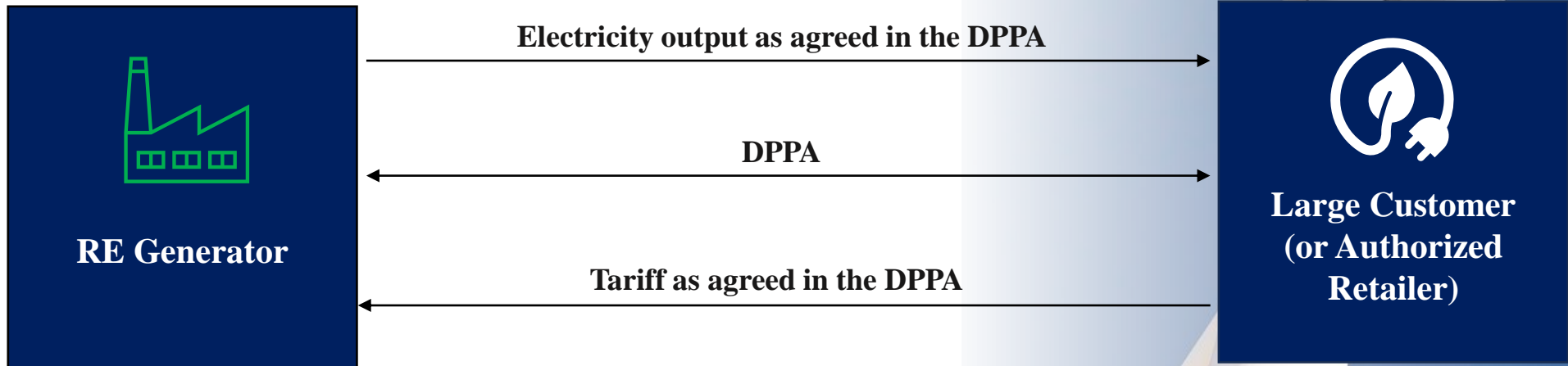
## Scope of application

- RE Generators being those entities owning solar (including rooftop), wind, small hydropower, biomass, geothermal, sea wave, tidal, ocean currents, and other forms of renewable energy plants.
- Large Customers being organizations or individuals who purchase electricity for their own use. Large Customers include:
  - Existing Large Customers currently consuming an average of 200,000 kWh or more per month (calculated over the latest 12 months);
  - New Large Customers or those with less than 12 months of electricity consumption history at the time of DPPA registration: a registered consumption of 200,000 kWh or more per month.



# PHYSICAL DPPA (cont.)

- **Illustrative diagram**



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VIETNAM LITIGATION LAW FIRM OF THE YEAR 2019 - 2021



PRIVATE PRACTICE ARBITRATION POWERLIST SEA 2022



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# PHYSICAL DPPA (cont.)

