

**EVN HAS MORE FLEXIBILITY TO CHANGE  
THE PRICE OF ELECTRICITY UNDER NEW PRICING RULES**

**PROJECTED CHANGES IN PRICING RULES  
THAT APPLY TO WASTE-TO-ENERGY PROJECTS AND BIOMASS ENERGY PROJECTS**

**Nguyen Huu Hoai  
Russin & Vecchi**

Tel: (84-28) 3824-3026  
Email: [nhhoai@russinvecchi.com.vn](mailto:nhhoai@russinvecchi.com.vn)  
Web: [www.russinvecchi.com.vn](http://www.russinvecchi.com.vn)

**A. EVN HAS MORE FLEXIBILITY TO CHANGE ITS PRICE OF ELECTRICITY  
UNDER NEW PRICING RULES**

Pricing is fundamental for power generators, power distributors and large electricity consumers. Under the current rules (Decision 24<sup>1</sup>) EVN is authorized to adjust its average price if the variation of the main input factors (ie, fuel, exchange rate, and structure of the volume of power generation, etc.) exceeds 3% in comparison with the previous adjustment. The interval of each adjustment period is six (6) months.

The Prime Minister has recently issued a new rule (Decision 05<sup>2</sup>) that gives EVN more flexibility to change its average price of electricity. Decision 05 will take effect on May 15, 2024. Under Decision 05, the average price of electricity which EVN charges its end-users will be fully computed and determined by using a cost-based pricing mechanism. The formula to determine EVN's average price of electricity can be found in Decision 05. Briefly, EVN's price will include the following components: power production cost (production cost of EVN's power plants, prices of electricity at which EVN purchases power from domestic power generators under power purchase agreements or under BOT contracts, or the price that EVN pays to import power from Laos and China), transmission cost, selling costs, administrative costs (including a cost component to operate the national power system), foreign exchange losses, and other auxiliary and permitted costs (including testing costs).

Under Decision 05, EVN is authorized to increase its average price if EVN's average price increases by 3% when compared to the existing price. EVN must justify any increase and must obtain the consent of the Ministry of Industry and Trade (in case the increase of its average price is less than 10%), and approval of the Prime Minister (in case the increase of average is 10% or more). An increase of EVN's price--say ranging from 3% to 5%--does not require any approval, but EVN must notify the MOIT of such increase within five (5) business days from the date on which a decision on increase is made. The interval of each increase period must be three (3) months. *[Interestingly, the current interval of each adjustment is SIX months. From May 2024, EVN will be entitled to increase its prices every THREE months. Again, EVN's price will be fully computed].*

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<sup>1</sup> Decision 24/2017/QĐ-TTg of the Prime Minister dated June 30, 2017 (“**Decision 24**”).

<sup>2</sup> Decision 05/2024/QĐ-TTg of the Prime Minister dated March 26, 2024 (“**Decision 05**”).

On the other side of the equation, Decision 05 requires EVN to reduce its average price every three (3) months, if EVN’s average price goes down by 1% or more in comparison with the existing price.

It can be expected that from May 15, 2024 (the effective date of Decision 05), the price of electricity will increase more frequently. The increase will help EVN to improve its cashflow and financial situation. On the other hand, it will affect both large electricity consumers and residential consumers. A trend could develop whereby large consumers will prefer to purchase electricity directly from power generators under direct power purchase agreements. The benefit is that the price of electricity can be fixed. Homeowners can also get a benefit if they install rooftop power solar panels for self-consumption.

**B. PROJECTED CHANGES IN PRICING RULES THAT APPLY TO WASTE-TO-ENERGY (WTE) PROJECTS AND BIOMASS ENERGY PROJECTS**

Under the existing mechanism, WTE and biomass power projects are entitled to a favorable feed-in-tariff (FiT). See the table below:

No.	Generation sources	Technology	Applicable tariff	Applicable regulations
1	Biomass energy projects	Co-generation	US cents 7.03/kWh	Decision 08 <sup>3</sup>
		Electricity production	US cents 8.47/kWh	
2	WTE projects	Direct burning	US cent 10.05/kWh	Decision 31 <sup>4</sup>
		Landfill for gas production	US cents 7.28/kWh	

These favorable FiTs apply for 20 years commencing from the commercial operation date of each project. However in the future, these favorable FiT may no longer apply. The Ministry of Industry and Trade (MOIT) has recently circulated a draft circular which provides new regulations on the pricing mechanism that applies to new WTE and biomass energy projects. There are a number of notable points in the latest Draft Circular (the second version):

- a) The applicable price for new WTE and biomass energy projects will be denominated in VND (not in US dollars). As there is no foreign exchange component in the formula used to determine the applicable price for new WTE and biomass energy projects, these will be foreign exchange risks if these new energy projects are financed and funded by foreign loans denominated in US dollars or in other foreign currencies<sup>5</sup>.
- b) The price of electricity generated by new WTE and biomass energy projects will be adjusted on an annual basis (instead of a fixed FiT for 20 years). In theory, the applicable price may be increased or decreased. It is likely that the applicable price will increase year by year. It will

<sup>3</sup> Decision 08/2020/QĐ-TTg of the Prime Minister dated March 5, 2020 (“Decision 08”).

<sup>4</sup> Decision 31/2014/QĐ-TTg of the Prime Minister dated May 5, 2014 (“Decision 31”).

<sup>5</sup> Average inflation in Vietnam has ranged from 3% to 6% during the last 10 years. During the previous six months, the devaluation of the Vietnamese dong (vs. US\$) was almost 10%.

be hard to determine the payback period of a particular project if the applicable price (for the entire duration of the project) remains uncertain from the outset. Adjustments and projections will need to be made.

- c) The of electricity generated by new WTE and biomass energy projects will be determined, computed and based on a number of factors: (i) investment costs of a standard power plant; (ii) operating and maintenance costs; (iii) interest expenses and loan duration; (iv) a 20/80-ratio of domestic and foreign loans (i.e. the maximum foreign loan component is limited to 80% of the total loan capital); (v) a 30/70 ratio of equity and loan capital (ie, the maximum loan capital is limited to 70% of the investment capital); (vi) capacity and production volume (i.e. 7,000 production hours per year (in case of WTE projects) and 6,000 production hours per year (in case of biomass energy projects) ; (vii) life cycle of a power plant (20 years); (viii) corporate income tax; etc.
- d) On or before 1 November of each calendar year, EVN will itself (or by engagement of a valuer) determine the price of electricity generated by new WTE and biomass energy projects.
- e) Within 35 business days from the date on which EVN submits the proposed price for the following year, the MOIT will review, approve and announce the applicable price for the following year. The existing price will apply until the new price is announced by the MOIT.