

Consultation on draft PM Decision for the Solar FIT 2 (draft issued by MoIT on February 21, 2019)

The following comments and questions from energy sector stakeholders were collected and documented by the VEPG Secretariat during the 3rd meeting of VEPG TWG 1 on March 15, 2019. TWG members and further sector stakeholders additionally submitted comments and questions to the VEPG Secretariat before and after the meeting. This document was submitted to EREA/MoIT on April 3, 2019 as an input to the public consultation process on the Solar FIT 2.

Topic	Comments and questions from energy sector stakeholders
General Comments on the draft	
	<ul style="list-style-type: none"> • Many sector stakeholders see the draft Decision as potentially providing a more supportive legal framework for Rooftop Solar (RTS) investments in Viet Nam, particularly with the opening of new third-party investor models (e.g. on-site direct PPA, ESCO etc.) and increased FIT levels for some regions (due to the new FIT zone approach). • Sector stakeholders also see the potential of the new FIT zone approach to attract more solar ground-mounted project investments to regions in Central and Northern Viet Nam where grid capacity is available. • In general, there are still uncertainties and worries regarding the detailed regulations for ground-mounted PV that will be defined in an upcoming MoIT Circular (replacing Circular 16/2017). This applies specifically to the PPA regulation and related issues that have been discussed in the past already, such as the curtailment risks etc. • Furthermore, there is still need for clarification and open questions regarding legal definitions and some regulations in the draft Decision. This applies to terms of legal definitions, the defined business/FIT models, the role of investors and developers and of EVN in particular (also see the below comments and questions). • To reach investment security for the time after June 2019 (when the current FIT regulation expires) as soon as possible, the expected additional MoIT Circular (replacing regulations of Circular 16/2017) should be issued as soon as possible. • In this respect, MoIT Circular 5/2019, issued March 11, 2019 is understood as providing detailed regulations for RTS systems already. However, since this Circular 5/2019 refers to the FIT of the current PM Decision 11/2017, it is expected that this Circular also needs to be updated for the new FIT levels after June 2019.
Legal Definition	
<i>Electricity Buyers and Electricity Sellers</i>	<ul style="list-style-type: none"> • Need for clarification: Does the third-party investor/ developer fit into the definition of the “<i>Electricity Sellers</i>”? • Need for clarification: Does the term “<i>Electricity Buyers</i>” include the PV/project off-takers/ customers other than EVN or Power Companies under EVN?

Capacity threshold for solar rooftop	
1 MWp limit	<ul style="list-style-type: none"> • Many private sector stakeholders expect that the 1 MWp threshold will limit opportunities for investors and developers to invest in rooftop solar systems (RTS) especially in Industrial Areas. In Industrial Areas there are many larger roofs that could be suitable for larger than 1MWp systems and there is enough electricity demand to absorb the power from such large systems. In that respect, the 1MWp cap would restrict the growth of RTS development in Viet Nam. • Solar rooftop developers and investors therefore ask to raise the limit for rooftop systems to 3 to 5 MWp. • In either case, systems that are larger than 1 MWp (or the respective higher threshold) should still be eligible to receive the rooftop FIT and not be treated as a ground-mounted system. • In general, for solar rooftop systems there should be no administrative burdens such as electricity operation licenses or similar procedures since this would increase development costs and limit market development. Solar rooftop systems are a solution for so-called “peak-shaving” of electricity demand during the day and will therefore help EVN to meet peak demand in the network better in future. Therefore, there is no reason to limit RTS development in Viet Nam but rather to support the development best possible.
Multiple systems of less or equal to 1 MWp	<ul style="list-style-type: none"> • Need for clarification: In a case where a facility owner would like to invest less than 1MWp of RTS but a mix of RTS and ground-mounted (e.g 800 kWp RTS and small ground-mounted system of 400 kWp) within their facility: Assuming these two systems are connected to the same connection point, will the combined system be considered as RTS system and how will the 1MWP limit be applied? • Need for clarification: In the case where there are two RTS systems of less than 1 MWp with two different connection points but one investor, will the 1 MWp limit be applied?
Standards and technical specification	
PV cells/module requirements	<ul style="list-style-type: none"> • Need for clarification: According to Clause 2 of Article 8 of the draft, “the FIT only applies to projects that have a solar cell efficiency exceeding 16% or module efficiency exceeding 15%”. However, PV cell/module efficiency decreases with time. Will the PV cell efficiency be certified on the date of installation or does it have to prove efficiency over lifetime?
Storage standards and specification	<ul style="list-style-type: none"> • Need for clarification: Will other types of the storage than “electrochemical storage” (battery) be qualified for the FIT under this Decision? • Need for clarification: How will the storage system be controlled from generation to storage and vice versa? • Need for clarification: Will the technical standards and specification for storage be disseminated in a future circular?

	<ul style="list-style-type: none"> In general, if the use of battery is intended to improve the integration of solar and other renewable energy systems to the grid, there need to be specific rules for operation of the battery systems. E.g. an incentive/regulation that the discharge of the battery storage can only happen during non-peak hours (e.g. during night).
EVN Responsibilities	
Commissioning /technical checks of systems when connecting by third party experts	<ul style="list-style-type: none"> Need for clarification: Will EVN prioritize buying from renewable energy sources rather than traditional power sources? What happens if grid capacity is limited in a certain situation, will renewable energy sources always get priority? And will there be prioritized between different renewable energy projects in case of limited grid capacity? What is the nature of curtailment risks vs. other power generators on the grid? Need for clarification: Will EVN payment be made on the Provincial Level or by District Level? Need for clarification: The EVN quality test teams to check compliance of 10 quality indexes before installing the meter often lack capacity on the provincial level. As an example: often the technical teams from EVN Saigon will come to the project for commissioning/technical check, even when the project is far away from the city. This creates delays for the projects. Can developers hire a private entity with enough tools, equipment and qualification to do the quality check instead of the EVN quality test?
Business model	
RTS models 3 and 4, direct PPA with non-EVN	<ul style="list-style-type: none"> In general, many stakeholders see the need for further clarification/explanation of the four RTS operational models. Need for clarification: In the case of the new RTS FIT Model 3 and Model 4, do these two models allow for a Direct PPA be signed between Sellers and Buyers without EVN?
PPA	
	<ul style="list-style-type: none"> Need for clarification: Can PPAs be issued first so that developers/ investors can easier get access to loans? Need for clarification: Will a new PPA for ground-mounted PV systems be published when the new decision is approved? (also see above comment that a new circular should come as soon as possible to give investors more security).
FIT Zones and FIT level	
Methodology	<ul style="list-style-type: none"> Need for clarification: How were the FIT zones divided and what is the logic behind zone IV specifically?
FIT levels for RTS	<ul style="list-style-type: none"> Specifically, for the lower zones III and IV RTS developers see higher requirements for third-party investor models (on-site DirectPPA, ESCO etc.). Here the reduced FIT levels compared to the first FIT 1 phase seem to be challenging. Pure self-

	consumption projects are less dependent on the FIT level for excess solar power generation since they build on electricity bill savings mainly.
FIT for Floating PV	<ul style="list-style-type: none">• The FIT for Floating PV should be 3 to 5% higher than ground mounted systems in order to cover the additional equipment costs.
Additional comments	
	<ul style="list-style-type: none">• Why does the Decision not address other incentive mechanisms for the development of Solar energy such as tax incentives? Tax incentives could be helpful to stimulate investments in certain market segments.

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