

Deloitte.

TAX ALERT

Decree No. 80/2024/ND-CP regulating the Direct Power Purchase Agreement mechanism

July 2024



MAKING AN
IMPACT THAT
MATTERS
since 1845

Decree No. 80/2024/ND-CP regulating the Direct Power Purchase Agreement mechanism

On 03 July 2024, the Government officially issued Decree No. 80/2024/ND-CP regulating the Direct Power Purchase Agreement (“DPPA”) mechanism between Renewable Energy Generating Units (“REGU”) and Large Electricity Consumers (“LEC”) (“the Decree”). According to the Decree, the direct power purchase mechanism is implemented through the **following two options**:

Option 1: Direct power purchase via Private connection wire:

- Activity of sale, purchase and delivery of power through a private connection wire between Renewable Energy Generating Units (“REGU”)¹ and Large electricity consumers (“LEC”)².
- **Principles:**
 - The PPA between REGU and LEC is based on agreement of the contracting parties in accordance with the provisions of Article 22, Electricity Law and relevant regulations, including main contents as follows: contracting parties, purpose of use, standards and quality of services, rights and obligations of the parties, electricity price, payment method and deadline, conditions for contract termination, responsibility for breach of contract, term of contract; responsibility for investment, construction, management and operation of the private connection wire, other contents agreed upon by parties.
 - The electricity selling price is determined by **mutual agreement between contracting parties or implemented according to price regulations issued by the Ministry of Industry and Trade** where applicable.
 - REGU negotiate, agree and sign PPA on capacity, output, and price for surplus electricity output with Vietnam Electricity Group (“EVN”) (or its authorized units) as prescribed.
 - Besides the direct power trading activities via private connection wire specified above, LEC are allowed to purchase electricity from the Electricity Corporation (or electricity retailers other than the Electricity Corporation) as prescribed.
- **Reporting regime:**
 - Report on direct power purchase:
 - *Reporting objects: LEC;*
 - *Submission method: via postal service;*
 - *Timeline: within 10 days from the date of signing the DPPA.*
 - Report on results of direct power purchase via private wire for year N-1:³
 - *Reporting objects: LEC;*
 - *Submission method: via postal service;*
 - *Timeline: before 30 January of year N.*³

Contact

Website: deloitte.com/vn

Email: deloittevietnam@deloitte.com

For reference only, not for distribution or sale

**Transfer Pricing
Firm of the Year**

**Tax Firm
of the Year**

Decree No. 80/2024/ND-CP regulating the Direct Power Purchase Agreement mechanism

Option 2: Direct power purchase via National grid:-

- Activity of sale and purchase of power via a Forward Contract⁴ between REGU and LEC (or authorized IP/EZ/EPZ power retailer/utility⁵), and power purchase activities particularly:
 - Wind and solar power projects that want to participate in direct electricity trading through the national grid must have a capacity of over 10 MW and sell entire power output via the spot market of Competitive Wholesale Electricity Market (“WEM”)⁶;
 - LEC or authorized IP/EZ/EPZ power retailer/utility⁵ to sign PPA with the Electricity Corporation⁷ (or authorized/decentralized units) to buy electricity;
 - REGU and LEC or power retailer units at zones and clusters authorized to buy electricity through Forward Contract.

- **Reporting regime:**
 - Report on results of direct power purchase of the previous month (M-1):³
 - *Reporting objects: Electricity system and electricity market operator, the Electricity Corporation;*
 - *Submission method: via email or postal service;*
 - *Timeline: before 20th day of month M.*³

 - Report on status and results of implementation the direct power purchase mechanism through the national grid in the preceding quarter:
 - *Reporting subjects: EVN;*
 - *Submission method: via email or postal service;*
 - *Timeline: before 30 of the first month of the quarter.*

