

No: 2093/QD-BCT

Hanoi, August 07th, 2020

DECISION

Approving the Project on designing the competitive retail electricity market

MINISTER OF INDUSTRY AND TRADE

Pursuant to Decree No. 98/2017/ND-CP dated 18th August 2017 by the Government on defining the functions, tasks, powers and organizational structure of the Ministry of Industry and Trade (MOIT);

Pursuant to the Electricity Law dated 3rd December 2004 and the Law on amendments and supplements to a number of articles of the Electricity Law dated 20th November 2012;

Pursuant to Decision No. 63/2013/QD-TTg dated 8th November 2013 by the Prime Minister on the roadmap, conditions and structure of the power sector to formulate and develop electricity market levels in Vietnam;

At the request of the General Director of the Electricity Regulatory Authority of Vietnam (ERAV).

DECIDES:

Article 1: To approve the Project on designing the competitive retail electricity market attached to this Decision.

Article 2: This Decision takes effect since its signing date

Article 3: Director of the Electricity Regulatory Authority, Chief of the Ministry Office, Chief Ministry Inspector, Directors General of relevant Departments or Authorities affiliated to Ministries, Director General of the Vietnam Electricity Corporation, generators, organizations, or individuals concerned, shall be responsible for implementing this Decision./.

Recipients:

- As mentioned in Article 3;
- Deputy Prime Minister Trinh Dinh Dung (for report);
- Archive: Document Servicing Department, ERAV.

MINISTER

Tran Tuan Anh

PROJECT
ON DESIGNING THE COMPETITIVE RETAIL ELECTRICITY MARKET
MODEL

*(Attached to Decision No. 2093/QĐ-BCT dated 7th August 2020 by
the Minister of Industry and Trade)*

Chapter 1

OVERALL STRUCTURE OF THE ELECTRICITY MARKET AT THE
LEVEL OF ELECTRICITY RETAIL

Article 1. Name

1. Vietnamese name: Thị trường bán lẻ điện cạnh tranh Việt Nam;
2. English name: Vietnam Retail Electricity Market;
3. Abbreviation: VREM

Article 2: The scope of REM design

The REM design includes the following contents:

1. Power purchase models of electricity users.
2. Role and functions of and relationship among actors in the electricity market by each specific model.
3. Operation mechanisms of the REM, comprising the mechanism and method of making power purchase transactions; electricity price mechanism, mechanism of providing and using electricity distribution services and other relevant contents.
4. Solutions, preconditions and plans for developing and operating the REM

Article 3. Segments of competition in the REM

When transitioning to the REM level, the chain from production to consumption of electricity in the power system will consist of 02 following segments of competition:

1. Competition in wholesale power sale:
 - a) Making power purchase transactions between power generators and wholesale power buyers through the spot electricity market;

b) Using grids in the national power system to transmit electricity from power plants (electricity sellers) to electricity delivery points of wholesale electricity buyers (within the scope of the spot electricity market in accordance with Regulations on electricity market operation issued by the MOIT).

2. Competition in retail power sale:

a) Making power purchase transactions between retail electricity sellers and electricity users;

b) Using grids in the national power system to transmit electricity received from electricity delivery points stipulated at point b, Clause 1 of this Article to electricity consumption places of electricity users.

Article 4: Power purchase models of electricity users

Based on the connection scale and voltage, electricity users shall purchase power with the following models:

1. Purchasing power in the spot market.

2. Purchasing power from retail sellers.

Chapter 2

THE MODEL OF ELECTRICITY USERS BUYING POWER IN THE SPOT MARKET

Article 5: Participating subjects and modes

1) Participating subjects: Electricity users meeting all criteria on the power consumption scale and connection voltage in compliance with the regulations on competitive electricity market operation issued by the MOIT.

2. Participating modes: Electricity users buying power in the spot market through either the following modalities:

a) Directly registering to take part in the spot market;

b) Engaging in the market via an authorized representative.

3. Electricity users must satisfy all conditions with regards to information technology infrastructure in service of the operation of the spot electricity market in accordance with the MOIT's regulations.

Article 6. Operating principles

1. An electricity user (or an authorized representative) purchases power in the spot electricity market as an electricity buyer.

2. The power purchase point of this big electricity user will be calculated (based on the power loss) from the power measuring point to the power delivery point in the border of the REM specified at point b, Clause 1 of Article 3 of this Project.

3. The principles of operating and making transactions for buying electricity in the spot market: Electricity users (or authorized representatives) shall comply with regulations on competitive electricity market operation issued by the MOIT.

