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# LEGAL ALERT

July 2024

**Renewable Energy - the “Congestion” point has been cleared under the direct power purchase mechanism between renewable energy generation unit and large electricity customers (DPPA)**



Following the Prime Minister's directional instructions in Power Planning VIII and the Plan for implementing Power Planning VIII, the Government has issued Decree No. 80/2024/ND-CP regulates the long-awaited direct power purchase mechanism between renewable energy generation unit (“REGU”) and large electricity customers (“Decree 80/2024”) on **July 3, 2024** and **takes effect immediately from the date of promulgation**. Accordingly, the investment and development of renewable energy in Vietnam in the coming period will have a clearer legal corridor.

According to Decree 80/2024, the Government allows the direct power purchase activities between REGU and large electricity customers to be carried out in 2 forms: (i) **Direct power purchase through a dedicated connection line**; and (ii) **Direct power purchase through the national power grid**. Principles for implementing these forms of the direct power purchase are specifically as follows:

### **1. Direct power purchase through a dedicated connection line**

Direct power purchase through a dedicated connection line is the activity of signing a power purchase agreement and delivering electricity through a dedicated connection line between a REGU and a large electricity customer. With this model, the REGU is not limited to the minimum generating capacity from its renewable energy power system/plant as in the other model.

The direct power purchase agreement (“DPPA”) applicable to this model will be agreed upon by the REGU and large electricity customers with main contents as stipulated in Article 22 of the Law on Electricity and relevant legal normative documents. DPPA signatories are allowed to agree on electricity purchase prices, except for cases where the electricity unit functions both as generating electricity and as retailing electricity in models of combined zones and cluster purchasing electricity from

the national electricity system at the same time as other on-site power sources to retail electricity to using customers in zone and cluster models.

In addition to the direct power purchase activities via dedicated connection lines, large electricity customers can still purchase electricity from the Electricity Corporation (“EVN”) or electricity retailers other than EVN.

Besides complying with Article 39 of the Law on Electricity, REGU under this model is also responsible for applying for an Electricity Operating License for electricity generation and/or electricity retail activities (if applicable); and comply with the Transmission System Regulations and Power Distribution System Regulations of the Ministry of Industry and Trade, regulations on safety of electricity generation, transmission, distribution, and other relevant legal regulations.

### **2. Direct power purchase through the national power grid**

Direct power purchase through the national power grid is an activity of power purchase through forward contracts between REGU and large electricity customers (or electricity retailers in authorized zones and clusters).

- (a) REGU in terms of wind or solar power with **a capacity of 10 MW or more** connected to the national power system directly participates in the competitive wholesale electricity market;
  - (b) **Large electricity customers**, for production purposes, purchase electricity from EVN or non-EVN electricity retailers connected to voltage levels of **22 kV or higher**;
  - (c) **Electricity retailers in park and cluster models** (*electricity retailers in industrial parks, economic zones, export processing zones, industrial clusters, high-tech parks, concentrated information technology parks, high-tech agricultural zones and other similar models prescribed by competent authorities*) **are authorized by large electricity users for production purposes** to buy electricity from EVN, or **are authorized to sign forward contract with REGU.**
- (b) **Large electricity customers/Electricity retailers in authorized zones and clusters** will sign a power purchase contract with **EVN** (or an authorized/decentralized unit) to buy all electricity to meet demand; and
  - (c) **REGU signs forward contracts to purchase power with large electricity customers /electricity retailers in authorized zones and clusters.**

The parties in the direct power purchase transactions according to the above types will agree on this transaction and record the agreements in the DPPA with the contents according to the DPPA form corresponding to the type applied as prescribed in the Appendixes attached to Decree 80/2024. The electricity price of these types of direct power purchase is calculated based on the corresponding electricity price calculation formula as described in Decree 80/2024.

Direct power purchase activities through the national power grid are divided into 3 types of activities as follows:

- (a) **REGU** signs a power purchase contract with **EVN** to sell all produced electricity into the spot electricity market of the competitive wholesale electricity market;

In addition to the principles applicable to each model as mentioned above, the subjects implementing direct renewable energy electricity purchase models also need to pay attention to the corresponding compliance obligations with regulations on the sequence of participating in the direct power purchase and reporting regime as prescribed in Decree 80/2024.



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