

Viet Nam Energy Partnership Group
TECHNICAL WORKING GROUP 3: ENERGY SECTOR REFORM
REPORT OF THE 3RD MEETING

Organized in conjunction with the MOIT/USAID

“Public Consultation Workshop on DPPA Design and Pilot Planning for Viet Nam”

Date: 12 June 2019

Location: Hilton, 1 Lê Thánh Tông, Phan Chu Trinh, Hoàn Kiếm, Hà Nội

Time: 8:00 – 12:10

Key agenda points:

- DPPA Introduction: Why DPPAs for Viet Nam?
- Model Selection
- Pilot design and implementation plan
- Overview of the Viet Nam Wholesale Electricity Market (VWEM)

Chair and Co-Chair:

- **Mr. Pham Quang Huy**, Deputy Director General of ERAV, Ministry of Industry and Trade (MOIT)
- **Mr. Franz Gerner**, Lead Energy Economist, World Bank in Vietnam

Agreed Conclusions and Actions: (See next page)

Agenda: See Annex 1

Participants: See Annex 2

Minutes: See Annex 3

Inputs: See Annex 4 -

4.1 Presentations

AGREED CONCLUSIONS AND ACTIONS:

Conclusion / Decision	Action
<ul style="list-style-type: none"> • <u>The Chair and the Co-Chair</u> of the TWG 3 acknowledged the guidance of the VEPG Steering Committee that the VEPG should leverage synergies with the various bi-lateral VEPG partner invents and decided to organize the 3rd TWG 3 meeting in coordination with and integrated to the MOIT/World Bank consultation workshop on the Direct Power Purchase Agreement (DPPA) on 12 June 2019 (<i>Public consultation Workshop on DPPA Design and Pilot Planning for Viet Nam</i> organized by USAID and MOIT/ERAV). 	
<ul style="list-style-type: none"> • The model DPPA mechanisms selected by ERAV/USAID was the synthetic model that uses the wholesale market and the Power Companies as retailers. The synthetic model was chosen for implementation. • The model will be further examined and the DPPA pilot developed accordingly. 	ERAV
<ul style="list-style-type: none"> • A pilot program for 300 MW will be implemented in Mid-2020 to 2023. <ul style="list-style-type: none"> ○ Objective: test the DPPA mechanism in a controlled manner prior to acceptance and rollout ○ Suggested range of project sizes 5 to 60 MW 	ERAV
<ul style="list-style-type: none"> • The Co-Chair, Mr. Franz Gerner, Lead Energy Economist, World Bank in Vietnam announced that he finished his term at the World Bank in Viet Nam. He reaffirmed WB's commitment to continue their co-chairmanship of the TWG 3 on Energy Sector Reform. • Mr. Rahul Kitchlu, Energy Sector Coordinator of the World Bank Viet Nam will take over the co-chairmanship of the TWG 3 from Mr. Franz Gerner effectively starting in July (introduction in next TWG meeting in September 2019). 	Chair/Co-Chair Secretariat Steering Committee
<ul style="list-style-type: none"> • The next meeting of the TWG will take place in September 2019. The Secretariat will announce details in due time. • The next meeting of the TWG 3 will be used to capture feedback and inputs from TWG members for the VEPG progress monitoring. The Secretariat will prepare this discussion session as an input for the VEPG Progress Report. 	Secretariat

ANNEX 1 – Agenda of the Public Consultation Workshop on DPPA Design and

Time	Topic/Activity	Presenter/Moderator
08:00 – 08:30	Registration	
08:30 – 08:40	Opening Remarks – GVN	Vice Minister / ERAV
08:40 – 08:50	Opening Remarks – USAID	USAID
08:50 – 09:15	<p><u>Session 1: DPPA introduction</u> <u>1.1. Why DPPAs for Vietnam?</u></p> <ul style="list-style-type: none"> • Benefits of a DPPA policy in Vietnam • Introduction of 3 DPPA models, with focus on 2 dominant off-site models • Assessing the existing legal framework for DPPA • Assessing the existing operational framework 	USAID V-LEEP
09:15 – 09:35	<p><u>Session 2: Model Selection</u></p> <ul style="list-style-type: none"> • Criteria for evaluation and selection • Proposed DPPA model • Structure and principles of operation • Financial flows & Contractual arrangements <ul style="list-style-type: none"> ▪ Buyer-Seller ▪ VWEM-Seller ▪ PC-Buyer 	USAID V-LEEP
09:35 – 09:45	Key notes – United States of America is working with Government of Vietnam to promote bilateral trade and clean energy markets	U.S. Ambassador to Vietnam Daniel J. Kritenbrink
09:45 – 10:00	Tea break	All participants
10:00 – 10:30	<p><u>Session 3: Pilot design and Implementation plan</u></p> <ul style="list-style-type: none"> • Outcome of market survey report • Size, location • Timeline/Schedule • Eligibility Criteria and procedure for participant evaluation and selection • “Must Have” elements for DPPA Pilot Program 	USAID V-LEEP
10:30 – 10:55	Q&A	All participants
10:55 – 12:00	<p><u>Session 4: Panel discussion</u></p> <p>Overview of Vietnam Wholesale Electricity Market (VWEM)</p> <p>Buyers’ presentation (2 presentations) Buyer representatives to share perspectives on:</p> <ul style="list-style-type: none"> • Corporate Motivations 	<p>ERAV, USAID V-LEEP, EVN, NLDC, Buyers, Sellers, VBF</p> <p>NLDC 10 mins</p> <p>2 x 5 mins</p>