 - Report on the results of implementing the direct power purchase mechanism through the national grid nationwide in year N-1:³
 - *Reporting objects: EVN; Electricity system and market operator, the Electricity Corporation;*
 - *Submission method: via email or postal service;*
 - *Timeline: before 30 January of year N.*³

Contact

Website: deloitte.com/vn

Email: deloittevietnam@deloitte.com

For reference only, not for distribution or sale

**Transfer Pricing
Firm of the Year**

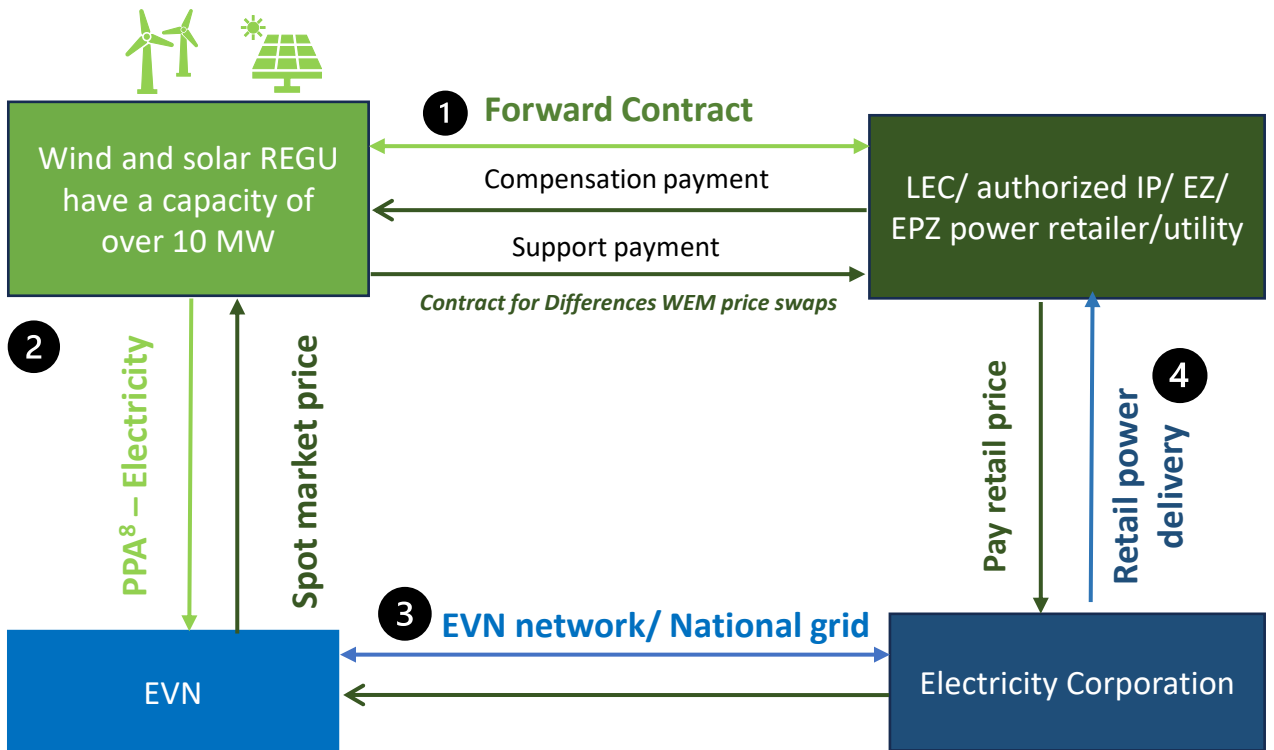
**Tax Firm
of the Year**

Decree No. 80/2024/ND-CP regulating the Direct Power Purchase Agreement mechanism

DPPA – Private connection wire



DPPA – National grid



Contact

Website: deloitte.com/vn

Email: deloittevietnam@deloitte.com

For reference only, not for distribution or sale

Transfer Pricing
Firm of the Year

Tax Firm
of the Year

Decree No. 80/2024/ND-CP regulating the Direct Power Purchase Agreement mechanism

Deloitte's views

Decree 80 marks a significant breakthrough for Vietnam's energy industry in establishing and promoting the development of a competitive electricity market. The introduction of the Decree not only meets the inevitable need in the trend of using clean energy, but also contributes to attract investment in renewable energy development, accelerating the goal of energy transition and sustainable development of Vietnam.

