Legal Update

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VIETNAM SEALS THE DEAL: THE REGULATORY FRAMEWORK FOR BESS PPAS – PRICING, RISK ALLOCATION AND BANKABILITY

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Circular No. 62/2025/TT-BCT ("Circular 62") issued on 10 December 2025 establishes Vietnam's first comprehensive regulatory framework governing standalone Battery Energy Storage Systems (BESS) connected to the national power system. The Circular provides:

- The methodology for determining and approving annual electricity generation price brackets for BESS;
- The methods for calculating electricity generation service prices of BESS;
- Detailed pricing, adjustment, and settlement formulas, including foreign exchange adjustment mechanisms;
- A regulated Power Purchase Agreement (PPA) framework, including mandatory minimum contents.

Circular 62 issued by the Ministry of Industry and Trade of Vietnam (MoIT), effective 26 January 2026, is a key implementing instrument of the Law on Electricity 2024, directly impacting BESS investors, lenders, EVN, power corporations, electricity market operators, and off takers. While it adopts bankability-oriented principles (cost recovery, FX adjustment, IRR cap), pricing remains highly regulated and formula-driven.

Application and Exclusions

Regulated Entities

Circular 62 applies to:

- Owners of standalone BESS projects:
  - Voltage level: 110 kV or higher;
  - Capacity: 10 MW or higher;
  - Connected to the national power system;
  - Developed in accordance with the adjusted Power Development Plan VIII (2021–2030, vision to 2050);
- Electricity system and electricity market operators (including NSMO);
- Vietnam Electricity (EVN) and its member Power Corporations;
- Other relevant organizations and individuals.

Explicit Exclusions

The pricing methods and PPA contents under Circular 62 do not apply to:

- BESS integrated with renewable energy power plants under Circular 12/2025/TT-BCT;
- BESS invested by Power Corporations under Circular 17/2025/TT-BCT.

Electricity Generation Price Bracket

Structure

The electricity generation price bracket ranges from:

- Minimum price: 0 VND/kWh
- Maximum price: determined annually in accordance with Circular 62

Price Bracket Formula

Electricity generation price PC (VND/kWh):

$$\mathbf{P_c = P_{CĐ} + FOMC + P_{BĐ}}$$

Where:

- $P_{CĐ}$ – Average fixed cost (VND/kWh)
- FOMC – Fixed operation and maintenance cost (VND/kWh)
- $P_{BĐ}$ – Variable price component (VND/kWh)

Average Fixed Cost ($P_{CĐ}$)

Formula

$$\mathbf{P_{CĐ} = TC / E_{bq}}$$

Where:

- TC – Annual converted investment capital (VND)
- Ebq – Average electricity delivered over multiple years (kWh)

Annual Converted Investment Capital (TC)

$$TC = (S\text{ĐT} \times P_B) \times (1 + i)^n \times i / [(1 + i)^n - 1$$

Where:

- SĐT – Investment rate (VND/kW)
- P_B – Installed capacity of BESS (kW)
- n – Economic life: 15 years
- i – Pre-tax weighted average cost of capital (WACC)

Discount Rate (i)

The discount rate 'i' is determined based on the capital structure and cost components specified in Circular 62:

- Debt ratio (D): 70%
- Equity ratio (E): 30%

Borrowing cost (rd)

$$rd = D_F \times r_{d,F} + D_D \times rd,D$$

Where:

- D_F: 80% foreign-currency loans
- D_D: 20% VND loans
- $r_{d,F}$: 180-day average SOFR (36 consecutive months) + 3% margin
- rd,D: Average 12-month VND deposit rate (4 state-owned banks, 60 months) + 3% margin

Equity return (re)

$$r_e = r_{e,pt} / (1 - t)$$

Where:

- $r_{e,pt}$: Post-tax ROE = 12%
- t: Average corporate income tax rate (after applicable incentives)

Average Electricity Delivered (Ebq)

$$Ebq = (P_B \times t_x \times T_{sx} / n) \times \eta RT \times [1 - (k_v \times n)/2] \times (1 - t_{tt})$$

- **Ebq:** Average electricity delivered over the economic life
- P_B: Installed BESS capacity
- t_x: Discharge duration per cycle: 2 hours
- T_{sx}: Minimum charge–discharge cycles: 8,000
- **n**: Economic life (15 years)
- **ηRT**: Round-trip efficiency: 85%
- k_v: Average annual degradation rate
- t_{tt}: Self-use and loss rate

These parameters are applied over the entire economic life to determine average annual electricity delivered.

Variable Price Component (PBĐ)

$$P_{BD} = P_{mua} / [\eta_{RT} \times (1 - t_{tt})]$$

Where:

- P_{mua}: Retail electricity price during low-demand hours (VND/kWh)

Fixed Operation and Maintenance Cost (FOMC)

Formula

$$FOMC = TC_{FOMC} / E_{bq}$$

Total Fixed O&M Cost

$$TC_{FOMC} = SĐT \times P_B \times k_{O\&M}$$

Where:

- $k_{O\&M}$: Fixed O&M cost ratio (%) based on approved feasibility study or reference benchmarks

Approval Procedure for Electricity Generation Price Bracket

- Within 15 days from approval of feasibility study and basic design: investor submits dossier to EVN;
- Before 1 November each year: EVN calculates (or appoints consultants to calculate) the price bracket and submits to the Electricity Authority;
- 05 working days: formal review of dossier completeness;
- 25 days: appraisal and submission to MoIT for approval;
- If a new bracket is not issued, the previous year's bracket applies temporarily.