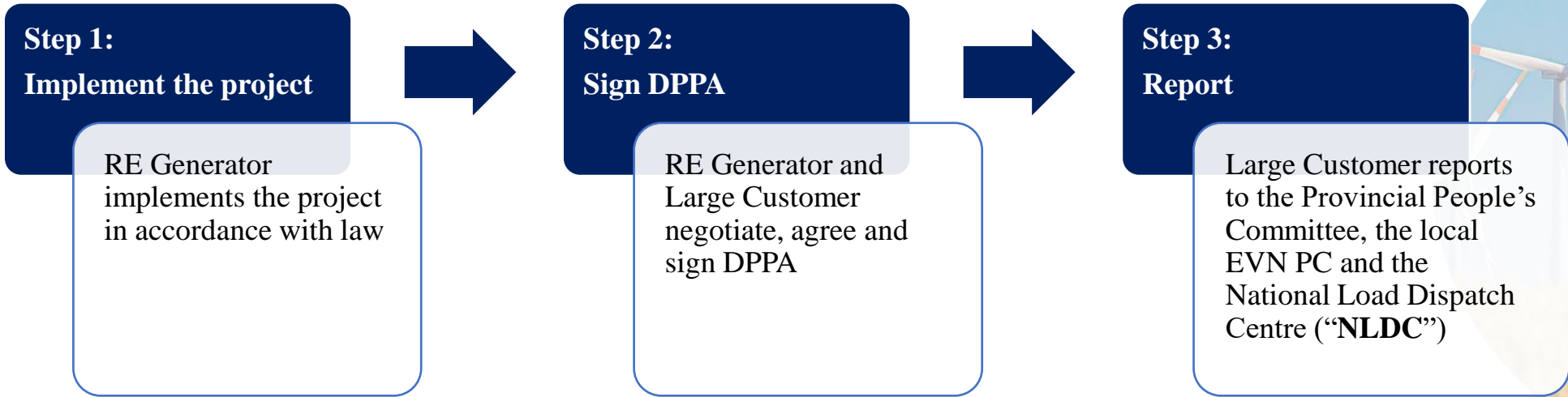
## General principles

- The PPA is a bilateral contract agreed between the RE Generator and its Large Customer and tariff can be negotiated and agreed thereunder.
- The RE Generator negotiates with EVN or its authorized entity regarding capacity, output and tariff for sale of the surplus electricity output.
- In addition to purchasing electricity from the RE Generator, a Large Customer may also purchase electricity from an EVN PC (or a non-EVN PC retailer).
- A RE Generator which also retails electricity in industrial zones, economic zones, export processing zones and the like may purchase electricity from the national grid and re-sell it at the electricity retail price published by the MOIT.



# PHYSICAL DPPA (cont.)

- Implementation steps





# FINANCIAL DPPA

## Scope of application

- **Wind** or **solar** power plants with a capacity of **10 MW** or more directly connected to the national electricity grid and participate in the VWEM.
- Large Customers for production purposes purchasing electricity from an EVN PC (or a non-EVN PC retailer) with a connection voltage of 22 kV or more.
- Authorized Retailers.



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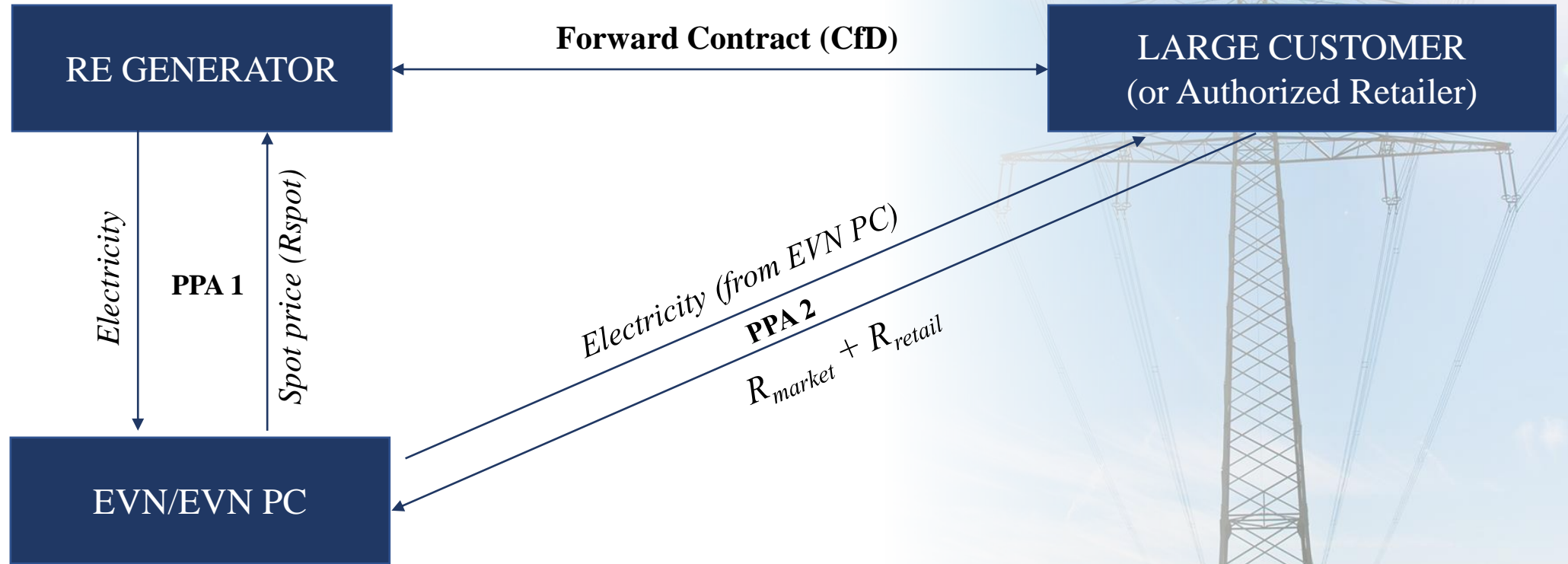