(*) Notable definitions

- Renewable Energy Generating Units ("REGU") are electricity units that own power plants from solar power, wind, small hydropower, biomass, geothermal, ocean waves, tides, ocean currents and rooftop solar power systems; being granted or exempt from an electricity operating license as prescribed.*
- Large electricity consumers ("LEC") are: organizations and individuals purchasing electricity for using electricity average consumption of 200,000 kWh/month or more.*
- N = Current calendar year ; N-1 = Previous calendar year.
M = Current calendar month; M-1 = Previous calendar month.*
- Forward contract is a type of contract in which two parties agree and confirm their commitment to buy or sell electricity output at a determined price at a specific time in the future.*
- Power retailers in Industrial Park/Economic Zone/Export Processing Zone ("IP/EZ/EPZ power retailer/utility") is an electricity unit that is granted an electricity operation license for power retail in IP/EZ/EPZ. This retailer has an electricity output of 200,000 kWh/month or more connected to a voltage level of 22 kV or higher.*
- Wholesale Electricity Market ("WEM") is the market for buying and selling electricity in transaction cycles implemented by the electricity system and market operator according to regulations at all levels of the competitive electricity market.*
- Electricity Corporation is Northern Electricity Corporation, Southern Electricity Corporation, Central Electricity Corporation, Hanoi City Electricity Corporation, Ho Chi Minh City Electricity Corporation.*
- The electricity purchase contract on the spot market is a contract applicable to the electricity purchase and sale of each power plant, including the main contents specified in Appendix I under this Decree.*

Contact

Website: [deloitte.com/vn](https://www.deloitte.com/vn)

Email: deloittevietnam@deloitte.com

For reference only, not for distribution or sale

**Transfer Pricing
Firm of the Year**

**Tax Firm
of the Year**



Bui Tuan Minh
National Tax Leader
+84 24 7105 0022
mbui@deloitte.com



Thomas McClelland
Tax Partner
+84 28 7101 4333
tmcclelland@deloitte.com



Bui Ngoc Tuan
Tax Partner
+84 24 7105 0021
tbui@deloitte.com



Phan Vu Hoang
Tax Partner
+84 28 7101 4345
hoangphan@deloitte.com



Dinh Mai Hanh
Tax Partner
+84 24 7105 0050
handinh@deloitte.com



Vo Hiep Van An
Tax Partner
+84 28 7101 4444
avo@deloitte.com



Vu Thu Nga
Tax Partner
+84 24 7105 0023
ngavu@deloitte.com



Tat Hong Quan
Tax Partner
+84 28 7101 4341
quantat@deloitte.com



Vu Thu Ha
Tax Partner
+84 24 710 50024
hatvu@deloitte.com



Dang Mai Kim Ngan
Tax Partner
+84 28 710 14351
ngandang@deloitte.com



Tran Quoc Thang
Tax Partner
+84 28 710 14323
qthang@deloitte.com

Hanoi Office

15th Floor, Vinaconex Building,
34 Lang Ha Street, Dong Da
District, Hanoi, Vietnam
Tel: +84 24 7105 0000
Fax: +84 24 6288 5678

Ho Chi Minh City Office

18th Floor, Times Square
Building, 57-69F Dong Khoi
Street, District 1,
Ho Chi Minh City, Vietnam
Tel: +84 28 7101 4555
Fax: +84 28 3910 0750

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

About Deloitte Vietnam

In Vietnam, services are provided by separate and independent legal entities, each of which may be referred to or known as Deloitte Vietnam.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.