**SUMMARY OF ISSUES**

*Prepared by*

*VBF Power & Energy Working Group*

| ***No.*** | ***Issues proposed***  ***at Annual VBF 2017*** | ***Current status***  ***(Solved or Unsolved)*** | ***Issues proposed***  ***at Midterm VBF 2018*** |
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|  | Create a fairer allocation of risk between private sector investors and the state counter-parties/partners to:   1. Attract $2 Billion of Investment by 2021 on a internationally bankable solar PPA 2. Reduce the FIT cost of buying solar electricity by 20%   \*Bring the Standard Power Purchase Agreement for solar energy (and Wind energy) up to international standard or improve the terms of the PPA.   1. *Note that risk allocation issue is also directly applicable to PPP projects.* | *Unsolved*  Key recommendations in the VBF Mid-term 2017's consultation paper on the draft solar PPA were not implemented in the final PPA version that was issued under Circular No. 16/2017/TT-BCT in September 2017. | VBF welcomes and would like to participate in the analysis and recommendations for Power Master Plan 8 (PMP8).  One key issue for PMP8 is MOIT’s consideration on improvements for the solar power market and improvements for the key terms of the model solar PPA that might apply from 1st July 2019.  *Note: If the PPA is improved to meet the standard acceptable to international and domestic banks, the financing costs of solar power plants can immediately reduce and a Feed in Tariff of US7.5 cents would attract $2billion of FDI in solar energy by 2020.*  VBF recommends that:   1. MOIT makes the three most important improvements and amendments to the model solar PPA on 1st July 2019 (including: (i) Termination payments (Clause 5 of Article 7), (ii) Curtailment and Failure to take or pay by EVN (Clauses 7 and 9 of Article 2), (iii) Dispute Resolution / Arbitration Clauses (Article 8) and extends the application of the Feed-in-Tariff for 20 years from the commercial operation date under the PPA for new solar projects which reach their commercial operation date by 30th June 2020with a reduced Feed in Tariff 2. It would be logical to also make similar improvements and amendments to the standard PPAs for wind power, biomass and waste to energy. |
|  | Stimulate Energy Efficiency Investment and Distributed *(1)* Electricity Generation by Power Consumers  The Made in Vietnam Energy Plan noted that 11% of the total new power generation planned to be built by 2030 would not be needed if energy efficiency investment was stimulated  \*Publish A Roadmap to Retail Power Tariffs linked to market-based pricing  *(1) “Distributed” Electricity Generation includes Rooftop Solar Energy, Biomass and Waste to Energy produced by consumers close to the point of consumption* | *Unsolved*  The low cost of electricity and confusing tariff structures encourages waste and deters investment in energy efficiency and many consumers believe that their electricity tariffs will remain heavily subsidised by the public budget.  Decision No. 34/2017/QD-TTg issued on 25 July 2017 on the framework on average retail electricity pricing in the period of 2016 - 2010 sets a "pricing framework" that is not clearly linked to a market-based pricing system for electricity and suggests that electricity prices will increase at a rate less than current CPI. This price signal will deter investment in energy efficiency, not stimulate it.  The current tariff structures do not recover the cost of making and delivering electricity to consumers and may require an increasing amount of public subsidy due to the unavoidable increase in the cost of making and delivering new electricity from 2018 to 2020.  *(Reference US AID Power Pricing Study 2017, World Bank Report EVN A Financial Recovery Plan 2016)* | Also under PMP8, that GVN create a market-based electricity pricing system which:   * Continues the socialised pricing system, and supports low income citizens. * Reduces the need for government guarantees. * Discourages electricity wastefulness. * Attracts private sector investment in Distributed Clean Energy Generation and Energy Efficiency. * Has fair and transparent tariffs for those consumers who can afford to pay the full cost of electricity.   With three key actions:   1. Redesign the daytime hourly tariff for Commercial and Industrial (C and I) consumers to reduce the peak demand and the peak load on the transmission system and reduces transmission losses. 2. Create regional variation in retail tariffs to reflect the different regional prices in the wholesale electricity market. 3. Publish a Roadmap to C and I market based electricity tariff to 2020 and 2025 to allow for adjustments and efficiencies. |
|  | Introduce New Research Findings | Clean Energy – fast and efficient investment by the Private Sector.  Present the research from VBF which points to the cost and speed benefits of enabling experienced developers and banks in the private sector to build and finance clean energy projects in Vietnam. | In preparation for PMP8, VBF will update MVEP report from Nov 2016:   * Include updated analysis and numbers. * Add statistical Analysis and Commentary on the Cost and Speed of Clean Energy Plants in Vietnam 2013 – 2018. * Analyse the fastest and most cost-efficient method of building clean energy is by the private sector investors and banks. Can investment by experienced clean energy developers relieve the burden on public debt and remove concerns regarding waste and the slow development of energy plants. |
|  | Government role | *Ongoing* | Under PMP8, the government and ODA sector should:   * Focus on the upgrade of transmission and distribution. * Allow and encourage construction and use of bio-mass, solar, wind and other clean sources of power generation for private and public users – office, residential, manufacturing, communities, and industrial. * Speed up decision making and set regulation to encourage development of off shore gas, LNG, efficiencies, and renewables. |