Article 7: Mechanisms of a contract for difference and service contracts

1. Contract for difference mechanism: An electricity user is a power generator signing a contract for difference, committing to conducting a forward financial transaction in the future to manage the risk of price fluctuation in the spot electricity market. In this contract, the two sides will make long-term commitments in settling the difference between the price in the spot electricity market and the price committed in the contract for a specific amount of power output in each transaction cycle in the future.

2. Service contract mechanism: An electricity user (or an authorized representative) signs a service contract on power transmission and distribution as well as power system and market operation with providers of such services in accordance with regulations of the MOIT.

Chapter 3

THE MODEL OF ELECTRICITY USERS SELECTING ELECTRICITY RETAILERS

Section 1

MEMBERS

Article 8. Classification of members

1. Electricity retailers: Taking part in the market as electricity sellers and including competitive and default electricity retailers (in compliance with Article 9 of this Chapter).

2. Electricity users: Taking part in the market as electricity buyers and comprising customers who participate and do not participate in the REM (in compliance with Article 10 of this Chapter).

3. Electricity distribution units: Providing electricity distribution service in the REM (in compliance with Article 11 of this Chapter).

Article 9. Electricity retailers

1. Electricity retailers taking part in the competition in the REM shall perform the following functions:

a) Buying wholesale electricity from the spot market in accordance with Clause 1, Article 3 of this Project;

b) Competing with other electricity retailers to sell power to electricity users in the REM.

2. Default electricity retailers:

Retail electricity distribution units currently having a network of power distribution, including 05 power corporations under the Electricity of Vietnam (EVN) and other non-EVN retail electricity distribution units perform as default electricity retailers within the ambit of their distribution grids with the following functions:

a) Selling power to electricity users who do not take part in the electricity market in compliance with point a, Clause 2 of Article 10 of this Chapter;

b) Providing electricity distribution service within the scope of the distribution grids under the ownership of units in case electricity users connecting to these grids buy power from other electricity retailers in accordance with regulations of Article 11 of this Chapter.

Article 10. Electricity users

1. Electricity users joining in the REM:

a) Selecting and buying power from suitable electricity retailers to meet the needs of electricity consumption in compliance with regulations on electricity market operation issued by the MOIT.

b) In the first phase of model of electricity users selecting electricity retailers, prioritizing customers with consumed power output which is great enough to be eligible for choosing electricity retailers. Once necessary conditions are met, adding customers with less consumed power output to the group of electricity users participating in the REM.

2. Electricity users not participating in the REM

a) Electricity users not participating in the REM comprise:

- Customers failing to satisfy conditions to enter the REM;

- Customers satisfying conditions to enter the REM yet remaining unsure about their suitable electricity retailers.

b) Such electricity users shall buy power from default electricity retailers to meet their power consumption demand.

Article 11. Electricity distribution units

1. Managing, operating and developing power distribution grids in accordance with the planning approved by the competent state authorities.

2. Providing the electricity distribution service for electricity retailers and electricity users participating in the REM on a fair, transparent and non-discriminatory basis.

3. Investing in the installation of power metering system in compliance with the Electricity Law; collecting power meter readings to be provided for electricity retailers and users for the settlement of power purchase transactions in the REM.

Section 2

OPERATING MECHANISMS IN THE MODEL OF ELECTRICITY USERS SELECTING ELECTRICITY RETAILERS

Article 12. Power purchase transactions between electricity retailers and users

1. The power purchase between an electricity retailer and an electricity user is implemented through a definite-term power purchase agreement (PPA).

2. For electricity users taking part in the electricity market

a) An electricity user shall select a suitable electricity retailer and sign the PPA with this retailer.

b) Electricity buying price of an electricity user is calculated in accordance with agreements in the PPA signed with the electricity retailer;

c) An electricity user switched to buy electricity from another retailer:

- After fulfilling all obligations of a customer committed in the PPA which is previously signed with the electricity retailer;

- Collaborating with the new electricity retailer, previous electricity retailer and electricity distribution unit to conduct procedures for switching to a new electricity retailer in accordance with the regulations on electricity market operation issued by the MOIT.

3. For electricity users not participating in the electricity market: Signing the PPA with default electricity retailers.

Article 13. Electricity price mechanism

1. Electricity retail price for customers when selecting electricity retailers include:

a) Power generation price of power plants, comprising

- Power plants generating electricity to the national grid system

- Power plants providing supporting services in accordance with the MOIT's regulations.

b) Power transmission price: Complying with the regulations of the competent state authorities;

c) Price of load dispatch and transaction regulation in the electricity market: Complying with the regulations of the competent state authorities;

d) Power distribution price (taking into consideration the connection voltage of electricity users): Complying with the regulations of the competent state authorities;

e) Other costs, consisting of:

- Costs and benefits of the electricity retailers

- Taxes, costs, fees and others in compliance with the regulations of the competent state authorities.

