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**Legal Update on Circular 29/2019/TT-BCT
Highlights on new Avoided Cost Tariff Mechanism
for Small Hydropower Projects**

1. Introduction

On 15 November 2019, the Ministry of Industry and Trade issued Circular No. 29/2019/TT-BCT amending some articles of Circular No. 32/2014/TT-BCT (**Circular 32**) on avoided cost tariff (ACT) mechanism for small hydropower projects and annulling Circular No. 06/2016/TT-BCT (**Circular 06**). This new circular has taken effect since 01 January 2020. Significantly, Circular 29 has supplemented and amended the previous ACT policy to read as below.

2. Update on the new ACT policy

Under Circular 29:

- The ACT does not include water tax, forest services tax, water exploitation granting fee and value added tax. In comparison with Circular 32, water exploitation granting fee is a new fee excluded from the ACT.
- To the area having transmission line overload, cascade hydropower plants, and hydropower plants providing water for lowland in accordance with the requirement from the people's committees, the sellers and the purchaser will negotiate on the time applying rush-hour price.
- The ACT now only applies to hydropower plants having the installed capacity below or equivalent to 30MW. This means that renewable power plants and cascade hydropower plants are no longer entitled to enjoy ACT from 01 January 2020.

- However, this new regulation has no retroactive effect. Circular 29 clearly states that the cascade hydropower plants in respect of which the power purchase agreements were signed before the effective date of Circular 29 continue being entitled to enjoy ACT.
- Regarding specifically to the group of hydropower plants in one cascade installed next to each other on one main river, having installed capacity below or equivalent to 60MW, being invested by the same investors and added into power plans before 01 January 2020, the applied ACT will be pursuant to Circular 29.
- In addition, the power purchase agreements executed before 01 January 2020 must be reviewed and amended to reflect the excluded taxes and fees in the ACT in accordance with the new regulation.

Key contact

If you have any questions, or would like to know how this might affect your business, please contact the key contact.

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Legal notice

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