|  | Remove the regulatory barrier to rooftop solar installations.  \*Clarification of the regulations for solar rooftop energy to define the legality of third party utility power supply agreements.  \*\*Capacity of power plants exempted from a Power Operation Licence | *’*  *\*Unsolved*  Thanks to MOIT for providing VBF with a clarification letter responding to the request for clarification.  Under Official Letter No. 1210/BCT-DTDL dated 7 February 2018 of the MOIT to the VBF, it was clarified that pursuant to Article 3.2, Circular No. 12/2017/TT-BCT, a Power Operation License requirement is exempt if the installed capacity is less than 1MWp in cases where electricity generated is sold to other entities, and accordingly, rooftop solar projects with installed capacity of less than 1MWp are exempt from Power Operation License requirement.  *\*\*Unsolved*  Even as thousands of households are being constructed or renovated each week, almost all of them are losing this opportunity because of delays in the implementation of the implementing rules, especially as to the official signing of rooftop solar power purchase agreements, as well as the calculation, payment and finalization of the excess energy output generated by developers to the grid system of EVN's power entities under the net-metering scheme.  Under Official Letter No. 1337/EVN-KD of Vietnam Electricity (EVN) dated 21 March 2018 sent to local power corporations regarding temporary guidelines for rooftop solar power projects/systems,   * For excess power output generated by generators to the grid systems of EVN's local power entities, the payment and finalization will be implemented only after the Ministry of Industry and Trade and the Ministry of Finance issues their specific guidelines (Item 3.c); and * The rooftop solar power purchase agreement (according to the model templates under Circular No. 16/2017/TT-BCT) will be officially signed between the power seller/generator and EVN's relevant power entity after the Ministry of Industry and Trade and the Ministry of Finance issues their specific guidelines (Item 5).   It remains unclear as to whether the Ministry of Finance and the Ministry of Industry and Trade have issued their guidelines on these issues to EVN, and if not, when the two ministries will issue such guidelines.  In addition, under Official Letter No. 1337/EVN-KD of Vietnam Electricity (EVN) dated 21 March 2018, for rooftop solar projects/systems with installed capacity of 1MWp or larger, EVN will provide guidelines later.  Pending these guidelines, EVN may delay the official signing of rooftop solar power purchase agreements, as well as the calculation, payment and finalization of the excess energy output generated by developers to the grid system of EVN's power entities under the net-metering scheme provided under Circular No. 16/2017/TT-BCT. | The VBF submission to the solar energy rooftop regulations was that a 3MW capacity plant could be implemented without a Power Operation Licence. VBF recommends that MOIT considers increasing the exemption in Circular 12/2017 from 1MW to 3MW to fully capture the benefits of investment in solar rooftop energy systems.  We understand that the MOIT has been working on a draft Circular to replace Circular No. 12/2017/TT-BCT on Power Operation License. According to the draft Circular, however, we understand that the threshold of 1MWp remains unchanged. Thus, we continue to suggest the MOIT take into account our recommendation of 3MW as the threshold in the new draft Circular. |
|  | Recommended Selection Criteria for grid-connected solar energy projects in the national energy development masterplan | *Unsolved – particularly relevant for the December paper are:*  ***Point II Grid Capacity*** *must be strategically planned and available to meet all local licensed solar projects*  ***Failure to Commit Chartered Capital -*** *inclusion in the Masterplan could be quickly revoked for such projects* | VBF welcomes the MOIT feedback and advice on the usefulness of the suggested criteria. |
|  | Partnership with VBF in Energy Policy Development and Financing Strategies for the energy sector | *Unsolved* | The critically important role of the private sector is recognised by all stakeholders and a coherent engagement strategy is needed to facilitate the delivery of 70% of energy (2017 Private Sector power generation investment was no more than 4% of total) and infrastructure investment in the future from private sector sources. |
|  | New Issue for MOIT, MPI, and MONRE  Vietnam’s Readiness for Climate Finance Support Mechanisms to the private sector  GCF (Green Climate Fund) ICF (UK International Climate Fund) | Climate Finance Support Mechanisms such as GCF, ICF wish to enable low carbon private sector businesses in Vietnam to grow and help meet the National Determined Commitment on Green House Gas emissions reductions | VBF offers its assistance in developing  proposals to the global and bilateral climate finance funds that help to enabling markets for  private sector investment and facilitates increasing investment in Vietnam’s adaptation  and mitigation of climate change impacts.  VBF members have skills in analysing the Market Context (what can be done and what tools are needed) Financing Capacity (how much money can be invested, what conditions need to apply to deliver that investment) to offer and which would assist the Ministry of Planning and Investment, Ministry of Industry and Trade to access Climate Finance resources. |
|  | Direct Power Purchase Agreement | *Partially solved* | VBF looks forward to further details of the DPPA Pilot Scheme and recommends the following:   1. Power consumers paying the Commercial (offices, hotels, resorts and supermarkets) electricity tariff are allowed to enter the Pilot Scheme and to reduce their electricity costs. 2. Pilot Scheme should set a target to create investment in at least 300MW of new clean energy generation in 2018/2019 and $400m. 3. That ERAV/EVN define a “wheeling fee” as fully and quickly as possible and undertake to fix this fee for at least first 5 years of operation of the wheeling agreement and for escalation after that period agreed in conjunction with business groups and VBF. |
| ***Others*** | | | |