

Update on Vietnam's DPPA

April 2024

Hanoi branch of Allens Pte Ltd which is incorporated in Singapore with limited liability, company reg no 198803349H.
Our associated firm Allens is an independent partnership operating in alliance with Linklaters LLP.

Key takeaways from the April 2024 draft decree on DPPA



On 15 April 2024, the MOIT released a draft decree on DPPA for public consultation (*Draft Decree*). The MOIT intends to finalize the draft and submit to the Government before 30 April 2024.



For the Physical DPPA, there is one major change: Draft Decree provides that *'the electricity price is as agreed by the parties'* instead of applying the regulated electricity retail price as implied in MOIT's report in October 2023.



For the Virtual DPPA, there are **five key takeaways**:

- Power generators of at least 10MW may participate in Virtual DPPA. In the 'initial phase', only wind and solar projects are eligible (no explanation of what the 'initial phase' means). In the 'subsequent phase', other types (including hydro, biomass, tidal, geothermal, etc.) may join.
- Consumers using at least 500,000 kWh per month with 22kV connection may participate in Virtual DPPA. This minimum consumption requirement is a new concept introduced by the Draft Decree.
- In the 'initial phase', only manufacturing customers are eligible to participate. In the 'subsequent phase', other customers may join.
- There are now detailed formulas to calculate payments made among power generator, EVN/Electricity Retailer and customer. Specifically, the Draft Decree includes a detailed formula to calculate the service charges, which will be determined by EVN annually.
- CfD contract price is not subject to a cap as contemplated in October 2023 MOIT report. VWEM payment made to the power generator is now the lower of (i) VWEM spot price, and (ii) Ceiling tariff for the relevant type of electricity generator. However, this is not reflected in the formula for payment made between EVN/Electricity Retailer and customer or between power generator and customer – both still refer to VWEM spot price.

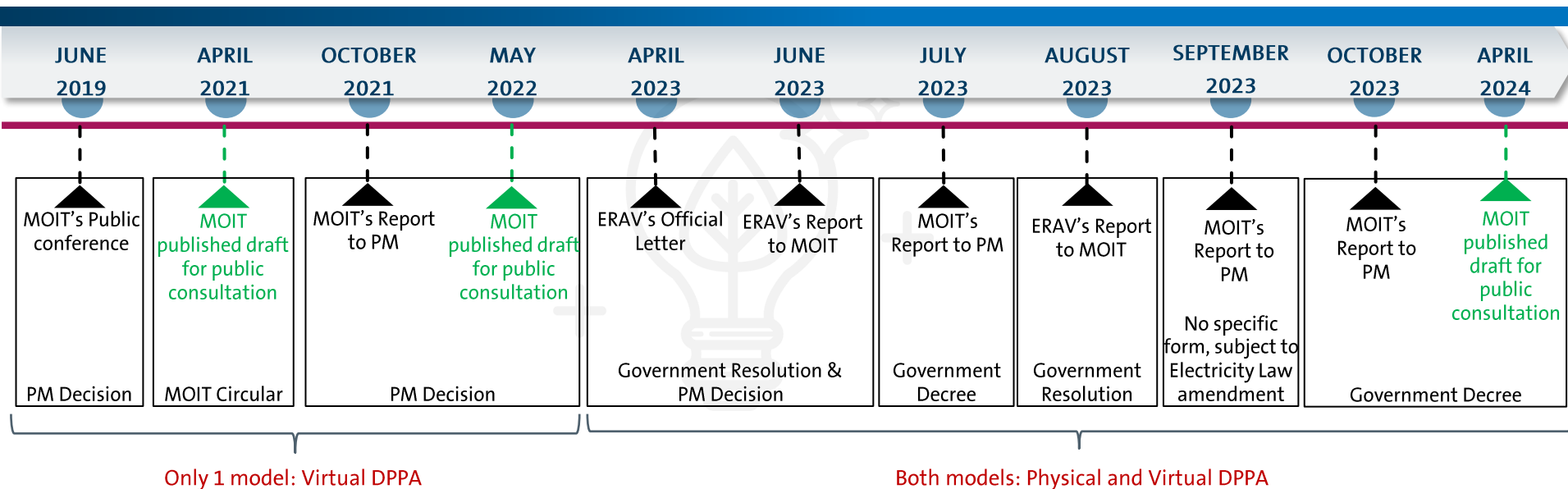


Appendix 1 of the Draft Decree sets out the model PPA between power generator and EVN for Virtual DPPA. In general, this model PPA has bankability issues in common with previous template PPAs for solar and wind.