Electricity Generation Service Price of BESS

Core Principles

- Recovery of reasonable and legitimate costs;
- Project IRR cap: 12%;
- Prices exclude VAT and statutory charges;
- Service price in the base year must not exceed the approved price bracket.

Components

- Capacity price (VND/kW)
- Energy price (VND/kWh)

Capacity Price and Energy Price (Base Year)

Capacity Price

$$P_{CS} = FC + FOMC_b$$

FC: Fixed average cost based on financial analysis as per template forms (Appendix III)

Energy Price

$$P_{DNb} = P_{mua} / [\eta_{RTB} \times (1 - t_{td})]$$

Where:

- $\eta_{RTB} \geq 85\%$
- t_{td}: Agreed self-use and loss rate

Price Adjustment Mechanisms

O&M Indexation

- Major repair and other costs: 2.5%/year;
- Personnel costs: CPI-based, capped at 2.5%/year.

Foreign Exchange Adjustment

$$FED = \sum_{i=1}^{n} \sum_{j=1}^{m} [D_{i,j} \times (\lambda_{i,j} - \lambda_{i,b})]$$

Where:

- $D_{i,j}$: Principal repayment of foreign currency *i* at time *j*
- $\lambda_{i,j}$: Actual exchange rate
- $\lambda_{i,b}$: Agreed base exchange rate

Power Purchase Agreement (PPA)

Mandatory Structure

- PPAs must follow Appendix IV;
- Vietnamese is the language; English version permitted for foreign investors;
- Monthly payment = capacity payment + energy payment;
- Availability thresholds:
  - <100 MW: 95%
  - ≥100 MW: 97%

Availability Penalties

Failure to meet availability requirements (excluding force majeure) triggers capacity compensation obligations.

Market Impact and Key Takeaways

- Circular 62 introduces Vietnam's first pro bankable standalone BESS regime;
- IRR cap and FX adjustment materially shape financing structures;
- Availability-driven revenue shifts risk to technical performance;
- Early alignment of feasibility study, lender model, and PPA is essential.

BESS PPA BANKABILITY MATRIX

Circular 62 – Appendix IV PPA

Overall Credit View (At a Glance)

Dimension	Assessment	Finance
Revenue predictability	Strong	Regulated, formula-based
Availability risk	High	Direct impact on cashflow
Dispatch risk	Medium	Seller bears degradation
FX exposure	Mitigated	Principal FX adjusted
Inflation risk	Medium	O&M cap at 2.5%
Termination protection	Weak	No full debt cover
Transfer / restructuring	Medium	Buyer substitution risk
Overall bankability	Bankable with mitigants	Conservative leverage

Revenue & Cashflow Structure

Item	PPA Position	Bankability Impact
Capacity payment	Availability-based	Predictable base revenue
Energy payment	Cost pass-through	Neutral
Dispatch dependency	None for capacity	Removes market risk
Upside revenue	None	No buffer for underperformance

Availability Risk (Core Credit Risk)

Aspect	Circular 62 / PPA Position	Finance Assessment
Availability threshold	95% (<100 MW) / 97% (≥100 MW)	Aggressive
Penalty mechanism	Capacity payment reduction	Direct DSCR impact
Cure period	Limited / annual reconciliation	Weak
Cap on penalties	None	Structural risk

Credit takeaway: Availability underperformance directly erodes debt service.

Dispatch & Operational Control

Item	Position	Risk Allocation
Dispatch authority	NSMO	Neutral
Seller control	None	Medium
Degradation compensation	Not explicit	Gap
Cycling optimization	Not permitted	Medium

Finance concern: Dispatch-induced degradation risk is not explicitly compensated.

Pricing Adjustments & Indexation

Mechanism	Description	Credit Impact
IRR cap	12%	Limits buffer
FX adjustment	Principal only	Strong EM mitigant
O&M indexation	2.5% cap	Long-term inflation risk
Interest FX	Not covered	Partial hedge only

Offtaker & Payment Risk

Aspect	Position	Bankability
Buyer	EVN / PC	State-backed
Government guarantee	None	Standard VN risk
Payment security	Not mandated	Weak
Payment history	Established	Comfort factor

Finance response: DSRA + cash sweep.

Term & Termination Protection

Scenario	PPA Position	Finance View
Normal expiry	No tail protection	Acceptable
Seller default	Limited compensation	Risk
Buyer default	Regulatory compensation	Partial
Debt outstanding cover	Not explicit	Key gap

Change in Market Structure

Issue	Position	Credit Risk
Buyer transfer	Allowed without consent	Counterparty risk
Seller transfer	Restricted	Reduced flexibility
Step-in rights	Not explicit	Requires workarounds

Security, Assignment & Step-In

Item	Status	Finance Position
Security assignment	Permitted	Positive
Direct agreement	Not guaranteed	Key negotiation
Step-in rights	Implied only	Legal uncertainty

Force Majeure & Relief

Event	Treatment	Bankability
FM relief	Time relief	Neutral
Deemed availability	No	Cashflow risk
Long-stop	Not debt-protective	Medium

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