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# FINANCIAL DPPA (cont.)

- Illustrative diagram (see further explanation on pages 11 and 12)



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# FINANCIAL DPPA (cont.)



*In relation to PPA 1 and Forward Contract*

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To be paid by EVN/EVN PC to RE Generator, calculated as follows:

$$R_{spot} = Q_m \times FMP$$

- Q<sub>m</sub> means metered energy output (kWh)
- FMP means full market price which is calculated as follows:

$$FMP = SMP + CAN$$

- SMP means spot market electricity price (VND/kWh)
- CAN means market capacity price (VND/kWh)

To be paid by RE Generator or Large Customer, calculated as follows:

$$R_{CfD} = (P_c - FMP) \times Q_c$$

- P<sub>c</sub> means committed price in CfD (VND/kWh)
- Q<sub>c</sub> means committed energy output in CfD (kWh)
- FMP means full market price (VND/kWh)



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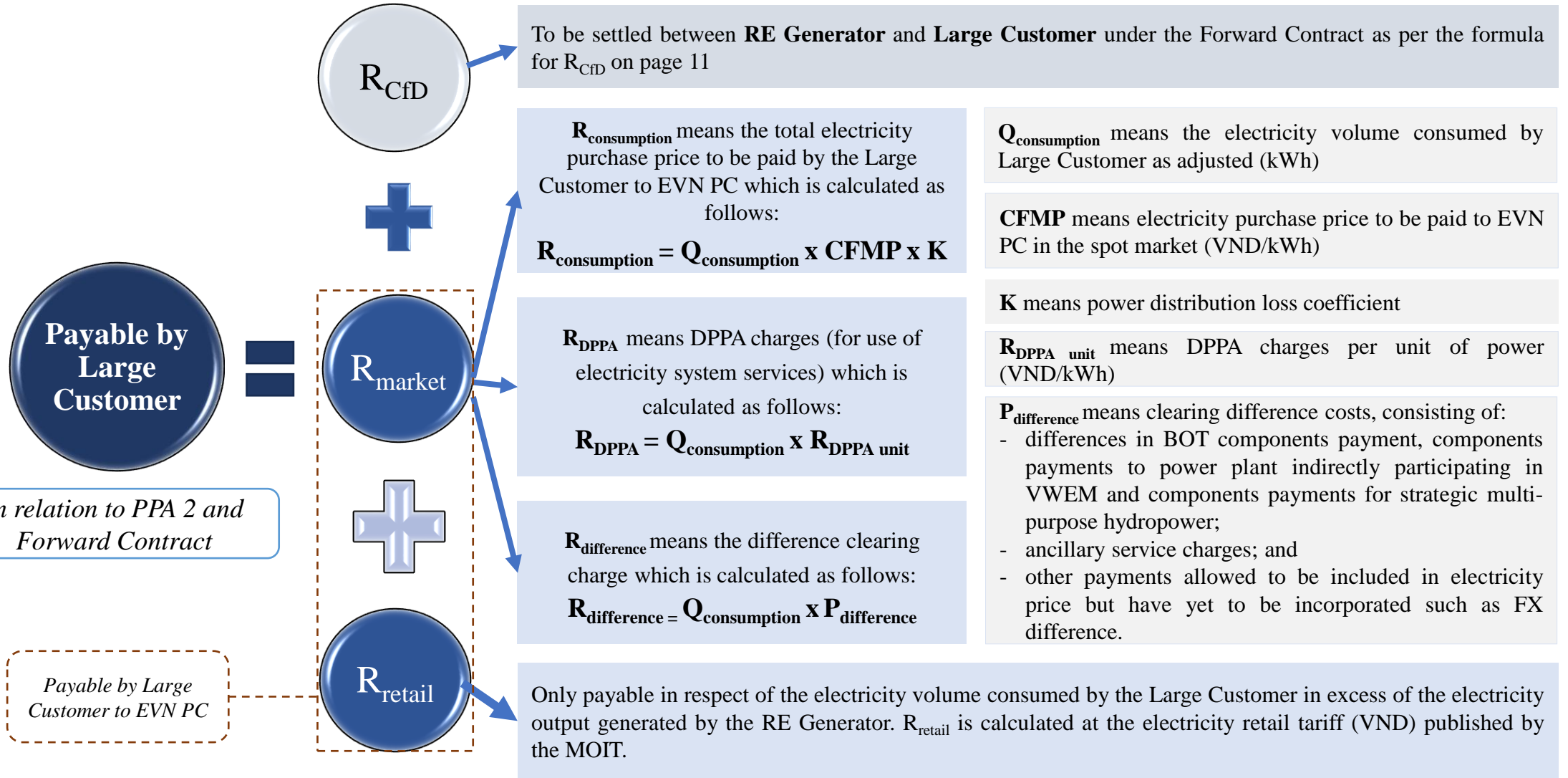


