



Implementation of Direct PPA System Between Renewable Electricity Generators and Electricity Consumers

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[1] Implementation of Direct PPA System

Under the direct power purchase agreement (the “**Direct PPA**”) system, which was implemented on October 21, 2021, electricity consumers are now allowed to purchase electricity directly from renewable energy generators. As a result of the amendment to the Electric Business Act (the “**Amended EBA**”), renewable energy generators that are registered as renewable energy electricity supply business operators may sell electricity directly to electricity consumers, without going through the Korea Power Exchange.

[2] Key matters concerning Direct PPA system

Item	Details	Relevant Provisions of the Amended EBA
New Addition of “Renewable Electricity Supply Business”	A “renewable electricity supply business” means a business which primarily aims to supply electricity generated from renewable sources (e.g., solar energy and wind energy) to electricity consumers.	Article 2
Registration of Renewable Electricity Supply Business	An entity that intends to engage in the business of renewable energy supply must register with the Minister of the Ministry of Trade, Industry, and Energy (“ MOTIE ”).	Article 7-2
Direct PPA	<ul style="list-style-type: none"> – A renewable electricity supply business operator may sell electricity generated from renewable sources directly to energy consumers. – Under the Direct PPA, renewable energy certificates 	Article 16-5

	(“RECs”) cannot be issued.	
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[3] Implications

In order to use the Direct PPA system under the amended EBA, an entity that intends to engage in the business of renewable energy supply must register its business of renewable electricity supply (new electricity business). A renewable electricity supply business operator that has completed registration of its renewable electricity supply business may sell electricity directly to electricity consumers, but such electricity will not be eligible for issuance of RECs.

While profits generated from RECs and the sale of electricity at SMP constitute important portions of the revenue of a power generation business (e.g., solar and wind), as RECs cannot be issued in case of power under the Direct PPA, the method of operating a power generation business under the Direct PPA will likely to differ from that of the existing power generation business.

On the other hand, according to the MOTIE’s press release, in addition to the preexisting methods of implementing the RE100 initiative (i.e., Green Premium program, purchase of RECs, third-party purchase power agreements, participation in a renewable energy project by equity investments, and self-construction whereby electricity consumers install their own electricity generation facilities for their own use), Direct PPAs are also likely to be recognized as a method of implementing RE100. In addition, with respect to the participation in the RE 100 initiative by way of Direct PPA, the possibility of Direct PPA being synchronized with the carbon emissions trading scheme should also be noted. However, as the relevant “Regulation Relating to the Renewable Energy Facility Support” has yet to be amended, the relevant amendment should be monitored.

Finally, with respect to the Direct PPA, practical issues are continually being raised. These issues include, among others, whether the use of the grid of Korea Electric Power Corporation (“KEPCO”), which has monopoly over the transmission and distribution of electricity under the EBA, is mandatory, and how the cost of using the KEPCO’s grid should be determined.

If you have any questions about the above, please feel free to contact the Shin & Kim Energy Team on the contact number below for more information. As the top-ranked law firm in Bloomberg's new and renewable energy sector league table (on an accumulated basis for 2020), Shin & Kim’s Energy Team has substantial experience and a history of exceptional performance in the Energy space, and provides advice on matters concerning renewable energy, such as construction and operation of renewable energy plants.

[\[Korean version\]](#) 재생에너지전기공급사업자와 전기사용자간 직접PPA 제도 시행

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