2. Electricity retail price for electricity users participating in the electricity market: based on the agreements between electricity users and retailers.

3. Electricity retail price for electricity users not participating in the electricity market: Complying with the Feed-in tariff regulated by the competent state authorities.

Article 14. Electricity payment mechanism

1. Electricity users make payments for their consumed electricity to electricity retailers in accordance with the regulations in the signed PPA.

2. Electricity users shall be responsible for implementing measures to ensure the compliance with the PPA (payment guarantee), adhering to the regulations of the Electricity Law and related legal documents.

Article 15. Provision and use of the power distribution service

1. The provision and use of the power distribution service in the REM are implemented through a power distribution service contract signed between an electricity distribution unit and an electricity retailer.

2. The connection to the distribution grid between an electricity user and an electricity distribution unit is agreed in accordance with regulations in the PPA and related legal documents.

Chapter 4

SOLUTIONS AND PLANS FOR IMPLEMENTATION OF THE REM

Article 16. Solutions for implementation of the REM

1. Improving the system of legal documents for each stage of development and expansion of the REM, namely:

a) Reviewing and reporting to the competent authorities to supplement regulations on the electricity distribution price, price for load dispatch and transaction regulation in the electricity market to the Electricity Law and Law on Prices;

b) Developing the Project on restructuring the power sector in service of the REM to be submitted to the Prime Minister for his approval to ensure that the power sector structure is adjusted in alignment with the REM design model;

c) Finalizing legal regulations in service of the REM.

2. Continuing to reform the electricity price in line with the roadmap for transitioning into the REM.

a) Ensuring the transparent implementation of the electricity price, identified by the market principle without cross-subsidization among groups of customers, regions and areas in accordance with Decree No. 55-NQ/TW dated 11th February 2020 by the Politburo of the Central Committee of the Communist Party of Vietnam.

b) Adjusting the retail electricity price in conformity to the existing regulations with an appropriate roadmap to fully and accurately reflect all eligible and reasonable input costs. Addressing the fee arising from the difference in the exchange rate in the previous years when making a full transition into the REM.

3) Improving the wholesale electricity market:

a) Establishing an independent unit for operating the power system and market in line with the limited company model following Decision No. 63/2013/QD-TTg dated 8th November 2013 and Decision No. 168/QD-TTg dated 7th February 2017 by the Prime Minister to ensure the fairness, transparency and nondiscrimination among actors in the electricity market;

b) Continuing to improve the operation and supporting mechanisms of the spot electricity market in line with the design model approved at Decision No. 8266/QD-BCT dated 10th August 2015 by the MOIT;

c) Improving the system of information technology infrastructure in service of the wholesale electricity market to ensure the wholesale electricity market operating in line with the design model approved at Decision No. 8266/QD-BCT dated 10th August 2015 by the MOIT.

4. Developing an appropriate roadmap to gradually help groups of customers take part in the REM:

a) Evaluating and setting out appropriate criteria to classify each group of electricity users (by consumed power output, voltage level, etc.);

b) Developing an appropriate roadmap to include more customers in the REM.

5. Making a clear distinction between the power distribution cost and retail electricity price in distribution and retail units.

6. Improving the electricity infrastructure to meet the requirements for operating the REM in a safe, reliable, continuous, high-quality and efficient manner:

a) Improving the SCADA/DMS system and the distance metering system for the distribution grid which will be fully invested in to meet the requirements of the REM.

b) Improving the information system for the electricity market operation management, meeting the requirements of the REM;

c) Developing a website to update all power selling packages of the electricity retailers, thereby creating favorable conditions for customers to search for adequate information to select suitable power selling packages from electricity retailers in the region;

d) Formulating the database on electricity users: Managing information about the ID of electricity users, creating favorable conditions for the

management, updating information when an electricity user switches to another electricity retailer (while maintaining the electrical meter).

7. Protection of interests of electricity users:

a) Disseminating widely information about the implementation of the REM, and rights and interests of electricity users when entering the REM;

b) Promulgating legal regulations detailing the procedures and responsibilities of stakeholders when electricity users switch from this electricity to another;

c) Implementing policies supporting the retail electricity price for poor households and policy beneficiaries in accordance with the State's regulations;

d) Providing detailed regulations on default electricity retailers which shall take the responsibility to supply power for electricity users conducting transactions outside the electricity market or remaining unsure about their electricity retailers.

