New Electricity Retail Price Basket Started From Feb 3rd, 2022.

On Feb 3rd, 2022 Deputy Prime Minister Le Minh Khai has signed Decision 02/2023/QD-Ttg, which officially approved a new electricity retail price basket to replace Decision 34/2017, which was applicable from 2016 to 2020, in the context that EVN has been suffering substantial losses due to a hike in fossil fuel input prices when mobilizing energy from the thermal group. The maximum increasing rate will reach up to 31% from the current average retail price at 1,864.44 VND / kWh (excluding value-added tax, or VAT), which is already higher than the new price floor of 1,826.22 VND per kWh, to the price ceiling of 2,444.09 VND / kWh. As a result, EVN will have a more legitimate basis and be able to raise its average retail price in order to compensate for the recent loss.

Unit: VND / kWh	Old price basket	New price basket	Relative change	Absolute change
Price floor	1,606.19	1,826.22	13%	220 VND
Price ceiling	1,906.42	2,444.09	28%	538 VND
Current average price	1,864.44			
Compared to new price ceiling			31%	580 VND

Comments:

Given the new price basket level, we expect the upside rate will not be far from the referenced number at least in 2023, because:

1. The government has stated unequivocally that they prefer to keep the electricity retail price attractive in order to engage both foreign investment as well as domestic production. Thus, the price would not be as high as in many developed countries.
2. In the most recent report, EVN indicated that they experienced a loss of 180 VND per kWh. However, the primary function of EVN is to ensure national security energy for production and daily activities. Profitability is thus not one of the top priorities.
3. An increase in the price of utilities such as electricity, water, or gasoline would have a strong and complicated influence on every aspect of an economy, mostly through the consumer price index and the likelihood of increasing inflation. Therefore, the old electricity retail price remained unchange in three (3) consecutive years as a result of the government's cautious.

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