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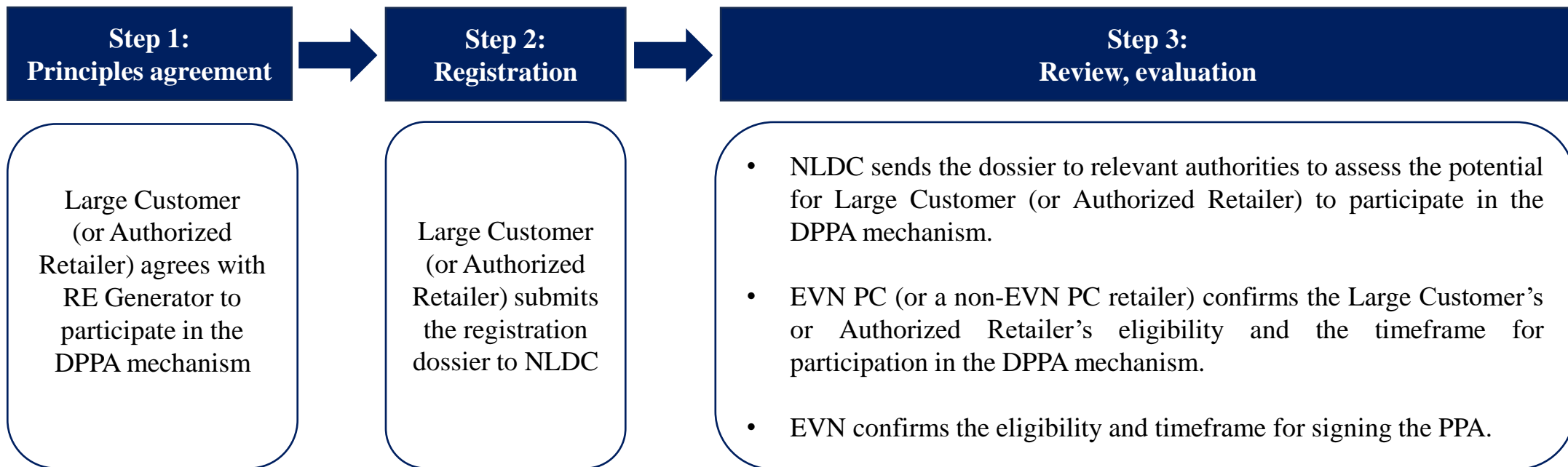
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# FINANCIAL DPPA (cont.)



