

THE PRIME MINISTER

[No. 21/2009/QĐ-TTg](#)

SOCIALIST REPUBLIC OF VIET NAM
Independence - Freedom - Happiness

Hanoi, February 12, 2009

DECISION

ON ELECTRICITY SALE PRICES IN 2009 AND DURING 2010-2012 UNDER THE MARKET MECHANISM

THE PRIME MINISTER

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

Pursuant to the December 3, 2004 Law on Electricity and the Government's Decree No. 105/2005/ND-CP of August 17, 2005, detailing and guiding the implementation of a number of articles of the Law on Electricity;

Pursuant to the April 26, 2002 Ordinance on Prices, the Government's Decree No. 170/2003/ND-CP of December 25, 2003, detailing the implementation of a number of articles of the Ordinance on Prices, and Decree No. 75/2008/ND-CP of June 9, 2008, amending and supplementing a number of articles of the Government's Decree No. 170/2003/ND-CP of December 25, 2003, detailing the implementation of a number of articles of the Ordinance on Prices;

At the proposal of the Minister of Industry and Trade,

DECIDES:

Article 1. To approve electricity sale prices in 2009 and during 2010-2012 under the market mechanism, with the following principal contents:

1. From March 1, 2009, the average retail price of electricity is VND 948.5/kWh, exclusive of value-added tax (8.92% higher than the average electricity price in 2008).
2. From January 1, 2010, electricity sale prices shall accord with market prices.

Article 2. To approve the following principles for adjusting the electricity retail price bracket:

1. In 2009:

a/ To adjust the progressive prices of daily-life electricity with the first grade of 1-50 kWh. The level of price subsidy for the grade of 1-50 kWh is equal to 35-40% of the average sale price of electricity in 2009. The price of electricity at the grade of between 51-100 kWh is equal to the average cost price without profits.

b/ To increase production electricity prices at rates lower than the average increase rate of the electricity sale price while increasing daily-life electricity prices at rates higher than the average increase rate of the electricity sale price in order to step by step eliminate cross-subsidy from production electricity prices to daily-life electricity prices and provide electricity price subsidies to eligible beneficiaries which are low-income households and poor households.

c/ To apply a progressive price bracket for daily-life electricity sold in rural areas by all types of rural daily-life electricity retail business organizations so as to implement the Government's policy

on electricity price subsidies for eligible beneficiaries which are low-income households and poor households. The wholesale price of electricity at each grade is equal to the retail price applicable to this grade minus 25%-30% for electricity loss and reasonable expenses for management of operation of rural electricity grids.

d/ To apply the time-of-use (TOU) price bracket to high- and medium-voltage electricity customers and low-voltage electricity customers in localities where technical conditions permit.

e/ To apply common electricity sale prices nationwide to all customers in regions covered by the national electricity grid.

2. From 2010 on, to study and make the following adjustments:

a/ To apply two-constituent prices, including capacity price and electricity price, to appropriate subjects in localities where technical conditions permit.

b/ To provide price subsidies to poor households and low-income households that use under 50 kWh per month through directly reducing their monthly electricity bills (in localities where technical conditions permit). The price of electricity at the grade of 51-100 kWh shall be kept at the average cost price without profits.

c/ To step by step apply a ceiling electricity retail prices to customers being production and service businesses; permit electricity companies to sell electricity to customers at prices lower than the prescribed ceiling price as agreed upon with customers depending on the consumption volume under the guidance of electricity regulatory authorities. Particularly, daily-life electricity prices in regions covered by the national electricity grid shall still apply nationwide as prescribed by the State.

Article 3. To approve the mechanism for adjusting electricity prices according to market prices

1. Annually, the Ministry of Industry and Trade shall, based on production and business activities of the electricity industry and the market price levels, coordinate with the Ministry of Finance in deciding to adjust (increase or decrease) electricity prices according to the market mechanism.

