

On 6 April 2020, the Prime Minister issued Decision No. 13/2020/QĐ-TTg on the Mechanism for Encouragement of Development of Solar Power in Vietnam ("Decision 13"). Decision 13 will take effect on 22 May 2020 and is the long awaited regulation to replace Decision No. 11/2017/QĐ-TTg dated 11 April 2017 of the Prime Minister as amended by Decision 02/2019/QĐ-TTg dated 8 January 2019 of the Prime Minister which expired on 30 June 2019.

We will take a brief look at the key points of Decision 13 in this insight.



Classifications of Solar Power Projects

Decision 13 classifies solar power projects into two categories of grid-connected solar power projects (with two sub-categories discussed below) and rooftop solar power projects:

1. **roof solar power system:** a solar power system with solar energy panels installed on the rooftop of a construction work with an output not exceeding 1 MWp, directly or indirectly connected to the power grid of the power purchaser with a voltage of 35kV or less of the power purchaser.
2. **grid-connected solar power project:** a solar power project directly connected to the national power grid except for rooftop solar power systems above.

A further distinction is made between grid-connected projects being: (i) floating solar power projects (those with solar panels installed on floating structures on water); and (ii) ground mounted solar power projects: grid-connected solar power projects not being floating solar power projects.

The regulations in Decision 13 on grid-connected projects apply to both floating and ground mounted solar projects with the only exception being a different FIT is applied (as discussed further below).

Grid-connected Solar Projects

FIT for Sale to EVN

A FIT of:

- VND1,620 (7.09 US cents) per kWh will apply for all ground-mounted solar power projects; and
- a FIT of VND1,758 (7.69 US cents) per kWh will apply for all floating solar power projects.

that:

- (i) have been issued a decision on investment policy by the relevant authority prior to 23 November 2019;
- (ii) will achieve COD for the project in whole or in part between 1 July 2019 and 31 December 2020; and
- (iii) use solar cells with efficiency of more than 16% or module efficiency greater than 15% to qualify for the applicable FIT.

A limited number of grid-connected projects located in Ninh Thuan province with the total accumulated capacity up to 2,000 MW already approved in the master plans, achieving COD before 1 January 2021, and that use solar cells with efficiency of more than 16% or module efficiency, will benefit from a preferred FIT of VND 2,086/kWh, (9.35 US cents/kWh).

The applicable FIT for such grid-connected solar projects above will apply for 20 years.

The FIT will be adjusted with fluctuations of the VND/USD exchange rate published by the State Bank of Vietnam on the day the seller issues the invoice to EVN.

Competitive mechanism

For grid-connected solar projects that do not meet the conditions to qualify for the applicable FIT above, the FIT will be determined by competitive mechanisms or auctions. MoIT is still developing the details of the proposed competitive mechanisms that will determine the applicable FIT for such grid-connected solar projects,

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If you have any questions on any of the items discussed above, please do not hesitate to contact us.

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but the details have yet to be finalised.

PPA for sale to EVN

The model PPA issued by the MOIT for grid-connected projects must be used for sale of electricity from grid-connected solar power projects to EVN.

The term will be 20 years from the COD and this may be extended on expiry subject to applicable laws.

Sale to other persons not being EVN

Decision 13 defines the power purchaser as either EVN, or also other organisations and entities not being EVN purchasing power from the power seller.

It also states that the power purchaser is responsible to purchase all electricity produced by grid-connected solar power projects loaded onto the national grid. Decision 13 does not provide any further explicit provisions on sale of electricity from grid-connected solar power projects to power purchasers not being EVN (unlike for rooftop solar power systems discussed below). However, it seems this may have been drafted widely to include permission to sell to other persons not being EVN under regulations being developed separately, such as the direct power purchase programme (i.e. under a pilot virtual PPA) proposed by the MOIT under Proposal 544/TTr-BCT dated 21 January 2020.

Rooftop Solar Power Projects

Decision 13 provides specific regulations applicable to rooftop solar power projects where the rooftop solar power system meets the conditions set out in the definition of: (i) having an output not exceeding 1 MWp, (ii) being installed on the building structure and directly and indirectly connected to the power grid of the power purchaser; and (iii) with a voltage of 35kV or less of the power purchaser.

Scope of sale of electricity generated from a rooftop solar power system

For rooftop solar power systems that meet the conditions set out above, electricity may be sold in whole or part to EVN, or to power purchasers (such as industrial customers) not being EVN if the power grid of EVN is not used.

Consequently, for qualifying rooftop solar power systems, it will now be permitted for a developer to sell electricity generated by a rooftop solar power system to a private customer onsite.

FIT for Sale of Electricity to EVN

A FIT of VND1,916 (8.38 US cents) per kWh will apply for sale of electricity to EVN from such rooftop solar power systems that:

- (i) achieve COD and certificate of meter readings in the period from 1 July 2019 to 31 December 2020; and
- (ii) use solar cells with efficiency of more than 16% or module efficiency greater than 15%.

This FIT will apply for 20 years from the COD for such rooftop solar power projects.

The FIT will be adjusted annually in accordance with fluctuations of the VND/USD exchange rate published by the State Bank of Vietnam on the last day of the previous year for calculating monetary payments for the following year.

PPA for Sale of Electricity to EVN

The applicable model PPA issued by the MOIT for use in rooftop solar power projects must be used for sale of electricity from rooftop solar power systems to EVN.

The term will be 20 years from the COD and this may be extended on expiry subject to applicable laws.

PPA for Sale of Electricity to Power Purchasers other than EVN

Decision 13 stipulates that in the case of sale of electricity generated by a rooftop solar power system to a power purchaser other than EVN, the applicable price per kWh, and other terms of the PPA will be as negotiated between the developer and the relevant customer provided such private PPAs observe generally applicable laws.

This permits rooftop solar power developers to develop their own private PPAs for use with rooftop solar power projects entered into with onsite private customers.

Development of rooftop solar power systems

Investment in and development of rooftop solar power systems directly or indirectly connected to the grid must be after the grid-connection agreement has been obtained from the relevant provincial level of EVN.

EVN will invest in, install and maintain the metering equipment for use in PPAs signed with EVN.

Electricity Operation License

Decision 13 stipulates that 'Electricity Retailers or Distributors outside of EVN', are those entities licensed to distribute, retail and wholesale electricity. This may suggest that a private power company will be required to obtain an electricity operation license to sell electricity regardless of the capacity of the system.

However, under current regulations on electricity operation licenses an entity is exempt from obtaining an electricity operation license if the system has an installed capacity of less than 1MWp (system in one location with one connection point) for sale to other entities and it seems this exemption should continue to apply unless further stipulated by the authorities.

