

## Insights

# POWERING UP DATA CENTRE DEVELOPMENT IN SE ASIA WITH NEW DIRECT PPA FRAMEWORKS

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## SUMMARY

This insight highlights government initiatives in Southeast Asia that promote data centre development through Direct Power Purchase Agreements schemes. As jurisdictions compete to attract investment in the power intensive data centre and digital infrastructure sectors, they are also looking to do promote development in a way that is consistent with national decarbonisation commitments.

Southeast Asia, with its youthful and tech savvy demographic, is experiencing a rapid digital transformation that is driving a significant increase in demand for data centre capacity. At the same time Southeast Asian nations are facing the twin challenges of quickly improving the reliability and capacity of their electricity grids while simultaneously seeking to reduce carbon emissions in line with international decarbonisation commitments. Whilst not yet a complete solution to the power needs of modern data centres which have to accommodate the growth of cloud applications and the evolving needs of the AI revolution, data centre developers and operators are prioritizing renewable energy as an important source of power, often times a necessity to meet their own environmental commitments and/or those of their investors.

There is also healthy competition between emerging Southeast Asian jurisdictions to create the most favourable conditions for data centre investment. In recent months we have seen, across the region, the emergence of new regulatory frameworks for direct purchase of power for commercial and industrial users as an alternative for developers to secure clean power for data centre facilities. This blogpost highlights government initiatives in Southeast Asia that promote data centre development through direct power purchase agreements ("**DPPA**") schemes.

## VIETNAM

Vietnam recently welcomed 100% foreign ownership in its data centre industry with the revised Telecommunications Law effective 1 July 2024. In the same month, the government also approved

Decree No. 80/2024/ND-CP which introduces two forms of direct energy purchase for commercial and industrial users including the operation of data centres: Through a dedicated connection line (“**Physical DPPA**”) and via the national power grid (“**Virtual DPPA**”).

## **Physical DPPA**

Electricity is delivered through a private line between a renewable energy generation unit (“**Generator**”) and a large electricity consumer (“**Consumer**”). Terms of the DPPA can be tailored to suit both the Generator and the Consumer.

## **Virtual DPPA**

This form is slightly more complicated: The Generator and the Consumer sign a contract for difference; meanwhile the Generator sells its electricity to the national grid under a traditional power purchase agreement with Vietnam Electricity (“**EVN**”), and the Consumer purchases electricity from the national grid under a separate power purchase agreement with EVN’s subsidiaries or another authorized electricity retailer.

## **MALAYSIA**

Malaysia introduced a new DPPA framework in July 2024 known as the Corporate Renewable Energy Supply Scheme (“**CRESS**”). Detailed guidelines were issued at the end of September 2024 (“**CRESS Guidelines**”) to govern the operation of the CRESS. Applications for participation under the CRESS are now open.

The CRESS, issued by Malaysia’s Ministry of Energy Transition and Water Transformation (PETRA), enables large corporate consumers to purchase renewable energy directly from independent power producers through the existing supply system at a predetermined system access charge. It forms part of the country’s effort to attract foreign data centre investments and promote sustainability in data centre industry.

Some notable features of the CRESS: Contractually, the Consumer and the Renewable Energy Developer enter into a direct power purchase agreement for supply of electricity via the existing grid system. The Consumer can enter into such an agreement with more than one developer. Practically, the Developer will generate electricity while the Single Buyer and Grid System Operator would handle access management and dispatch coordination. Tenaga Nasional Berhad, the sole distributor of electricity in Peninsular Malaysia, will act as the utility electricity supplier wheeling electricity to the Consumer and supplement any demand not met by the Developer. A direct and dedicated connection from the Developer to the Consumer is not allowed under the CRESS.

## **THAILAND**

In June 2024, Thailand unveiled its updated Power Development Plan, set for implementation from 2024 to 2037. Around the same time, the National Energy Policy Council has approved the frameworks for a DPPA pilot project (“**Pilot Project**”) under Resolution No. 1/2024. Under the Pilot Project, Consumers would be able to directly purchase clean energy from renewable sources not exceeding 2,000 megawatts through the Third-Party Access systems. Eligible participants must be a large-scale investment with consistent operation across all countries of investment.

More detailed regulations on the Pilot Project are expected to be released by the end of this year. Launch of the Pilot Project is expected in 2025.

## CONCLUDING REMARKS

While each country is adopting distinct models, the implementation and impact of these policies will unfold over time, influencing not only the development of data centres in each jurisdiction but also providing a potential roadmap for other countries in the region.

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## MEET THE TEAM



### **Ilan Freiman**

Singapore / Hong Kong SAR

[ilan.freiman@bclplaw.com](mailto:ilan.freiman@bclplaw.com)

[+65 6571 6610](tel:+6565716610)



### **Vivica Fu**

Singapore

[vivica.fu@bclplaw.com](mailto:vivica.fu@bclplaw.com)

[+65 6571 6611](tel:+6565716611)

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