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Hanoi, January 26, 2006

## DECISION

APPROVING THE ROADMAP AND CONDITIONS FOR FORMATION AND  
DEVELOPMENT OF DIFFERENT LEVELS OF THE ELECTRICITY MARKET IN  
VIETNAM

### THE PRIME MINISTER

*Pursuant to the December 25, 2001 Law on Organization of the Government;*  
*Pursuant to the December 3, 2004 Electricity Law;*  
*At the proposal of the Minister of Industry,*

### DECIDES:

**Article 1.-** To approve the roadmap and conditions for formation and development of different levels of the electricity market in Vietnam with the following contents:

#### 1. Purposes:

- a/ To step by step develop a competitive electricity market in a stable manner, eliminate subsidy for the power industry, increase the electricity consumers' right to select electricity suppliers;
- b/ To attract investment from all economic sectors inside and outside the country into electricity-related activities, gradually reduce the state investment in the power industry;
- c/ To raise efficiency of production and business activities of the power industry, reduce the pressure of increasing electricity price;
- d/ To ensure the stable and reliable supply of electricity with higher and higher quality;
- e/ To ensure sustainable development of the power industry.

**2. Roadmap for formation and development of different levels of the electricity market in Vietnam**

Vietnam's electricity market shall be formed and developed through three levels:

- Level 1 (2005-2014): The competitive electricity production market.
- Level 2 (2015-2022): The competitive electricity wholesale market.
- Level 3 (after 2022): The competitive electricity retail market.

Each level shall be developed through two steps: experimentation and completion, specifically:

a/ Step 1 - level 1: The experimental competitive electricity production market (from 2005 to 2008).

- To form a competitive electricity production market for power plants of the Electricity of Vietnam (EVN) to compete in electricity production on an experimental basis after the model of sole purchaser. Power plants, power-transmitting companies and power-distributing companies of the EVN shall be reorganized into independent business cost-accounting companies.

- Independent power producers (IPP) not owned by the EVN shall continue selling electricity to the EVN under concluded long-term power purchase agreements (PPA).

- At the end of the experimental step, major power plants of the EVN, which play an important role in the power system, must be transformed into IPPs in form of independent state companies; the other power plants must be transformed into IPPs in form of joint-stock companies in preparation for a complete competitive electricity production market.

- The Ministry of Industry shall promulgate regulations to regulate operations of the market and guide the implementation thereof.

b/ Step 2 - level 1: The complete competitive electricity production market (from 2009 to 2014)

- To form a complete competitive electricity production market after prerequisites for this step have been met.

- To permit IPPs not owned by the EVN to participate in price offering in order to start the complete competitive electricity production market (after the sole-purchaser model); electricity producers shall sell electricity on the market through PPAs or competitive price offers on the spot market, provided that the amount of electricity sold in either of these two forms is regulated by the Electricity Regulation Department.

c/ Step 1 - level 2: The experimental competitive electricity wholesale market (from 2015 to 2016).

- To form an experimental competitive electricity wholesale market when prerequisites for this level have been met.

- To permit the selection of a number of major distributors and customers for establishment of the experimental competitive electricity wholesale market. To permit the establishment of a number of wholesalers in order to enhance the competitiveness in electricity wholesale. Current electricity-transmitting companies may be consolidated into a sole national electricity-transmitting company under the EVN; distributors, system operators and transaction administrators in the electricity market shall continue to be managed by the EVN.

d/ Step 2 - level 2: The complete competitive electricity wholesale market (from 2017 to 2022).

- To form a complete competitive electricity wholesale market when prerequisites for this step have been met.

- To permit the transformation of the EVN's power-distributing companies into independent companies (state or joint-stock companies) so that they can purchase electricity directly from electricity producers and, vice versa, the latter can also compete to sell electricity to them. Wholesalers shall also participate in competition to sell electricity to distributors and major customers.

e/ Step 1- level 3: The experimental competitive electricity retail market (from 2022 to 2024)

- To form an experimental competitive electricity retail market when prerequisites for this level have been met.

- To permit the selection of a number of appropriate distribution networks for experimentation. Based on the electricity consumption levels set by the Electricity Regulation Department, customers may select electricity suppliers for them (electricity retailers). The electricity-retailing function of the distributors selected for experimentation shall be separated from their functions of managing and operating distribution networks; electricity retailers shall compete to sell electricity to every customer and to purchase electricity from electricity wholesalers.

f/ Step 2 - level 3: The complete competitive electricity retail market (after 2004)

- Based on the electricity consumption levels set by the Electricity Regulation Department, customers nationwide shall have the right to select electricity suppliers for them (electricity retailers) or purchase electricity directly from the market.

- Organizations and individuals that meet the requirements on electricity-related activities may establish new electricity-retailing units to compete in the retail of electricity. Such units

shall have the right to purchase electricity from electricity producers or from the market for retail to customers.