- Risk/Rewards
- Example of successful CfD projects

Investor's presentation (2 presentations)

2 x 5 mins

Investor representatives to share perspectives on:

- Corporate Motivations
- Risk/Rewards
- Example of successful CfD projects

VEPG's presentation

5 mins

Discussion and Q&A

30 mins

12:00 – 12:10

Conclusions

MOIT/ERAV



ANNEX 2 - Participants

Co-Chairs

- **Mr. Pham Quang Huy**, Deputy Director General of ERAV, Ministry of Industry and Trade (MOIT)
- **Mr. Franz Gerner**, Lead Energy Economist, World Bank in Vietnam

Participants

- **17 members** of the Technical Working Group attended the workshop

VEPG Secretariat

- **Mr. Rainer Brohm**, VEPG Secretariat
- **Ms. Nguyễn Phương Thảo**, VEPG Secretariat
- **Mr. Đỗ Quang Nhật**, VEPG Secretariat

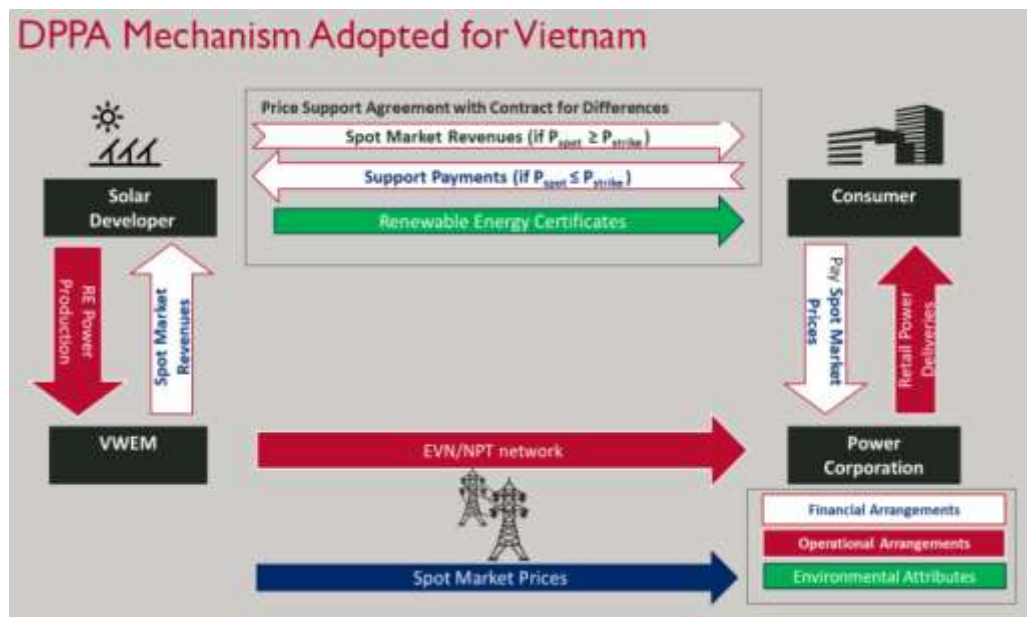
ANNEX 3 - SUMMARY MINUTES

The minutes summarized the first part of the workshop focusing on the introduction and pilot design of the DPPA. The content of this part is relevant to the work of the TWG3 and its Policy Recommendations

Agenda item	Summary
Integration of the 3rd Meeting of TWG 3 into the DPPA Workshop	<p>The <u>Chair and the Co-Chair</u> of the TWG 3 agreed that the VEPG should leverage synergies with VEPG partners and the members of the TWGs. As the Direct Power Purchasing Agreement (DPPA) is part of the TWG 3 policy recommendations endorsed by the HLM 2018, the Chair and Co-Chair also agreed that the 3rd meeting of TWG 3 should be integrated into the <i>Public consultation Workshop on DPPA Design and Pilot Planning for Viet Nam</i> organized by USAID and ERAV.</p>
Introduction of DPPA for Viet Nam	<p><u>USAID/VLEEP</u> introduced their activities in collaboration with ERAV to develop a DPPA mechanism in Viet Nam with the objective to enable large electricity consumers to contract with renewable power project developers, providing them with a pathway for meeting their renewable energy goals.</p> <ul style="list-style-type: none"> • The goal of the ERAV/VLEEP collaboration is to support regulations and policy to enhanced Vietnam’s renewable energy market and launch the DPPA pilot program in late -2019/early 2020. • The pilot program objectives are: <ul style="list-style-type: none"> ○ to test the DPPA mechanism in a controlled manner prior to acceptance and rollout; ○ Develop the capacity of power sector agencies to deliver the functionality required to implement the DPPA mechanism; ○ Identify and correct any deficiencies of the design prior to committing time, energy or resources to a full-scale DPPA program; ○ Confirm market demand and willingness to pay off large energy consumers in Viet Nam; ○ Build credibility for DPPA mechanism that is aligned with the overall development of the VWEM and also provides the pathway to zero-emissions electricity that many corporate consumers desire; ○ Establish more accurate costing for the distribution of power to support the DPPA pilot program and further development of the electricity market; • The implementation of DPPA in Viet Nam benefits for Power Consumers, Power sellers and the Government.
Model Selection	<p><u>USAID/VLEEP</u> presented four options for the DPPA model based on the leading practices, private sector input, implementation success in other jurisdictions.</p>


