



Development in Korean Direct PPAs

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Following on from the introduction of direct power purchase agreements (PPAs) in October 2021, further details on regulations in relation to direct PPAs were issued on September 1, 2022 under the Notice with respect to Direct Electricity Transactions by Renewable Energy Electricity Suppliers.

1. Keys takeaways

A registered renewable energy electricity supplier may supply electricity to electricity users without going through the existing electricity trading market.

A direct PPA can be at a single generation facility-single location, single generation facility-multiple locations, or multiple generation facilities-single location. This is expected to enable electricity suppliers to implement a variety of business models regarding direct PPA.

A renewable energy supply certificate (REC) is not issued when electricity is supplied under a direct PPA, but a REC is issued for surplus power generation. Accordingly, electricity suppliers can increase revenue through RECs obtained for surplus power generation.

Participation by small and medium-sized enterprises in direct PPAs is expected to be supported through a waiver of transmission and distribution usage fees for one year.

2. Details of direct PPAs

	Details
Eligibility	<ol style="list-style-type: none">1. Source must be from solar energy, wind power, hydropower, marine energy, geothermal energy or bioenergy2. Power generation facilities must have a capacity exceeding 1MW (aggregated if there are

	<p>two or more power generation facilities)</p> <p>3. Electricity users who may be a party to a direct PPA are those who use general electricity or industrial electricity of 300kW or more, or those who have power receiving facilities of 300kVA or more at the place where electricity is used.</p>
Terms and conditions	<p>1. Renewable energy generators must supply a minimum annual supply of renewable energy electricity to renewable energy electricity suppliers</p> <p>2. Renewable energy electricity suppliers must guarantee a minimum annual supply of renewable energy electricity to electricity users</p> <p>3. Electricity users must purchase the entire hourly supply</p> <p>4. Use of the facilities of transmission and distribution companies requires a separate agreement to be entered into with such companies</p>
Power shortage	<p>If the hourly electricity supply is less than the hourly electricity consumption, electricity users are free to purchase electricity directly from the electricity market or receive supply directly from electricity suppliers</p>
Term	<p>Must be at least one year</p>
Reporting requirement	<p>At least two months prior to the date of first power supply, the direct PPA is required to be reported to the Minister of Trade, Industry and Energy via the Korea Power Exchange</p>
Renewal of agreement	<p>If the term of the PPA is less than five years, the PPA will be automatically extended on the same terms unless a party at any time between six and two months before the expiry of the term notifies the other party of its intention to amend or terminate the PPA</p>
Termination	<p>The Minister of Trade, Industry and Energy via the Korea Power Exchange must be notified of any termination of a direct PPA</p>
Calculation of purchase price	<p>The electricity purchase price is to be based on (i) electricity supply price, (ii) transmission and distribution usage fee, (iii) Korea Power Exchange transaction fee, (iv) settlement amount under the electricity market operation rules, and (v) electricity industry base fund contribution</p>

If you have any questions or need help with the above, please feel free to contact us. Our dedicated Project & Energy Group is recognised as a top ranking team in various international publications such as Chambers & Partners. It is the only Korean law firm that provides a one-stop service that can assist project and energy clients with regulatory advice, project finance, construction and operation and M&A.

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