### 3. Prerequisites for formation of the electricity market:

a/ For the experimental competitive electricity production market (level 1- stage 1)

*On organizational structure:*

- The EVN's power plants shall be split into independent cost-accounting units;
- The unit administering transactions on the electricity market and the unit being the sole purchaser under the EVN shall be set up.

*On the system of legal documents:*

- Regulations on transmission networks and on operation of the experimental electricity market shall be promulgated by the Ministry of Industry.

*On power system infrastructure:*

- The operation management system (SCADA/EMS) and the remote metering system shall be established completely at all the EVN's electricity producers and important hubs within transmission networks, meeting the requirements of operation of the experimental competitive electricity production market;
- Information systems in service of operation management and payment transactions on market shall be appropriately equipped.

*On operational capacity of units participating in the market:*

The newly-set up units, including the Electricity Regulation Department, the sole bulk-buying unit, the unit administering transactions in the electricity market, the electric system-regulating unit, the electricity-transmitting units and the electricity-producing units should be staffed with contingents of personnel having gone through professional training and meeting the requirements of operation of the competitive electricity market.

b/ For the complete competitive electricity production market (level 1 - step 2)

*On organizational structure:*

The EVN's power plants shall be split to form IPPs (sharing no economic benefits with the sole purchaser, the transmitter and the administrator of transactions in the electricity market), which shall operate in the form of independent state companies or joint-stock companies. The

total installed capacity of an electricity-producing unit must not exceed 25% of the entire system's installed capacity.

*On the system of legal documents:*

- The scheme on restructuring of the power industry shall be approved by the Prime Minister;
- The scheme on designing of the complete competitive electricity production market shall be approved by the Ministry of Industry;
- The regulations on the electricity market shall be supplemented, amended or elaborated in compatibility with the structure of the complete electricity production market;
- The regulations on operation of the competitive electricity production market, including those on transmission networks; procedures for monitoring the implementation of plannings and projects on the lists of projects under such plannings; those on procedures for grant, modification and supervision of observance of electricity-related activity permits; on order and procedures for selection of investors to develop projects on new power sources under the planning on sources of minimum costs; on procedures for registration of participation in the competitive electricity production market; on the control of monopoly and fight against unfair competition in the electricity market; and on the handling of violations and settlement of disputes and complaints in operation of the electricity market, shall be promulgated;
- The regulations on methods of elaboration of, procedures for and order of formulation, evaluation and approval of brackets of electricity retail prices, electricity production prices, electricity wholesale prices, charges of electricity transmission, distribution, administration of transactions in the electricity market, regulation, use of added services and relevant charges; on PPA model contracts; on supervision of electricity selling and purchasing activities in the market and inspection of the observance of promulgated electricity price brackets and charges, shall be promulgated;
- The regulations on handling of arrangement costs of long-term PPAs when IPPs participate in the market shall be promulgated;

*On electric system infrastructure:*

- The SCADA/EMS system and remote metering system shall be established completely at all power plants within the electric system, meeting the requirements of the complete competitive electricity production market;
- The information system in service of management and operation of the electricity market shall be equipped appropriately;

- The facilities for monitoring market transactions at the electricity regulating body shall be equipped completely;
- The source capacity reserve of the system must be maintained at above 20% of the entire system's installed capacity;
- The installed capacity of an electricity-producing unit must not exceed 25% of the entire system's installed capacity.

*On operational capacity of units participating in the market*

The IPPs must have their own contingents of officials and employees having gone through professional training and meeting the requirements of operations of the competitive electricity market.

c/ For the experimental competitive electricity wholesale market (level 2 - step 1)

*On organizational structure:*

A number of electricity-distributing companies shall be selected for experimental direct purchase of electricity from electricity producers or wholesalers.

*On the system of legal documents:*

- The scheme on designing of an experimental electricity wholesale market shall be approved;
- The regulations on regulating activities, on market and transmission networks shall be amended or supplemented to suit the structure and operation of the competitive wholesale market;
- The regulations on conditions for major customers to opt for the direct purchase of electricity from electricity producers or via the electricity market shall be promulgated.

*On electric system infrastructure:*

- The system for data gathering, monitoring and controlling/managing energy (SCADA/EMS) and the remote metering system shall be completely established at all independent distributors and major customers, meeting the requirements of operation of the experimental competitive electricity wholesale market;
- The information system in service of management and operation of the electricity market shall be equipped appropriately;

*On operational capacity of units participating in the market:*

Distributors selected for the experimental electricity wholesale market should be staffed with officials and employees having been professionally trained and meeting the requirements of operation of the competitive electricity market.

d/ For the complete competitive electricity wholesale market (level 2 - stage 2)

*On organizational structure:*

- Distributing companies shall be reorganized to form independent electricity distributors;
- A number of electricity wholesalers shall be founded to participate in market transactions, the sole purchaser shall become a normal electricity wholesaler operating as an independent company.

