

VIETNAM OVERHAULS STATUTORY PPA TEMPLATE FOR NON-BOT POWER PLANTS

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In alignment with the new Electricity Law, the Ministry of Industry and Trade (**MOIT**) has issued Circular 12/2025/TT-BCT (**Circular 12**) on tariff determination and the Power Purchase Agreement (**PPA**) template for power projects. This new Circular takes effect on February 1, 2025, replacing Circular 07/2024/TT-BCT (**Circular 07**), which was issued just last April.

While the tariff determination mechanisms in Circular 12 remain largely consistent with those in Circular 07, the most notable change is the overhaul of the PPA template, aligning with the principles of the new Electricity Law to provide parties with greater flexibility to customize and negotiate their PPA terms. This change is expected to enable investors to negotiate more bankable PPAs for power projects, though the effectiveness of this flexibility may also depend on EVN's approach to negotiations.

Circular 12 applies to all power plants (e.g. gas-fired, LNG-fired, biomass, wind, solar, coal-fired, etc), except:

- Multipurpose strategic hydropower plants
- Small renewable energy plants under the avoided cost tariff mechanism
- Build-Operate-Transfer (BOT) power plants
- Plants providing auxiliary services
- Plants subject to other electricity purchase pricing mechanisms under relevant legal instruments

Similar to Circular 07, Circular 12 does not address the issue of the contracted output ratio for power plants. As a result, investors and EVN must continue negotiating this ratio within the statutory range of 60% to 100% provided under the electricity market regulations. The contracted output ratio, which is agreed upon and specified in the PPA, determines the portion of electricity for which EVN must pay the power producer at the PPA contracted tariff. Any remaining output is required to participate in the electricity market.

Below are highlights of the key changes introduced in Circular 12.

1. Major Changes to the PPA Template

One of the most notable updates in Circular 12 is the overhaul of the PPA template, providing greater flexibility for negotiations between power producers and buyers.

Unlike previous PPA templates, which contained detailed contractual terms, the new template leaves most clauses blank, with a standard note:

“The parties may negotiate to amend or supplement the terms in compliance with Vietnamese law.”

The fully blank clauses include the followings:

- Performance commitments
- Seller's obligations pre-COD
- Connection and metering systems
- Power plant dispatch and operation
- Billing and payment
- Events affecting contract performance and remedies
- Termination
- Damages and liabilities
- Force majeure and exemption from liability
- Dispute resolution
- Information disclosure and confidentiality
- Communications and other agreements

Additionally, Clause 3 on power sale and purchase now explicitly states:

“For power plants with fuel take-or-pay or capacity take-or-pay agreements, the seller and buyer may negotiate and agree on additional terms as appropriate. The parties may negotiate to amend or supplement the terms in compliance with Vietnamese law.”

Schedule V on the tariff mechanism remains largely unchanged from Circular 07, but now also includes a note permitting the parties to amend and supplement this schedule in compliance with the laws.

This shift toward a negotiable framework is expected to boost investor confidence by providing more adaptable contract terms. It may on the other hand prolong PPA negotiations, as stakeholders work to balance regulatory compliance and commercial interests.

2. Energy Storage System Recognized

The investment cost components for purpose of determining the average fixed price (FC) of a power plant are modified to add the costs of energy storage system investments, applicable to renewable power plants.

3. Tariff Adjustments

Tariff adjustment provisions now refer directly to Article 52.4 of the new Electricity Law, which provides a more general basis for tariff adjustments than the list of specific items in Circular 07. Under Article 52.4 of the new Electricity Law, permissible grounds for tariff adjustments after PPA execution include:

- a. Changes in policy or law by state authorities that negatively impact the seller or buyer
- b. State-mandated tariff reviews or adjustments
- c. Investment in upgrades beyond the signed PPA scope to comply with planning or regulatory standards
- d. Optimization of management, technology, and innovation in power generation

Conclusion

Circular 12 marks a major step forward in modernizing Vietnam's power sector, introducing a more flexible PPA framework that empowers producers and EVN to negotiate project-specific terms. The removal of rigid clauses, recognition of energy storage costs, and broader tariff adjustments create a more adaptive regulatory environment, strengthening investor confidence.

While greater flexibility may extend negotiations, it also paves the way for larger-scale projects to move forward. As the new PPA framework takes effect, industry players should proactively engage to align with regulatory requirements and seize new opportunities in Vietnam's dynamic energy landscape.

Summary of the Tariff Mechanism under Circular 12

I. Average Fixed Prices

The PPA tariff is determined based on reasonable and valid costs and an IRR cap of 12%.

The PPA tariff excludes:

- Value-added tax (VAT)
- Water resource tax and water resource exploitation fees
- Forest environment service fees
- Environmental protection fees for solid waste and industrial wastewater (applicable to thermal power plants)
- Other taxes, fees, and monetary obligations imposed by competent state authorities (*except those already included in the electricity service price calculation*).

The base-year PPA tariff (PC) (VND/kWh) is determined using the following formula:

$$PC = P^{CD} + P^{BD}$$

PCD: Fixed Cost Component = FC + FOMCb

Where:

- **FC:** The average fixed price.
- **FOMCb:** The fixed operation and maintenance cost for the base year.
- **P^{BD}:** Variable Cost Component (applicable only to thermal power plants), taking into account variable costs adjusted for market fluctuations, covering major fuel costs, secondary fuel costs, major fuel transport costs and other applicable variable costs.

FC (average fixed price) is determined according financial analysis of the project, and considers the following input parameters:

- Investment Costs
- Economic Life Span
- Average Multi-year Output at the Delivery Point
- Depreciation Period

- Equity to Total Investment Ratio (minimum 15%)
- Interest Rates and Repayment Term
- Taxes

II. Annual Fixed Prices

The seller and buyer can either apply the agreed average fixed prices throughout the contract term or convert it into annual fixed prices if both parties agree.

If annual fixed prices are adopted, the PPA tariff at the time of payment in month t, year j ($PC_{j,t}$) is determined using the following formula:

$$PC_{j,t} = FC_j + FOMC_{j,t} + PB_{j,t}$$

Where:

- FC_j : is the fixed price for year j.
- $FOMC_{j,t}$: is the operation and maintenance cost for month t, year j.
- $PB_{j,t}$: is the variable cost for month t, year j.

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