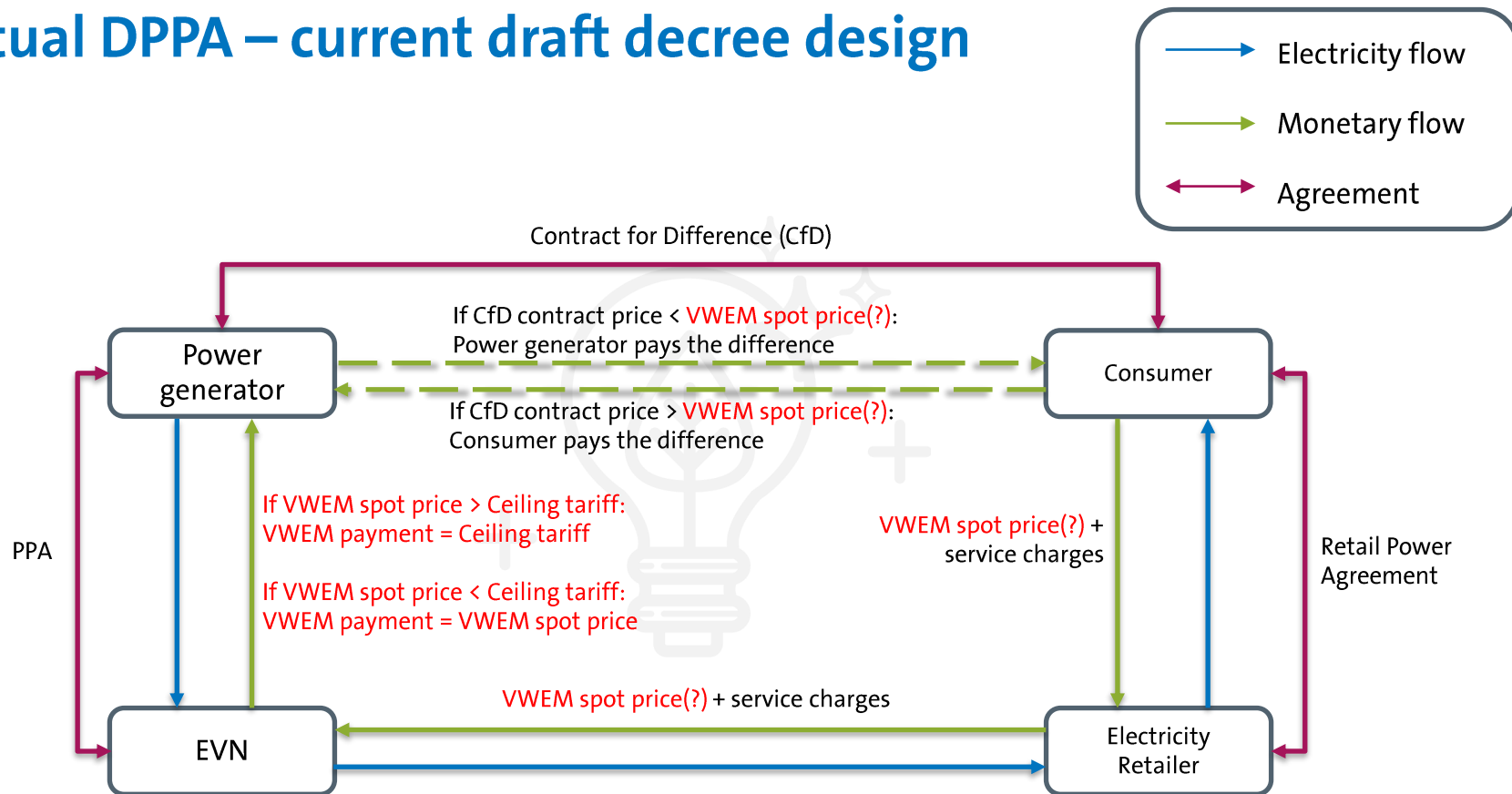


Appendix 2 of the Draft Decree sets out key terms of the CfD between power generator and consumer. However, the parties generally have broad discretion to agree detailed terms and conditions of the CfD.