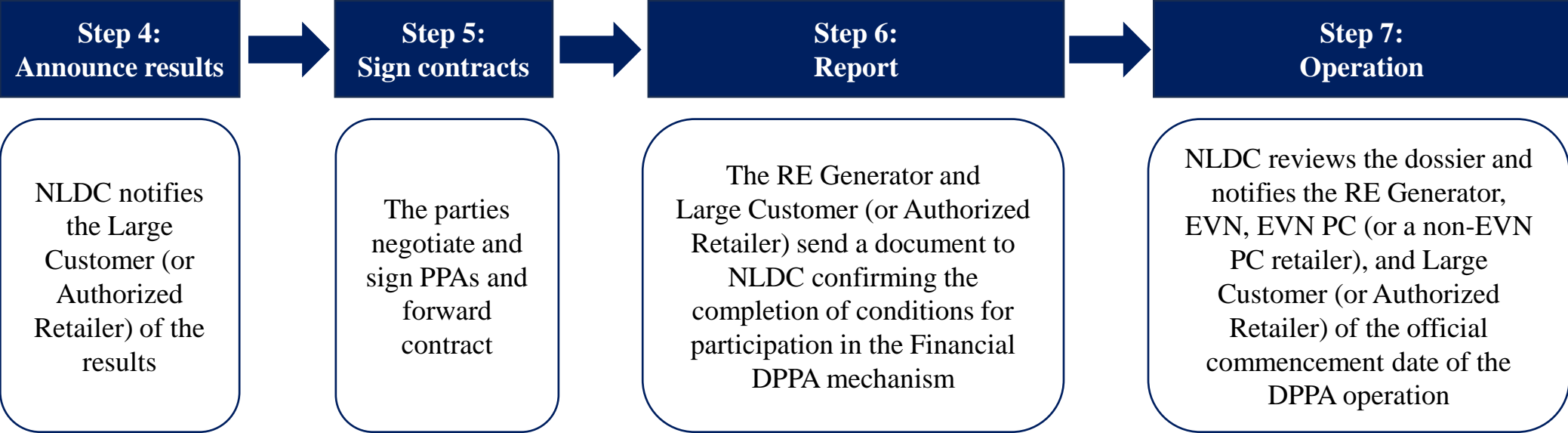
# FINANCIAL DPPA (cont.)

- Implementation steps



# FINANCIAL DPPA (cont.)

- Implementation steps (cont.)



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PRIVATE PRACTICE ARBITRATION POWERLIST SEA 2022



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# TEMPORARY SUSPENSION, TERMINATION, RESUMPTION OF DPPA

- **Temporary suspension**

**The Minister of MOIT (based on recommendations from relevant authorities) may decide to suspend the DPPA mechanism in the following cases:**

- Cessation of the electricity market as regulated by the MOIT for operating the VWEM;
- One of the contracts within the DPPA mechanism is temporarily suspended or expires;
- Exploitation of the mechanism or policies for personal gain; and/ or
- The Large Customer participating in the DPPA mechanism has an average electricity consumption of less than 200,000 kWh per month over a consecutive period of 12 months.

**Payment in case of temporary suspension of participation in the DPPA mechanism:**

- The Large Customer pays for electricity at the electricity retail price published by the MOIT.
- The Authorized Retailer purchases electricity from EVN PCs at the then current electricity price framework.
- The RE Generator sells electricity to EVN (or an authorized entity), negotiating and agreeing on the generating tariff within the framework of renewable energy generating price framework published by the MOIT or other price mechanisms.



