

Ref. 3450/EVN-KD

Re: Guiding settlement of
outstanding issues on rooftop solar
power

Hanoi, 2nd July 2019

Attention to: Power Corporations

EVN received letter of Power Corporations requesting for instructions to settle outstanding issues during the power purchase and sale of rooftop solar power projects (RTSPPs). Upon letters ref. 1532/EVN-KD dated 27 March 2019 and ref. 2266/EVN-KD dated 3 March 2019, EVN kindly provide instructions for Power Corporations as follows:

1. For organizations that are not established and operating under the Enterprise Law, selling electricity from the RTSPPs to the EVN power grid, the Power Companies shall make the same payment as for the enterprises
2. Invoices and payment for power purchase from RTSPPs whose investors are the organizations using the state budget capital:

Point 1, Article 12 of Ministry of Finance (MOF) Circular No. 39/2014/TT-BTC dated 31 March 2014 on invoices for goods sale and service provision for non-enterprise organizations state that the tax authorities shall issue invoices to organizations other than companies, non-business households and individuals irregularly selling goods or services subjected to VAT exemption. Tax authorities shall not issue invoices if goods and services sold by the said entities are not subject to VAT or exempted from VAT declaration and VAT payment.

Referring to regulations in Article 2 (Taxable goods and services) and Article 5 (Exemption for VAT declaration and payment) in MOF Circular 219/2013/TT-BTC dated 31 December 2013 guiding implementation of the Law on Value Added Tax and the Government's Decree No. 2096/2013/ND-CP dated 18 December 2013 providing guidance on the implementation some articles of the Law on Value Added Tax: (i) solar power is subjected to VAT payment; (ii) state management agencies, Party management agencies, armed forces, political – social organizations using State budget are not subject to VAT declaration and payment.

Therefore, power companies (PCs) shall ask investors to contact local tax authorities for issuance of invoices as regulated. In case the tax authority certifies that the investor is not subject to be issued invoice, the PC shall make payment in accordance with the provision in Point b, Clause 1, Article 4 of the standardized power purchasing agreement (SPPA) for the RTSPPs presented in the MOIT Circular No. 05/2019/TT-BCT dated March 11, 2019 of the Ministry of Industry and Trade.

3. For the RTSPPs of the investors as the enterprises:

According to the MOF Document No. 1534/BTC-CST dated January 31, 2019 on preferential policies for the RSPPs with a capacity of no more than 50 kW, there are guidelines: "Enterprises paying VAT for RTSPP selling electricity by the deduction method to issue invoice and enumerate output VAT payment stipulated in Article 11 of MOF Circular No. 219/2013/TT-BTC. In case the enterprises are subjects to applying the direct method on VAT, they shall enumerate and pay VAT prescribed for production activities in accordance with regulation at Point b, Clause 2, Article 13 of Circular No. 219/2013/TT-BTC".

Thus, in all cases, electricity payment records for investors as enterprises with the RTSPPs need to have invoices from investors in accordance with the regulations. Therefore, the investors need to supplement the function of selling electricity from the RTSPPs with the local state management agency.

4. Recording the indicators of meters and billing the electricity payment for the RTSPPs of the investors at the end of 2017 and 2018, the power companies shall, based on the set-up indicators or load diagrams stored on the meter, define and calculate electricity payment for investors. In case the set-up indicator and load diagram are not saved in the meter, the power company shall make agreement with the investor on how to define the electricity output and payment for the RTSPP of the investor.
5. In case the investor leases or lends the roof of the electricity using customer (the owner of the roof) to install RTSPP (with a capacity of less than 01 MW) and sells its electricity through the meter of the roof owner who is buying electricity from EVN:
- The power company to request the investor to provide a copy of the leasing contract or the roof leasing agreement document from the roof owner in which the roof owner agrees to allow the investor to directly sign the contract for selling electricity from RTSPP for EVN through meter that roof owner is buying electricity from EVN.
 - The power company to replace the one-way meter by a two-way meter and sign an additional contract to buy electricity from the RSPP to EVN's power grid (besides the existing contract of EVN selling electricity for roof owner).
6. In case the investor leases or lends the roof of the electricity using customer but sells electricity from RTSPP through a separate meter (separated from the meter through that the roof owner is buying from EVN):
- Inspection before grid-connection: The power company to request the investor to provide a copy of the leasing contract or the roof leasing agreement document from the roof owner in which the owner of the roof agrees to allow the investor to directly sign the contract to sell electricity from the RTSPP to EVN through a separate meter.
 - Inspection during operation: The power company to install a new two-way meter and simultaneously sign with the investor a contract for selling electricity from

