



Image source: EVN

The implications of separating NLDC from EVN

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Background

Vietnam's electricity system comprises four components: generation, transmission, distribution and retail. Historically the whole system was vertically integrated, managed and operated by the State-owned enterprise, Vietnam Electricity Corporation (EVN). Since the passing of the Electricity Law in 2004, there have been efforts to unbundle the electricity system and introduce Market reforms. To date, only the generation segment allows independent power producers (IPP) to participate in the market. EVN's Electricity Power Trading Company (EPTC) remains the single buyer for electricity, and these IPPs sign power purchase agreements (PPAs)

that dictate the terms of sale of electricity into the Vietnamese system. IPPs currently supply more than 40% of total installed capacity¹. The remaining three segments are still under EVN's management. Progress on other efforts to unbundle the sector remains slow.

In June 2023, EVN was under investigation for the power crisis in North of Vietnam in May and June 2023². The World Bank estimated that the power outages had cost Vietnam 0.3% GDP of the country (about 1.4 billion USD)^{3,4}. As a result, the Director of the National Load Dispatch Centre (NLDC), Mr Nguyen Duc Ninh, was suspended to support the specialized

¹ Vietnam News Agency (4 November, 2022), '[Trung Nam Group to lead the renewable energy industry in Việt Nam](#)', accessed 17 August 2023.

² Vietnam News Agency (13 July, 2023), '[EVN's operational breaches behind persistent power cuts in the North: probe](#)', accessed 17 August 2023.

³ Rodriguez Takeuchi, Laura Kiku; Trzcinski, Kajetan Wladyslaw; Wai-Poi, Matthew Grant. Fiscal Policy and Equity: Vietnam 2018 Fiscal Incidence Analysis (English). Policy Research working paper; no. WPS 10538 Washington, D.C.: World Bank Group.

<http://documents.worldbank.org/curated/en/099320308072325771/IDU0986bfaf4051210407209ac6086ca82a0702a>
⁴ Duc Minh (10 August, 2023), '[Power outages cost Vietnam \\$1.4B: World Bank](#)', VNExpress, accessed 17 August 2023.

inspections⁵. This can be associated with the 1980s and 1990s in Australia when blackouts and electricity outages have frequently, and ultimately were a catalyst for power sector reform⁶.

According to an expert from the Central Institute for Economic Management (CIEM) in the FE-V panel discussion in June 2023 regarding the "load shedding" or continuous power outage in the North of Vietnam, it is not only EVN to be blamed but rather the Ministry of Industry and Trade (MOIT) and the Committee for Management of State Capital at Enterprise for not changing the procedures for generation projects and not allocating enough capital in the power sector.

Recent developments

On 14 June 2023, MOIT proposed to the Prime Minister the separation of the NLDC from Vietnam Electricity (EVN) to MOIT.

Since 2017, EVN has planned to separate NLDC from EVN in Decision No. 186/QD-Ttg and restructure the power sector⁷. This is also aligned with one of the key recommendations in Resolution 55 to develop a transparent and efficient electricity market⁸.

In order to establish an independent operator for the electricity system and the electricity market, MOIT proposed that NLDC should become a Public non-business Unit. However, the Ministry of Home

Affairs (MOH) suggested NLDC become a single-member limited liability company⁹. According to MOH, operating as a single-member limited liability company will enable NLDC to attract higher quality human resources and actively comply with Enterprise Law, the Law on Management of State Capital, rather than the Public non-business form. However, NLDC cannot be transferred directly to MOIT and must first be transferred to the Committee for Management of State Capital at Enterprise before passing under the mandate of MOIT. It is still unclear how MOIT will implement the transfer of NLDC's ownership in each step.

Conclusion

- The separation of NLDC from EVN is delayed compared to the outlined roadmap in Decision No. 63/2013/QĐ Ttg. Although late, the initiative is welcome as it shows that EVN is taking action to gradually modify the structure of the power sector to create a level playground for buyers and sellers in the market.
- The restructuring and separation of NLDC from EVN is an essential step in Vietnam's market reform process, as it will reduce monopolistic decisions in the purchase of generated electricity.
- Achieving this restructuring process will require synchronization of guidance

⁵ Ky Duyen (15 June, 2023), '[National electricity regulation director suspended amid probe on widespread blackouts](#)', VNExpress, accessed 17 August 2023.

⁶ Vanderwaal, B., Mickle, C., Wang, B., Springer, K., Vu, T., Le, N. (2023) "Future Electricity Vietnam - Future Markets". A discussion paper prepared for the Central Economic Commission of the Communist Party of Vietnam. Hanoi, June 2023.

⁷ EVN (22 April, 2017), '[Restructuring EVN in line with the competitive electricity market](#)', accessed 17 August 2023.

⁸ Vanderwaal, B., Mickle, C., Wang, B., Springer, K., Vu, T., Le, N. (2023) "Future Electricity Vietnam - Future Markets". A discussion paper prepared for the Central Economic Commission of the Communist Party of Vietnam. Hanoi, June 2023.

⁹ People's Army Newspaper (15 July, 2023), '[The Ministry of Industry and Trade proposes 2 options to transfer the National Load Dispatch Center to the Ministry of Industry and Trade](#)', accessed 17 August 2023.

- and policies from different government bodies such as MOIT, Ministry of Justice (MOJ), Ministry of Finance (MOF), and Ministry of Planning and Investment (MPI).
- EVN will face challenges in managing the revenue, with NLDC becoming an independent operator while the price of retailed electricity is still not reflecting the production cost. MOIT also faces challenges in finding mechanisms to maintain the high-quality human resources for NLDC, which requires exceptional remuneration than the government salary scale.
- The restructuring of NLDC's ownership is in parallel with the orientation to establish a competitive retail market and create positive impacts on accelerating the implementation of DPPA, which enables renewable generators to sell electricity directly to the business, organizations, and other electricity users.

Figure: Upcoming policy and national planning in Vietnam's Energy and power sector



(Source: Vietnam Initiative for Energy Transition - VIET)