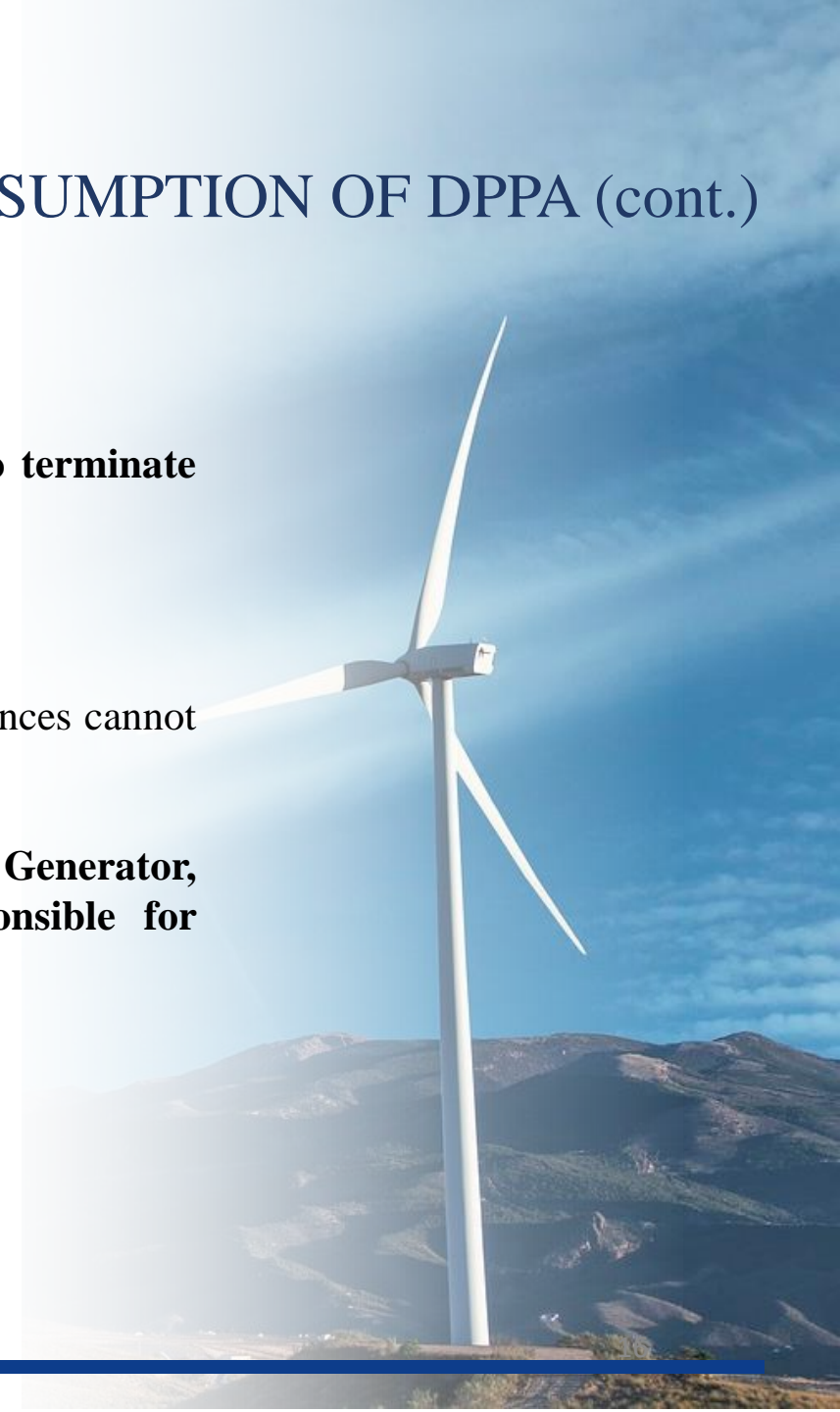
# TEMPORARY SUSPENSION, TERMINATION, RESUMPTION OF DPPA (cont.)

- **Termination**

**The Minister of MOIT (after consulting relevant authorities) decides to terminate the DPPA mechanism in the following cases:**

- Voluntary termination by the participating parties; or
- Exploiting the mechanism or policies for personal gains and the consequences cannot be remedied.