Category	Sleeved Model		Synthetic Model	
Description	Option A	Option B	Option C	Option D
	<ul style="list-style-type: none"> Consumer and RE GENCO enter in to DPPA Agreement GENCO sells to EVN at spot market price EVN sells power to PC at Bulk Tariff Price PC charges Consumer Retail Tariff + DPPA Charge 	<ul style="list-style-type: none"> Sleeved DPPA Model similar to Option A Key difference is Consumer ability to purchase 100% of RE from GENCO regardless of time-of-use matching 	<ul style="list-style-type: none"> Synthetic DPPA model where Consumer and GENCO enter into a CfD GENCO sells power to EVN at spot market price VWEM sells to PC at Bulk Tariff Price PC charges Consumer Retail Tariff + DPPA Charge 	<ul style="list-style-type: none"> Synthetic DPPA model where Consumer and GENCO enter into CfD GENCO sells power to EVN at spot market price VWEM sells to PC at spot price PC charges Consumer spot price + DPPA charge

- The DPPA model should take into account economic and financial impacts, market considerations, operational considerations, and legal and regulatory considerations. Synthetic DPPA – Option D was selected as the DPPA mechanism.



Pilot Design and Implementation Plan

- A Pilot Programme with a total capacity of 300 MW will be implemented in mid-2020 to 2023 with the objective to test the DPPA mechanism in a controlled manner prior to acceptance and rollout. The suggested range of the projects to participate in the pilot is between 5 to 60 MW. The timeline for implementation of the pilot is detailed below:

	<p style="text-align: center;">Pilot Implementation Timeline</p>  <p>Planning (May – Nov. 2019)</p> <ul style="list-style-type: none"> • Legal & regulatory decisions • Operational preparedness • Application process developed • Market prep <p>Invitation (Nov. – Dec. 2019)</p> <ul style="list-style-type: none"> • Enabling decrees • Request for Responses • Open application period • Developers & Consumers begin negotiations <p>Project Development (Jan. – June 2020)</p> <ul style="list-style-type: none"> • Applications evaluated & pipeline approved • Projects submitted for approval • Project approved and MOU executed <p>Project Implementation (July 2020 – Dec. 2023)</p> <ul style="list-style-type: none"> • Commercial agreements executed • Financial Close • Notice to Proceed • Construction start • Commercial operations start • Monitoring and Evaluation
<p>Presentation from the VEPG</p>	<ul style="list-style-type: none"> • Rainer Bohm, International Coordinator of the VEPG Secretariat presented an overview of the VEPG and the work of the TWG 3 which included the VEPG Policy recommendations on DPPA.
<p>Overview of the VWEM</p>	<ul style="list-style-type: none"> • EVN NLDC presented the overview of the Viet Nam Wholesale Electricity Market (VWEM). See Annex 4.1
<p>Buyers/ Investors' Perspective on DPPA</p>	<ul style="list-style-type: none"> • <u>Heineken and ABB</u> presented the Buyers' perspective on DPPA (see Annex 4.1) • <u>SunSeap and NorskSolar</u> Presented the investors' perspective on DPPA (Annex 4.1) • Reflection: TWG 3 members provided valuable comments and feedback to ERAV/MOIT in the discussion on the DPPA model at the consultation workshop addressing important aspects of the pilot design such as potential investor risks related to curtailment procedures, treatment of cross-border financial agreements or the interlinkage of the pilot with the overall VWEM process.
<p>Conclusion and replacement of the Co-Chair</p>	<ul style="list-style-type: none"> • The next meeting of TWG 3 will take place in late August/ early September. • <u>The Co-Chair</u>, Mr. Franz Gerner, World Bank Vietnam announced that he finished his term at the World Bank in Viet Nam. He reaffirmed WB's commitment to continue their co-chairmanship of the TWG 3 on Energy Sector Reform. • Mr. Rahul Kitchlu, Energy Sector Coordinator of the World Bank Viet Nam will take over the co-chairmanship of the TWG 3 from Mr. Franz Gerner starting in July.



ANNEX 4 – PRESENTATIONS

All presentations can be accessed [here](#)