

## Client Alert

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## Vietnam's New Circular Provides Detailed Guidelines on Project Development and Model Power Purchase Agreements for Solar Projects

### Recent development

On 12 September 2017, the Ministry of Industry and Trade ("**MOIT**") issued Circular No. 16<sup>1</sup> for implementation of the Prime Minister's Decision No. 11<sup>2</sup> on solar power projects in Vietnam. Effective from 16 October 2017, Circular No. 16 includes detailed guidelines on the formulation and approval of national and provincial solar power development plans, technical requirements, and tariff structure for both grid-connected projects and rooftop projects.

In addition, Circular No. 16 includes a set of three templates of model power purchase agreements ("**PPA**") for grid-connected projects, residential rooftop and commercial/industrial rooftop projects/systems, including specific guidelines on the application of net-metering schemes for rooftop projects.

### Specific requirements for grid-connected projects<sup>3</sup>

Circular No. 16 provides for, among other things, the following technical requirements for grid-connected projects:

- the ratio of the equity owner's capital for a grid-connected project must not be lower than 20% of the project's total investment capital;
- the land area used permanently must not exceed 1.2 ha per one (1) MWp;
- investors must assess the impact of their plan to connect the power project with the electricity system in the relevant region; and
- the project must have equipment connecting with SCADA system or load dispatch information to provide daily generation forecast to the relevant load dispatch centre/agency.

### Specific requirements for rooftop projects<sup>4</sup>

For rooftop projects, Circular No. 16 provides for an installed capacity threshold of 1MWp to place different registration requirements.

Specifically, for rooftop projects with capacity of less than 1MW, the investor is required to register an interconnection with the provincial-level electricity company/utility. The details to be registered must include: estimated capacity, technical indications of PV solar modules and indications of inverters.

<sup>1</sup> Circular No. 16/2017/TT-BCT of the Ministry of Industry and Trade dated 12 September 2017 on project development and model power purchase agreements for solar power projects ("**Circular No. 16**"), a copy can be found here: <http://www.moit.gov.vn/documents/36315/0/TT+16+2017+BCT.zip/54c52e4a-277c-4ff0-9fbd-e6bf99880b97>.

<sup>2</sup> Decision No. 11/2017/QĐ-TTg of the Prime Minister dated 11 April 2017 on the mechanism for encouragement of the development of solar power projects in Vietnam ("**Decision No. 11**").

<sup>3</sup> Under Decision No. 11, "grid-connected project" is defined as a solar power project connected to the national power network or the power grid of Power Purchaser (being EVN or its authorized member entities), except for rooftop projects, as defined below.

<sup>4</sup> Under Decision No. 11, "rooftop project" is defined as a solar power project installed on the roof or attached to constructed facilities and connects directly to the power grid of Power Purchaser (being EVN or its authorized member entities).



On the other hand, for rooftop projects with capacity of 1MWp or more, the investor must conduct a procedure for inclusion of the project to the relevant power development plan(s).

In addition, under Circular No. 16, grid-connected projects and rooftop projects with capacity of 1MWp or more must apply for an electricity operation/generation license.

## Feed-in-Tariff (FiT) for grid-connected projects

Circular No. 16 reinstates Decision No. 11's approved Feed-in-Tariff ("**FiT**") rate of VND 2,086 per kWh (equivalent to USD cents 9.35 per kWh, exclusive of VAT) for grid-connected projects. According to Decision No. 11, the FiT can be adjusted in accordance to the VND-USD exchange rate fluctuation.

Vietnam Electricity ("**EVN**") or its authorized member entity (as the offtaker) is responsible for purchasing the entire power output from grid-connected projects at the FiT at the delivery point.

## Net-metering scheme for rooftop projects

Circular No. 16 provides for a net-metering scheme for rooftop projects equipped with bi-directional meter systems. Specifically, in a payment cycle, if the electricity output generated from a rooftop project is higher than that the power amount consumed, the excess can be transferred or carried forward to the subsequent payment cycle. At the end of the year or upon the termination of the PPA, the excess in the electricity output generated can be sold to EVN at the tariff of VND 2,086 per kWh (equivalent to USD cents 9.35 per kWh).

The tariff for the following year will be adjusted in accordance with the VND-USD central exchange rate announced by the State Bank of Vietnam on the last working day of the year.

## Limitations on the tariffs

For both grid-connected projects and rooftop projects, Circular No. 16 clarifies that the provided tariffs apply only to the part of the solar power plant that reaches commercial operation date ("**COD**")<sup>5</sup> before 30 June 2019 and its application will be limited to a period of 20 years from the COD.

In addition, the projects that enjoy the tariff under Decision No. 11 and Circular No. 16 will not be entitled to any other price support mechanisms relating to power output under other legal regulations.

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<sup>5</sup> Circular No. 16 defines "Commercial Operation Date" as the date on which a part or the whole of a grid-connected solar power plant is ready to sell electricity to the Power Purchaser and meets the following conditions: (i) The power plant has completed the initial commissioning for a part or the whole of the grid-connected solar power plant and the connection facilities; (ii) The grid-connected power plant has been granted with a power operation license in power generation sector; [and] (iii) The Power Seller and the Power Purchaser have fixed the meter indices to commence the payment.



## Planning requirements for solar power projects

Circular No. 16 provides for detailed guidelines on the formulation, adjustment, inclusion and approval of national and provincial solar power development plans.

For grid-connected projects, the investors can set up the investment only for the projects that have been included in the relevant master plans. For other projects, they must undergo the procedure for inclusion of those projects to the master plans. The MOIT has the authority to approve grid connected projects with installed capacity of up to 50MW, while for larger projects, the MOIT must report the proposed inclusion to the Prime Minister for approval.

In this respect, Circular No. 16 sets out specific documentation and content requirements that the relevant developer needs to prepare for inclusion of a proposed project in the national and/or provincial Power Development Plan(s).

For rooftop projects, as noted above, only rooftop projects with capacity of 1MWp or more will be subject to procedure for inclusion of the project to the relevant power development plan(s).

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For specific issues on model power purchase agreement (PPA) templates for grid-connected and rooftop projects, we will discuss in further details in a separate alert.

If you would like to discuss opportunities for investment in solar power projects/systems in Vietnam or seek our detailed analysis on any of the issues and how our Firm can assist you, please do not hesitate to contact us.

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