DPPA - Key chronological highlights

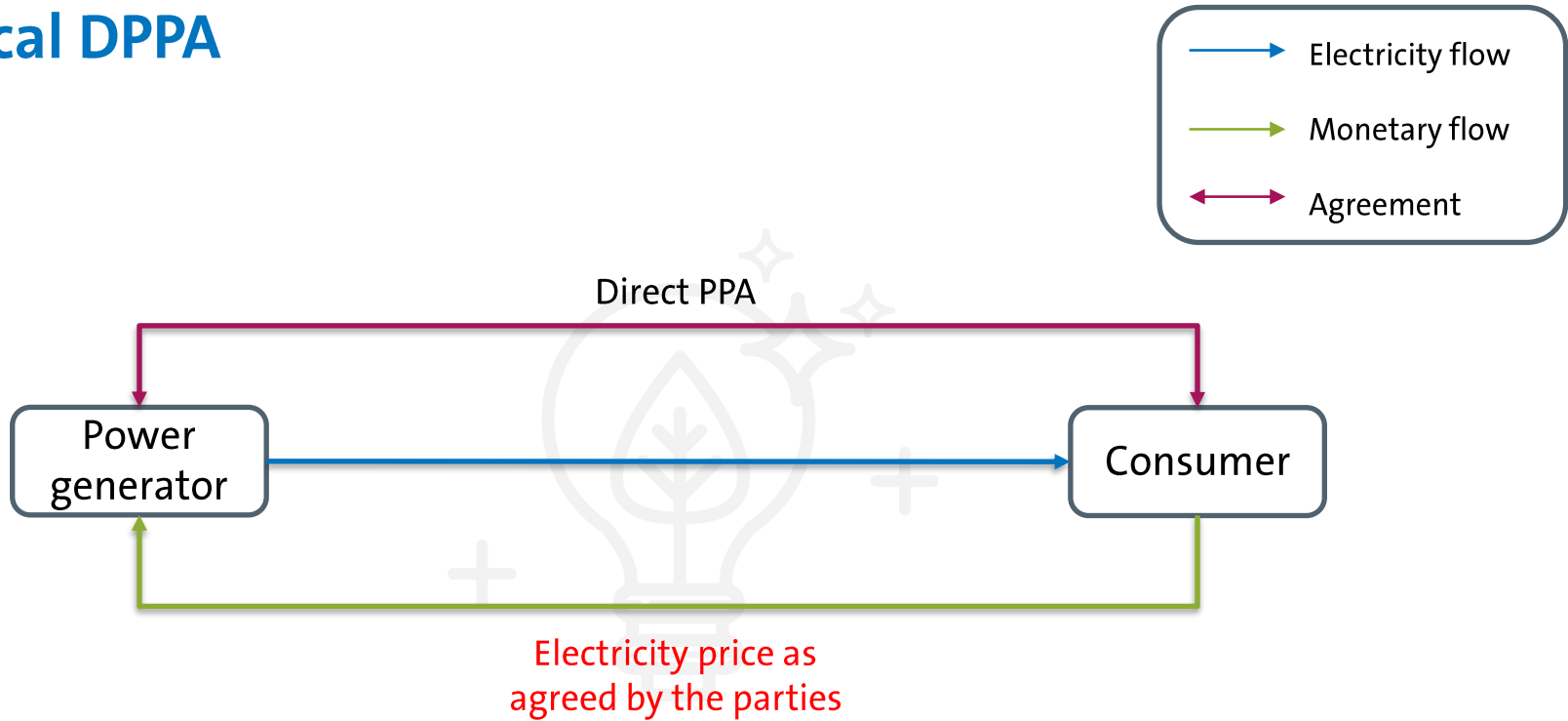


Virtual DPPA – current draft decree design



VWEM spot price(?) should be replaced by VWEM payment?

Physical DPPA



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