

**DECISION**

**On adjusting power tariff in accordance with market mechanism**

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**PRIME MINISTER**

*Pursuant to the Law on the Organization of the Government dated on December 25, 2001;*

*Pursuant to Law of electricity dated December 03<sup>rd</sup>, 2004; Decree number 105/2005/NĐ-CP dated August 17<sup>th</sup> 2005 of the Government stipulating details and guidance for the implementation of some articles of the Electricity Law;*

*Pursuant to the Ordinance on Price dated April 26<sup>th</sup> 2002; Decree number 170/2003/NĐ-CP dated December 25<sup>th</sup> 2003 of the Government stipulating details of the implementation of some articles of the Ordinance on Price; Decree number 75/2008/NĐ-CP dated June 9<sup>th</sup> 2008 of the Government on the adjustment and amendment of the Decree number 170/2003/NĐ-CP dated December 25<sup>th</sup> 2003 of the Government stipulating details of the implementation of some articles of the Ordinance on Price;*

*Pursuant to the Resolution number 11/NQ-CP dated February 24<sup>th</sup> 2011 of the Government on the key solutions to restrain inflation, stabilize macro economy and ensure social security;*

*Based on the proposal of the Minister of Industry and Trade,*

**DECIDES:**

**Article 1: Governing scope**

This decision stipulates the adjustment of the electricity price in accordance with market mechanism.

**Article 2. Applicable objects**

This decision will apply to all organizations and individuals participating and using electricity

**Article 3. Definition**

In this decision, below expressions shall have the following meanings:

1. The average selling price is the price determined with the principle of averaging 1 kWh of the commercial electricity including 4 components: electricity generation price, transmission price, distribution price and management and operation cost and auxiliary services of the power system; hereinafter referred to as selling price
2. Current selling price is the selling price which is being used as calculation basis for next adjustment
3. Electricity stabilization fund is the fund developed aiming at stabilizing electricity price.
4. Basic input parameters are elements which directly influence electricity generation cost and the electricity generators are unable to control them including: fuel price, foreign exchange and generated electricity structure.

**Article 4. Principles to adjust electricity price in accordance with market mechanism.**

1. During the fiscal year, electricity selling price can be adjusted only if there are changes in the basic input parameters in comparison with the input parameters which have been used for calculating current price. Other input parameters of the selling price can only be considered for price adjustment only if balance sheet and audit report have been developed in accordance with current regulation.
2. Price adjustment in accordance with market mechanism needs to be done transparently and openly. Where necessary, the Government will use the Electricity stabilization fund and other instruments to stabilize the selling price to minimize negative influences to the stability of the macro economy and social security.

**Article 5. Mechanism and authority to adjust selling price**

1. In case fuel price and the foreign exchange at the time of calculation change in comparison with the ones used to calculate current selling price and the generated electricity structure has changed compared with the electricity generation plan which has been approved by MoIT and all the changes lead to a decrease of  $\geq 5\%$  of the current selling price, Electricity Cooperation of Vietnam (EVN) decides to adjust the selling price accordingly and reports to MoIT and MoF for supervision.
2. In case fuel price and the foreign exchange at the time of calculation change in comparison with the ones used to calculate current selling price and the generated electricity structure has changed compared with the electricity generation plan which has been approved by MoIT and all the changes lead to an increase of:
  - a. 5%: Electricity Cooperation of Vietnam (EVN) is allowed to increase the electricity selling price with similar increase percentage after registering and getting approval from MoIT. Within 5 working days, MoIT is responsible to respond to EVN's proposal for further implementation. In case MoIT does not respond to EVN's proposal after five working days since the date EVN sent proposal to MOIT for price increase, EVN is allowed to increase the electricity selling price at 5% and report to MoIT

and MoF for supervision.

- b. > 5%: EVN reports to MoIT and MoF for appraisal. Within 5 working days since the date of proposal from EVN, MoF is responsible to appraise and send their recommendation to MoIT. MoIT is responsible to generalize and submit to the Prime Minister for consideration and approval within 5 working days since the date of the recommendation of MoF.  
After 15 days since the date MoIT send the proposal to the Prime Minister but has not received feedback from the Prime Minister, EVN is allowed to adjust the electricity selling price at the rate of 5%.
3. Every year, after the audit report has been finalized in accordance with current regulations, EVN will report to MoIT and MoF the production and business cost of electricity generation, transmission, distribution, operation – management and auxiliary services of the power system and selling price of the fiscal year.
4. According to the audit report and balance sheet and business results of EVN, MoIT is responsible to coordinate with MoF to check, confirm the production cost of electricity business of the fiscal year and announce publicly the business results. Based on these data, MoIT will be responsible to coordinate with MoF to take decision on the adjustment of selling price and take money from the Electricity stability fund in accordance with regulation. In case of authority excess, report to the Prime Minister for approval is necessary.

#### **Article 6. Electricity stability fund**

1. The Electricity stability Fund is established to stabilize the electricity selling price
2. Source to fund the Electricity stability fund comes from the selling price and will be reckoned as money from the electricity business cost.

#### **Article 7. Check and supervise the adjustment of the electricity selling price**

1. MoIT will check and supervise the adjustment of the electricity selling price. If necessary, MoIT will request EVN in writing to postpone the increase of the selling price or the adjustment of the next adjustment. MoIT is allowed to invite external consultant to investigate the document on adjusting selling price.
2. MoF will supervise the adjustment of the electricity selling price, participate in and coordinate with MoIT to check the reasonable cost difference in comparison with the estimated calculation of selling price plans after the audit report and balance sheet have been finalized.

#### **Article 8. Organization of the implementation**

1. MoIT is responsible for:
  - a. Guiding the implementation of detailed selling price to target customers
  - b. Approving the electricity production plan and yearly economic – technical indicators
  - c. Coordinating with MoF to stipulate the operation – management cost and

- auxiliary services to power system; publicizing the yearly electricity production and business cost.
- d. Managing in accordance with assigned authority problems during the development, adjustment and implementation of electricity selling price
  - e. Guiding the calculation of selling price in accordance with basic input parameters
  - f. Guiding the development and approval of calculation and adjustment document of selling price
  - g. Adopting other necessary guidance for the implementation of this Decision
2. MoF is responsible for:
    - a. Coordinating with MoIT to instruct the development, management and usage of the Electricity stability fund
    - b. Appraising the electricity adjustment plans in accordance with Article 5 of this Decision
  3. EVN is responsible for
    - a. Adjusting the electricity selling price complying with the assigned authority and current regulations stipulated at Point 1 Article 5 and Point 1 – 2 of Article 5 of this decision
    - b. Report of MoIT submitted to the Prime Minister on the adjustment of electricity selling price in accordance with Point b – 2 of Article 5 of this Decision
    - c. Report of MoIT and MoF on the electricity production and business cost in accordance with Point 3 Article 5 of this Decision.

#### **Article 9. Validity of implementation**

1. This decision comes into effect on June 1<sup>st</sup>, 2011
2. Organizations and individuals who violate this decision, with the violating nature and level, will be fined in accordance with regulations on law violation punishment in the electricity sector and are investigated criminal responsibility in accordance with current regulations
3. Ministers or leaders of Ministerial organizations, leaders of Governmental agency, leaders of electricity companies and relevant organizations are responsible for the implementation of this Decision.

PRIME MINISTER

*(Signed)*

**Nguyễn Tấn Dũng**