



Enactment of the Dispersed Energy Promotion Special Act

2023.06.16

1. Background

On June 13, 2023, the Dispersed Energy Promotion Special Act (the “**Dispersed Energy Act**”) was enacted and comes into effect a year later. The Act seeks to promote the conversion of existing centralized power generation into a dispersed energy system.

“Dispersed energy” refers to energy supplied or produced in the region or vicinity of the area of electric power demand, at a level below a certain capacity scale. The scale remains undetermined until the Enforcement Decree is passed. Having regard to the Electricity Utility Act, we expect that the relevant scale will be (a) 40MW or below for a power generation facility, and (b) 500MW or below for an integrated energy facility.

2. Key takeaways

- A “Dispersed Energy Business” under the Dispersed Energy Act includes a wide range of businesses such as a small and medium-sized nuclear power generation business (SMR), a dispersed energy integrated power plant project, fuel-cell electricity-generation business, hydrogen power generation business, stored energy sales business, renewable energy suppliers, and small-scale power brokers.
- The Government may designate certain areas as a dispersed energy specialized area in order to introduce a power system matching local characteristics. Dispersed energy business operators may directly supply electricity to users within designated areas without having to go through the electricity market and can trade insufficient or surplus electricity with electricity sellers.
- An integrated power plant operator is now able to operate a Virtual Power Plant (VPP) project where electricity is traded in the electricity market by accumulating dispersed generation. It is expected that “intermittency” issues with renewable energy power generation to be partially addressed.
- Certain entities who operate a business in a certain geographic area may be required to install dispersed energy facilities. Such entities must establish a business plan for installing dispersed energy using facilities before

implementing a certain project to use a minimum amount of dispersed energy. Failure to meet the minimum installation amount may lead to a penalty. Relevant entities will need to factor in these obligations and any additional costs.

- Business operators intending to use electricity exceeding a certain amount in certain designated areas must conduct a power system impact assessment and submit to the Minister of Trade, Industry and Energy before the project will be approved. Depending on location and size of certain projects, separate to the power system impact assessment, a small-scale environmental impact assessment may be required to be conducted under the relevant environmental laws. The impact of these possible assessments on the timing of any projects should be taken into consideration.

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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Key Contacts

Michael Chang

Senior Foreign Attorney

+82-2-316-4653

mchang@shinkim.com

Sang-Hyun Lee

Partner

+82-2-316-4068

shlee@shinkim.com

Su-Yong Jung

Partner

+82-2-316-4345

syjung@shinkim.com

Seung Gyu Yang

Partner

+82-2-316-4048

sgyang@shinkim.com

Jae Wook Ryu

Partner

+82-2-316-1635

jwryu@shinkim.com

Hyun Mi Cho

Partner

+82-2-316-1643

hmcho@shinkim.com

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