2. In case the average electricity sale price is proposed to increase (or decrease) at most 5% higher than the approved average sale price of the previous year, the electricity sale price administration group (comprising the Industry and Trade Ministry's Electricity Regulatory Authority of Vietnam and the Finance Ministry's Price Management Department) shall appraise and submit the proposal to the Minister of Industry and Trade for approval. If the two ministries hold divergent opinions, the Minister of Industry and Trade shall decide on the price adjustment and take responsibility before the Prime Minister.

3. In case the average electricity sale price is proposed to increase (or decrease) over 5% higher than the approved average sale price of the previous year, the Ministry of Industry and Trade shall consider and submit the proposal and the Ministry of Finance shall appraise and report it to the Prime Minister for approval; pending the Prime Minister's decision, the Minister of Industry and Trade may approve the increase (or decrease) of the electricity sale price by 5% compared to the ceiling rate under the Prime Minister's authorization.

Article 4. Electricity retail prices in rural areas

1. From 2009, to apply a common progressive price bracket for daily-life electricity in all regions covered by the national electricity grid, without any discrimination among rural electricity business organizations.

2. Rural electricity business organizations incapable of selling electricity according to the progressive price bracket may apply the ceiling electricity price of VND 700/kWh, which is currently applied in rural areas. By September 1, 2009, these units shall shift to sell electricity at progressive prices prescribed in Clause 1 of this Article. Past the above deadline, if rural electricity business organizations are still incapable of selling electricity at progressive prices, provincial-level People's Committees shall direct the transfer of electricity business activities to electricity companies under the Electricity of Vietnam for investment, upgrading and direct sale of electricity to rural inhabitants.

2. Electricity retail prices in regions not yet covered by the national electricity grid shall be formulated by electricity sellers on the basis of business principles and then submitted to provincial-level People's Committees for decision after obtaining opinions of the Ministry of Industry and Trade.

Article 5. Organization of implementation

1. To assign the Ministry of Industry and Trade:

a/ To assume the prime responsibility for, and coordinate with the Ministry of Finance in, issuing a circular to prescribe and guide the 2009 electricity retail price bracket with the average retail price of VND 948.5/kWh on the principles for adjusting the electricity retail price bracket prescribed in Article 2 of this Decision, provide for wholesale electricity prices applicable to rural areas, residential quarters and industrial parks and guide the application of the 2009 retail price bracket.

b/ To assume the prime responsibility for, and coordinate with the Ministry of Finance in, issuing a circular to provide for the implementation of the mechanism for formulating and adjusting electricity sale prices according to the market mechanism in line with the principles approved in Article 3 of this Decision.

c/ To formulate a Regulation on methods for formulation, the order of and procedures for appraisal and promulgation of electricity sale prices according to the market mechanism from January 1, 2010, and submit it to the Prime Minister for approval in the second quarter of 2009.

d/ To promulgate targets for electricity loss reduction in subsequent years for use in electricity price calculation.

e/ To direct the electricity industry to apply measures to save expenses and reduce electricity loss.

f/ To disseminate and explain the strategy on adjustment of electricity prices for enterprises and people to understand and advocate the Government's policy.

2. The Minister of Industry and Trade shall base on the Law on Electricity and current regulations to direct the implementation of this Decision.

3. The Ministry of Finance shall coordinate with the Ministry of Industry and Trade in issuing a circular to provide for the implementation of the mechanism for formulating and adjusting electricity sale prices according to the market mechanism in line with the principles approved in Article 3 of this Decision and perform the state management of electricity prices.

4. Presidents of provincial-level People's Committees shall direct and organize the examination and supervision of the observance of the mechanism on electricity retail prices in rural areas prescribed in Article 4 of this Decision by business units selling electricity to peasant households in their localities.

Article 6. Effect

This Decision takes effect on February 12, 2009.

Ministers, heads of ministerial-level agencies, heads of government-attached agencies, presidents of provincial-level Peoples Committees and concerned units shall implement this Decision.-

PRIME MINISTER

Nguyen Tan Dung