EVN's grid to the RTSPP and a contract to buy electricity from the RTSPP to EVN's grid with.

7. Checking the technical specifications of the RTSPP:

- Before signing the minutes to agree to buy electricity from the RTSPP, the power company to check self-disconnect feature of the RTSPP system when happening a power outage of the distribution grid to ensure no electricity reversing back up to the grid when performing maintenance of equipment on the grid.
- During the operation of RTSPP of the investor, the power companies are responsible for checking the technical items in Appendix 2 of the document No. 1532/EVN-KD dated March 27, 2019 of EVN if necessary and deal with situations in accordance with Article 52 of Circular 39/2015/TT-BCT and other amended and supplemented documents (if any).
- The Power Corporations to take advantage of available equipment and tools such as mobile equipment for testing meters (measuring current, voltage, harmonics), device for measuring grounding resistance, etc. and to have plans for supplementing it to carry out activities in inspecting and supervising the technical parameters in the process of purchasing electricity from the RSPPS.

8. Accounting of turnover and costs for the RTSPPs on the headquarters of the subsidiaries under the Power Corporation:

8.1. For the RTSPPs funded by member companies (including the companies of dependent or independent accounting) under the Power Corporation as the investor and located in the area directly managed by investor: the electricity output from the RTSPPs project is recorded as a self-produced electricity of the unit and the unit has the right to accounting in accordance with the regulations for self-produced electricity.

8.2 For the remaining RTSPPs (not located in the area directly managed by the investor), it is to implement as follows:

a. For RTSPPs managed by an accounting unit dependent to the Power Corporation (including project management units, electricity service companies, etc.) as investors and located in the electricity management area of power company and the other dependent accounting members of the Power Corporation: the electricity output from the RSPPs to the grid is recorded as the self-produced electricity of the Power Corporation. The investor to make accounting in accordance with the regulations for self-produced electricity.

b. For the RTSPPs invested by the dependent to the Power Corporation accounting member unit (including project management boards, electricity service companies, etc.) and located in management area of the independent to Power Corporation accounting member companies (Single member companies Ltd, or Joint Stock companies):

- Investor to sign a power purchasing agreement (PPA) with this independent accounting company. On the basis of the PPA, the power company to

account turnover for solar electricity sales. The costs of electricity selling activities from the RSPP are gathered by the investor according to the actual generic costs.

- The electricity buyer to record the output and the costs of buying electricity from this project as the outside buying power.
- c. For the RTSPPs invested by the independent to Power Corporation accounting member units and located in management area of the other member company of Power Corporation:
- Investor to sign a contract to sell electricity with this power company. On the basis of the PPA, the power company to account turnover of selling solar electricity. The costs of selling solar electricity gathered by the power company according to the actual generic costs.
 - The electricity buyer to record the output and the costs of buying electricity from this project as the outside buying power.
9. For the RTSPPs put into commercial operation after June 30, 2019: the power companies to continue to sign PPA and record the power output bought from these projects but temporarily do not make electricity payment until getting the guideline of the state management agencies.

EVN requests power corporations/ companies to follow the above instructions during the implementation./.

Recipients:

- As above;
- General Director (for report);
- Board of Power Market, Production, Market;
- Archive: office file, Business Department, Finance and Accounting Department.

P.P. GENERAL DIRECTOR
DEPUTY GENERAL DIRECTOR
Vo Quang Lam
(signed and sealed)