Article 17. Implementation plan

1. Phase 1 (to the end of 2021): The preparation stage

- Implementing the transformation of the National Load Dispatch Center into the Electricity System and Market Operation Company Limited in accordance with Decision No. 168/QĐ-TTg and Decision No. 852/QĐ-TTg by the Prime Minister;

- Submitting documents to the Prime Minister for his approval on the Project on restructuring the power sector in service of the REM in 2020;

- Reviewing, revising and finalizing Regulations on the REM and related legal documents to experimentally allow units generating power from renewable energy to sign direct contracts with electricity users (following the model of Chapter 2 of this Project).

2. Phase 2 (from 2022 to 2024): Electricity users participate in the spot electricity market

a) Prerequisite conditions:

- Researching, amending and supplementing the regulations on electricity distribution price and price of load dispatch and transaction regulation in the electricity market in the Electricity Law and Law on Prices;

- Issuing regulations on calculating electricity distribution price and price of load dispatch and transaction regulation in the electricity market for electricity users to buy power from the spot electricity market;

- Completing the amendment and supplementation of legal documents on the electricity market operation which is suitable for support electricity users to enter the spot electricity market. Making a clear distinction between the payment flow in the spot market and the payment flow based on the bilateral contract between buyers and sellers.

- The Electricity System and Market Operation Company Limited is established to perform functions of load dispatch and transaction regulation in the electricity market in accordance with the regulations.

- Separating the distribution cost from the electricity retail cost in electricity distribution and retail units;

- Electricity users buying power in the spot market shall equip the information technology system in compliance with the electricity market operation issued by the MOIT and have sufficient human resource to conduct daily power purchase transactions in the spot electricity market.

b) Operation mechanism:

- Implementing the pilot program on the mechanism of big electricity users signing direct contracts with units generating power from renewable energy (wind, solar) in compliance with the regulations issued by the MOIT. Based on results of the pilot program, developing the plan for the official implementation of the model in which electricity users buying power in the spot electricity market;

- Electricity users who have not participated in the electricity market yet continue to buy power from electricity distribution and retail units at the retail tariff regulated by the state competent authorities.

3. Phase 3 (after 2024): Customers choose to buy power from electricity retailers

a) Prerequisite conditions:

- Calculating and applying the electricity distribution price and price of load dispatch and transaction regulation in the electricity market in accordance with relevant legal regulations;

- Separating the electricity distribution cost from the electricity retail cost in electricity distribution and retail units;

- Reforming the electricity retail price: the electricity retail price has been adjusted to fully reflect all reasonable and eligible input costs without cross-subsidization among groups of customers.

- Issuing the system of Circulars and regulations in service of the operation of the REM to allow electricity users select electricity retailers;

- Electricity retailers taking part in the REM shall meet the requirements for human resources and equip proper information technology infrastructure and satisfy the requirements of wholesale and retail electricity markets;

- Electricity users are provided with adequate information on the roadmap of the REM, and rights, interests and obligations in selecting electricity retailers as well as rights, interests and obligations following the signed PPA.

b) Operation mechanism:

- Continuing to improve the mechanism for electricity users to buy power in the spot electricity market;

- Electricity users are entitled to select electricity retailers in an roadmap which matches their power consumption scale and connection voltage issued by the MOIT in each stage.

Article 18. Implementation

1. The ERAV is assigned to

a) Preside over and collaborate with related units to continue to prepare for the operation of the REM in line with the plan approved in this Decision;

b) Develop the Project on restructuring the power sector in service of the REM and report to the MOIT to submit it to the Prime Minister for his approval in 2020;

c) Develop and finalize the system of legal documents which are necessary for each development stage of the REM;

d) Preside over the review and finalization of infrastructure conditions, provide training for human resources and realize necessary solutions to implement the REM.

2. The EVN is assigned to

a) Restructure the Corporation in accordance with regulations and plans approved by the Prime Minister;

b) Collaborate with the ERAV to develop the Project on restructuring the power sector in service of the REM;

c) Separate the electricity distribution cost from the electricity retail cost in power corporations under the EVN.

3. Power corporations and other electricity distribution and retail units are assigned to

a) Develop and implement the plan for restructuring in line with the REM;

b) Separate the electricity distribution cost from the electricity retail cost;

c) Provide training for their human resources about the policy on developing the REM, the REM design model and the REM operation mechanism;

d) Develop the infrastructure and human resources to meet the requirements for operating the REM./.

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