NEW DECREES FOR THE IMPLEMENTATION OF ELECTRICITY LAW

SECTION I – DPPA FRAMEWORK

INTRODUCTION

The new Law on Electricity took effect on 1 February 2025 providing a new legislative framework for development of new energy and renewable energy projects (**Electricity Law**). Following the effectiveness of the Electricity Law, on 3 March 2025, the Vietnamese Government enacted several significant decrees aimed at detailing regulatory frameworks for those projects including Decree No. 56/2025/ND-CP on power development, electricity supply network development plan (**Decree 56**), power projects and bidding procedures for investor selection, Decree No. 57/2025/ND-CP on direct power sale and purchase framework between renewable energy generation companies and large-power consumers (**Decree 57**), and Decree No. 58/2025/ND-CP on development of electricity generated from renewable energy and new energy sources (**Decree 58**). The new decrees are expected to collectively introduce critical reforms that are set to impact investment and development in the renewable energy sector operating within the country.

This legal update seeks to provide a comprehensive overview of the new legislative framework on direct power purchase agreements as introduced by Decree 57. Decree 57 has come into effect upon its issuance date and repealed the preceding Decree No. 80/2024/ND-CP of last year. Similar to its predecessor, eligible renewable energy generation companies and customers may engage in the direct power sale and purchase via private grid (**Physical DPPA Model**), or via national grid (**Virtual DPPA Model**). However, the scope of application has been extended to cover additional sources of renewable energy as enshrined in Electricity Law.

We depict in the table below a comparison of the two models regulated under Decree 57.

<table>
<tr><th>Items</th><th>Physical DPPA Model</th><th>Virtual DPPA Model</th></tr>
<tr><td></td><td>This model is available to all companies that own power plants for electricity generation from solar energy, wind energy, ocean energy (tides, waves, currents), geo-thermal energy, hydro energy, biomass, solid wastes and other renewable energy sources prescribed by law.</td><td>This model is available to companies engaging in the power generation from wind, solar or biomass energy having a capacity of 10MW or greater and participating in the Vietnam wholesale electricity market (VWEM).</td></tr>
<tr><td>Eligible customers (Customer)</td><td>Large Power Consumers (as defined below)</td><td>Large-Power Consumers using electricity for manufacturing activities.
Large-Power Consumers engaging in battery charging services for electricity vehicles who purchase electricity from Power Corporations and electricity retailers with the voltage level of 22 kV and above.
Electricity retailers in industrial clusters authorised by the Large-Power Consumers above to deploy this model.</td></tr>
<tr><td>Large Power Consumer Qualification</td><td colspan="2">At the time of registering or notification on the relevant model, Large Power Consumers must have achieved or commit (in case the consumption period is less than 12 months) an average consumption of not being lower than the minimum consumption applicable to large power consumers prescribed by the MOIT under the VEWM Regulations (“Minimum Consumption Threshold”).

For each subsequent year (year N+1), Large Power Consumers may continue deploying the relevant DPPA model provided that:

(a) the total period of DPPA implementation is less than 12 months; or

(b) the average consumption during the period commencing on 1 November of the year N-1 till 31 October of the year N was not lower than the Minimum Consumption Threshold,

(collectively, Large Power Consumer).</td></tr>
<tr><td>General compliance requirements</td><td colspan="2">Investment and Planning

GENCO shall comply with laws and regulations in relation to planning, investment electricity operating.

Development and Operation

GENCO and Large-Power Consumer shall comply with laws and regulations in relation to electricity safety during construction and operation and safety for electricity consumption, construction, land, environmental protection, firefighting and prevention, the terms of the power purchase agreements and other relevant provisions at law.</td></tr>
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<table>
<tr><th>Items</th><th>Physical DPPA Model</th><th>Virtual DPPA Model</th></tr>
<tr><td>Grid requirements</td><td>Private grid

GENCO shall invest in, construct and operate the integrated system of transmission lines, transformer, other ancillary equipment for electricity transmission for the sale of electricity to the customer or private connection network, unless the parties otherwise agree.</td><td>National grid

The power plant will be connected with the national grid comprising transmission lines, transformers and ancillary equipment for electricity transmission within Vietnam.</td></tr>
<tr><td rowspan="2">Contracts and Pricing</td><td rowspan="2">Direct Power Purchase Agreement

GENCO and Large Power Consumer shall enter into a direct power purchase agreement (DPPA) pursuant to which GENCO will sell and Large Power Consumer will purchase electricity generation output at the mutually agreed price.

There is no mandatory model DPPA which allows for great flexibility for the parties to negotiate and mutually agree on terms of the DPPA.