**In case of termination of participation in the DPPA mechanism, the RE Generator, Large Customer, Authorized Retailer, and EVN/EVN PC are responsible for negotiating and signing PPAs in accordance with the then existing law.**





# TEMPORARY SUSPENSION, TERMINATION, RESUMPTION OF DPPA (cont.)

- **Resumption**

- The Minister of MOIT (based on recommendations from relevant authorities) may decide to resume the DPPA mechanism if the violations have been remedied and confirmed by the competent authority and the competent authority makes a decision to continue operating the electricity market.
- In the event of resumption, the parties involved are responsible for continuing to fulfill the agreements under the executed agreements.



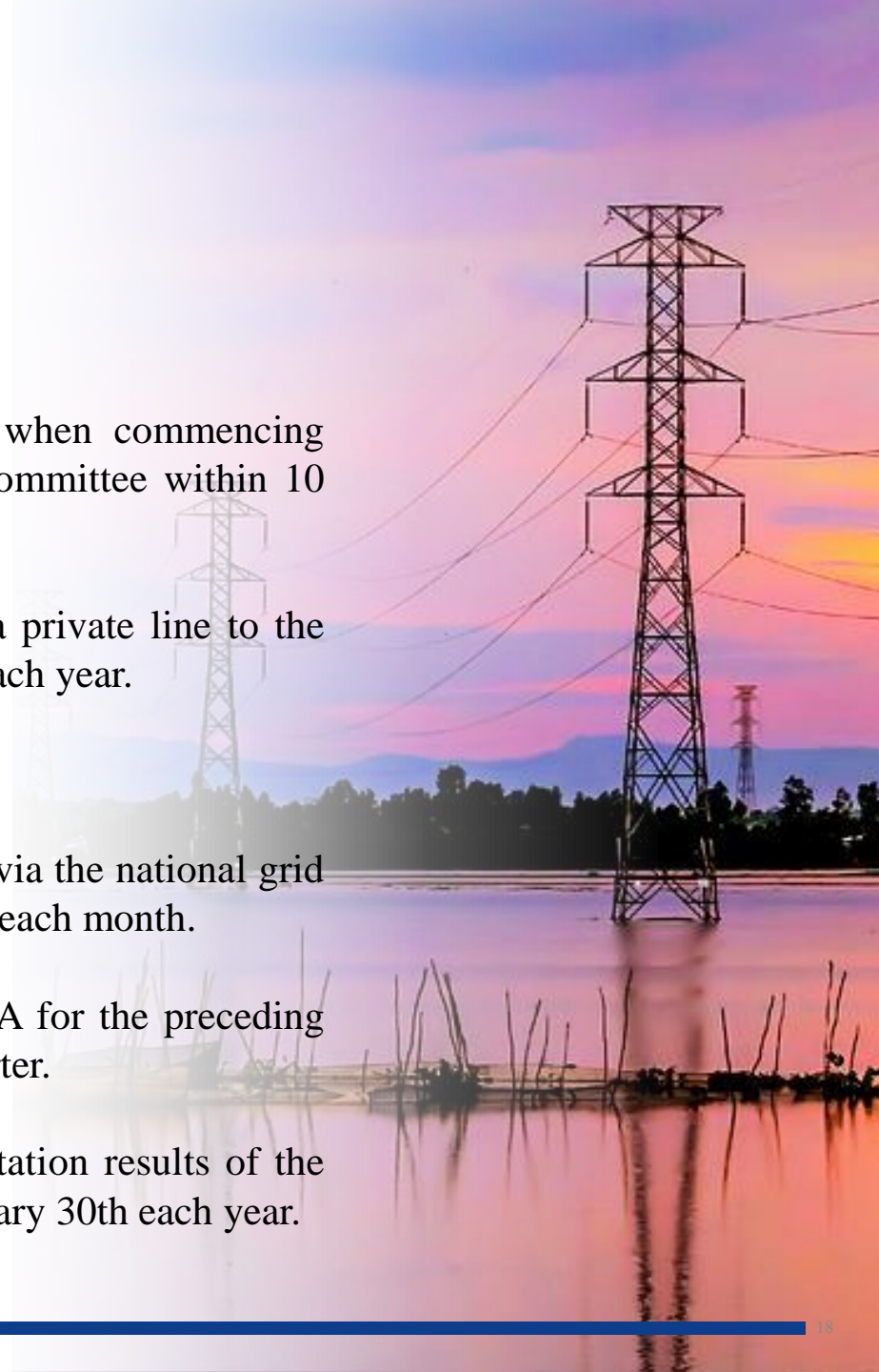
# REPORTING REGIME

- **For Physical DPPA**

- Large Customers submit a report containing relevant information when commencing DPPA via a private line to the MOIT and the provincial People’s Committee within 10 days from the signing date of the DPPA.
- Large Customers submit annual reports on the results of DPPA via a private line to the MOIT and to the provincial People’s Committee before January 30th each year.

- **For Financial DPPA**

- NLDC and EVN PCs, submit monthly reports on the results of DPPA via the national grid to the MOIT and the provincial People’s Committee before the 20th of each month.
- EVN submits a report on the implementation and results of the DPPA for the preceding quarter to the MOIT before the 30th day of the first month of each quarter.
- EVN, NLDC, and EVN PCs submit annual reports on the implementation results of the DPPA to the MOIT and the provincial People’s Committee before January 30th each year.