*On the system of legal documents:*

- The scheme on designing of the competitive electricity wholesale market and the scheme on establishment of independent electricity distributors shall be approved;
- The regulations on regulating activities, on market and transmission networks shall be amended or supplemented to suit the structure of the competitive electricity wholesale market;
- The regulations on competition in selection of investors for new power sources under the cost-effective power source planning shall be amended in accordance with competition objectives of the wholesale market.

*On the electric system infrastructure:*

- The SCADA/EMS system and the remote metering system shall be equipped completely at all inlets and outlets of the transmission networks from independent distributors to major customers;
- The information system in service of management and operation of the electricity market shall be equipped appropriately to suit the structure and operation of the wholesale market.

*On operational capacity of units participating in the market:*

Independent electricity distributors should be staffed with officials and employees having been professionally trained, meeting the requirements of operation of the competitive electricity market.

e/ For the experimental competitive electricity retail market (level 3 - step 1)

The system of legal documents:

- The scheme on designing of the experimental competitive electricity retail market and the scheme on reorganization of distributors and selection of the experimental electricity retail scale shall be approved;
- The regulations on regulating activities, rules of the electricity market and regulations on transmission networks shall be amended or supplemented to suit the structure and operation of the electricity retail market;
- The regulations on distribution networks shall be elaborated and promulgated.

*On the electric system infrastructure:*

- The SCADA/EMS system and the remote metering system shall be invested completely for all electricity consumers and at metering points within the distribution networks selected for experimentation;
- The information system in service of management and operation of the electricity market shall be equipped appropriately to suit the structure and operation of the electricity retail market.

*On operational capacity of units participating in the market:*

Electricity retailers selected for the electricity retail market should be staffed with officials and employees having been professionally trained, meeting the requirements of operation of the competitive electricity market.

f/ For the complete competitive electricity retail market (level 3 - step 2)

*On the system of legal documents:*

- The scheme on designing of the competitive electricity retail market shall be approved;
- The regulations on regulating activities, on market and transmission networks shall be amended or supplemented to suit the structure and operation of the electricity retail market;

*On the electric system infrastructure:*

- The SCADA/EMS system and the remote metering system shall be invested completely for the distribution network;
- The information system in service of management and operation of the electricity market shall be equipped in compatibility with the structure and operation of the competitive electricity retail market.

*On operational capacity of units participating in the market:*



Electricity retailers selected for the electricity retail market should be staffed with officials and employees having been professionally trained, meeting the requirements of operation of the competitive electricity market.

**Article 2.-** Organization of implementation

1. The Ministry of Industry shall be tasked:

a/ To formulate and submit to the Prime Minister for approval a scheme on restructuring of the power industry in compatibility with the approved roadmap for development of different levels of the electricity market;

b/ To direct the formation and development of the electricity market in Vietnam according to the approved roadmap for development of different levels of the electricity market;

c/ To approve the scheme on designing of the electricity market of different levels and schemes on reorganization of electricity producers, transmitters and distributors in accordance with each level of the market, and organize the execution thereof.

d/ To promulgate regulations on operation of the electricity market and on regulating activities at different levels of development of the electricity market;

e/ To receive financial supports from international organizations for projects in service of formation and development of different levels of the electricity market;

f/ To synthesize capital demands for development of the electricity market under annual plans for the Ministry of Planning and Investment to make sum-up and submit it to the Prime Minister for approval.

2. The Ministry of Planning and Investment shall coordinate with the Ministry of Finance in allocating enough state budget funding for formation and development of the electricity market at each level according to the estimates approved by the Ministry of Industry.

3. The Electricity of Vietnam shall be tasked:

a/ To elaborate regulations on operation of the internal experimental competitive electricity production market, to be submitted to the Ministry of Industry for approval and organization of implementation thereof;

b/ To organize the formation of an internal experimental electricity production market in line with the roadmap approved under this Decision, and the implementation of regulations on operation of the market approved by the Ministry of Industry;

c/ To organize training to raise professional skills of officials and employees of the newly-set up units attached to the EVN, meeting the competition requirements of the experimental market;

d/ To invest in the completion of technical infrastructure necessary for operation of the complete competitive electricity production market;

e/ To invest in technical infrastructure for the formation of, and to provide initial funding support for electricity-regulating activities, for newly-split units and activities to raise the institutional and professional capacity for operation of the electricity market.

4. IPPs, electricity distributors, wholesalers and retailers:

a/ To invest in the necessary technical equipment system, meeting the operational requirements of the competitive electricity production, wholesale and retail markets;

b/ To provide professional training for officials and employees to meet competitive activities of the market in each period.

**Article 3.-** Implementation effect

This Decision takes effect 15 days after its publication in "CONG BAO."

**Article 4.-** Implementation effect

The Minister of Industry, other ministers, heads of ministerial-level agencies, heads of Government-attached agencies, presidents of provincial/municipal People's Committees, the Electricity of Vietnam, and concerned units shall have to implement this Decision.

**THE PRIME MINISTER**

**PHAN VAN KHAI**