The parties may negotiate the electricity price subject to the ceiling price of the relevant power source within the price generation brackets.</td><td>EVN Power Purchase Agreement

GENCO and EVN shall execute a power purchase agreement (EVN PPA), under which GENCO will sell its entire generation output to the spot market. The EVN PPA will be drafted in accordance with the key terms detailed in Annex I of Decree 57.

EVN shall pay to GENCO on the basis of the current market price for electricity that is exchanged for immediate delivery (Spot Price).</td></tr>
<tr><td>Customer Power Purchase Agreement

Customer and Power Corporation shall enter into a power purchase agreement (Customer PPA), wherein Customer agrees to purchase electricity from Power Corporation for its total consumption needs. The Customer PPA will be prepared based on the key terms outlined in Annex II of Decree 57.

Customer shall pay the Power Corporation the aggregate of:

• Costs for electricity consumption (applying wholesale spot price);

• Service charges;

• Adjustment (to be determined in accordance with Annex IV of Decree 57); and

• Costs of purchasing electricity from Power Corporation to make up any shortfall where its actual consumption exceeds the electricity generation output of GENCO (applying retail price).</td></tr>
</table>

Items	Physical DPPA Model	Virtual DPPA Model
		Forward Contract (or Contract for Differences) GENCO and Customer shall establish a Forward Contract (**Forward Contract**), specifying the committed price (**Strike Price**) and committed consumption ratio (**Committed Consumption Ratio**). This contract will adhere to the key terms set forth in Annex **III** of Decree 57. The revenue of Forward Contract shall be determined on the basis of the difference between the Strike Price and Spot Price and the Committed Consumption Ratio.
Sale of excess electricity	**Rooftop solar** (**RTS**) Excess energy output not exceeding 20% of the actual generation output may be sold to the EVN or Power Corporations at the average market price as announced by the National System Management Operator (**NSMO**) for the preceding year, and this sale must adhere to the applicable ceiling price within the generation price bracket for ground-mounted solar energy. Additionally, excess energy generated from RTS systems situated within industrial clusters may be sold to local electricity retailers at a price negotiated between the parties, provided that such price is also subject to the ceiling price established for the generation price brackets applicable to ground-mounted solar energy. **Other renewable energy sources** Excess energy output and price will be negotiated subject to the ceiling price of the generation price brackets applicable to the relevant power source.	Not applicable.

Items	Physical DPPA Model	Virtual DPPA Model
Registration requirement	Not applicable.	Customer or GENCO shall register with NMSO its participation in the Virtual DPPA Model. NMSO shall reply to Customer or GENCO on the proposed commencement date of the Virtual DPPA Model, the proposed execution dates of EVN PPA and Customer PPA within five working days of its receipt of all responses from EVN, Power Corporation, electricity retailer at industrial cluster.
Notification and reporting requirements	Within 10 days of the DPPA's execution date, Large-Power Consumer shall deliver a notification on the execution of the DPPA (annexed with a copy of the executed DPPA) to the MOIT, the People's Committee at the provincial and municipal, Power Corporations and NSMO. By no later than 30 January, Large-Power Consumers will file an annual report on the implementation of the DPPA to the MOIT and the relevant People's Committee	Not applicable.
Transitional provision	With respect to the power purchase agreements entered into prior to the effective date of Decree 57 (i.e. 3 March 2025), the parties may continue to perform such agreements or proceed to amend such agreements in accordance with the provisions of Decree 57.	

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With over 15 years of experience, Phuong has worked in both domestic and international law firms. Phuong has extensive experience in the energy, infrastructure, and TMT sectors, in the areas of M&A, project development, and project finance. She has provided advice on large-scale projects and high-value transactions to international financial institutions, developers, and investors, both local and foreign.

Numerous respectable legal ranking services, including IFLR and Legal 500, have recognized her as a rising star in the fields of M&A and projects, and energy for 2023 and 2024. She has won the prestigious title of Rising Star of the Year in Projects and Energy at the 2023 Legal 500 Southeast Asia Awards.

Phuong holds two master's degrees from Belgium in finance management and the UK in law. She is qualified in Vietnam, England and Wales. Phuong speaks English fluently.

At Asia Counsel, we provide a comprehensive range of legal services to support renewable energy projects in Vietnam. Our experienced team has been involved in a variety of renewable energy projects, including utility scale solar, rooftop solar, and wind, and provides comprehensive services across the board, including in relation to M&A, project finance, project development, and all other aspects of the renewable energy investment and business cycle in Vietnam.

Contact us today to learn more about how we can support your renewable energy projects in Vietnam.

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