## YKVN'S REMARKS

- With the expiration of Feed-in-Tariffs for both solar and wind power, the DPPA mechanism is expected to serve as an alternative for renewable energy generators to ensure sustainable development and secure funding for their projects. Additionally, the DPPA mechanism acts as a catalyst for the completion of a competitive wholesale and retail electricity market.
- The DPPA mechanism would facilitate power consumers with sustainable and clean energy by providing certainty in capacity and pricing for a fixed period.
- The DPPA mechanism is expected to create opportunities for investment in renewable energy sources and to enable businesses to obtain renewable energy certificates (RECs) and carbon credits, enhancing the competitiveness of their goods in the international market.



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## YKVN'S REMARKS (cont.)

- The DPPA mechanism could help participating RE generators to enjoy stable income for a fixed period, creating a basis for sourcing funds for their renewable energy projects. It is expected to (i) attract foreign investment, (ii) improve renewable energy production capabilities, and (iii) ease the pressure on government resources and funding for power supply.
- Decree 80 creates new business opportunities for enterprises in the energy sector, such as (i) investing in the construction and operation of private transmission lines to facilitate direct electricity purchases, (ii) investing in innovative technologies to store renewable energy, and (iii) developing markets for carbon credits, among others.
- The financial DPPA mechanism places significant pressure on the electricity grid to balance the increasing amount of renewable energy. Therefore, the Government may consider issuing additional policies and laws to ensure appropriate grid management capabilities.



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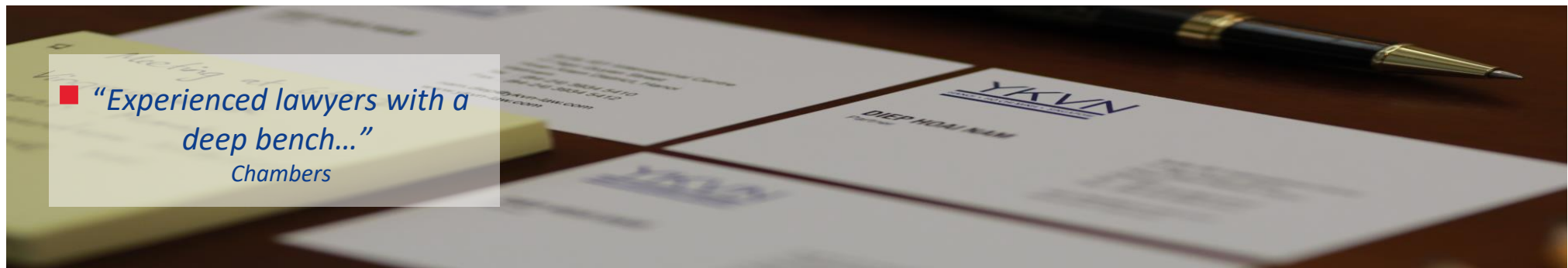
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