



# GUIDE TO VIETNAM'S ELECTRICITY MARKET REFORM

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Vietnam’s electricity market is no longer undergoing incremental reform—it is being fundamentally restructured.

This guide examines the legal and systemic transformation introduced by Circular 36/2025/TT-BCT, an instrument that, while formally framed as an amendment to the competitive wholesale electricity market, in substance redefines the underlying logic through which the market operates. Rather than refining existing mechanisms, the reform reorders the hierarchy of dispatch, integrates contractual and policy constraints into system architecture, and recalibrates the allocation of risk across the power value chain.

At its core, the reform marks a departure from a model centered on economic merit-order dispatch toward a policy-integrated framework, where legal obligations, fuel strategies, and system reliability considerations are embedded directly into operational and financial outcomes. Concepts traditionally confined to contractual or financial domains—most notably “bao tiêu”—are reconstituted as determinants of dispatch, while curtailment evolves from a technical outcome into a regulated mechanism of risk allocation.

It is structured to provide a comprehensive and layered analysis of this transformation. It further examines the doctrinal shifts underpinning the reform, the operational reconfiguration of dispatch and curtailment, the integration of constraints into market modelling and settlement, and the resulting implications for project structuring, financing, and investment strategy.

The objective is not merely to describe regulatory changes, but to interpret their systemic consequences. For market participants—developers, investors, lenders, and policymakers alike—the significance of Circular 36 lies in its redefinition of how value, risk, and priority are determined within Vietnam’s power sector.

Understanding this shift is essential. The market continues to function, but no longer on the basis of price alone. It is now structured by design.

## 1. Framing the Reform: Beyond Amendment — A Redesign of Market Logic

Circular 36/2025/TT-BCT (“Circular 36”), issued by the Ministry of Industry and Trade on 3 June 2025, presents itself formally as an amending instrument to Circular 16/2025/TT-BCT (“Circular 16”), which governs the operation of Vietnam’s competitive wholesale electricity market.

Yet any reading confined to its formal legislative posture would materially understate its significance. The instrument does not merely adjust thresholds, clarify definitions, or refine procedures. It intervenes at the level of system logic, redefining the hierarchy through which dispatch decisions are generated and, in doing so, recalibrating the relationship between market mechanisms, contractual arrangements, and state policy objectives.

Circular 16 represented a transitional equilibrium. It preserved a strong regulatory backbone while introducing a dispatch framework broadly aligned with economic merit-order principles, albeit conditioned by technical constraints and legacy contractual structures. Within that framework, the system operator functioned as an optimiser: its mandate was to minimise system cost while respecting engineering realities.

Circular 36 displaces this equilibrium. It introduces into the core of dispatch determination a set of constraints that are not derived from marginal cost or system physics, but from contractual commitments and policy imperatives. These constraints are neither optional nor exceptional; they are embedded within the modelling architecture that determines dispatch outcomes.

The consequence is a structural transformation. The electricity market is no longer best understood as a mechanism for price-based allocation of generation. It becomes a policy-instrumental system, in which price operates within a framework that is pre-structured by legal and regulatory priorities.



## 2. The Temporal Question: Why This Reform, Why June 2025

A reform of this nature must be read not only through its text but through its timing. The issuance of Circular 36 in mid-2025 reflects a precise moment in Vietnam’s energy transition, where multiple structural tensions converged to render the existing framework under Circular 16 insufficient.

The first of these tensions emerged from the post-FIT renewable expansion phase. Vietnam’s earlier feed-in tariff regime resulted in an accelerated deployment of solar and wind capacity, particularly between 2019 and 2022. By 2023–2024, the system began to experience the consequences of this expansion: renewable generation increasingly exceeded the absorptive capacity of the grid during certain periods, leading to curtailment that was both economically inefficient and operationally opaque.

Under Circular 16, curtailment decisions were largely handled through operator discretion, guided by technical constraints but lacking a normatively defined hierarchy. This absence of codification created uncertainty, particularly for investors, as the allocation of curtailment risk was not transparently anchored in regulation.

The second tension was located upstream, in the gas sector. Vietnam’s strategic shift toward gas-to-power development, crystallised in Power Development Plan VIII (as adjusted in April 2025), required a market structure capable of supporting long-term, capital-intensive investments in gas supply and generation infrastructure. However, under a pure merit-order dispatch framework, gas-fired plants—often with higher marginal costs—were exposed to displacement by renewable generation during periods of high availability. This introduced a volume risk that was incompatible with the financing requirements of gas projects.



The third tension arose from the regulatory vacuum following the expiry of feed-in tariffs. A significant number of renewable projects entered operation or continued operation without finalised tariffs or fully settled contractual frameworks. Circular 16 did not adequately address how such assets should be treated in dispatch, particularly where they lacked definitive pricing structures.

The fourth and most immediate tension related to system reliability, particularly during peak demand periods in the northern region. The increasing share of intermittent renewable generation, combined with constraints in transmission infrastructure, highlighted the need for dispatchable and flexible generation capacity. Yet the existing framework did not sufficiently prioritise such capacity.

Circular 36 emerges at the intersection of these pressures. It is therefore not merely a reform of market design but a stabilisation mechanism, designed to reconcile competing objectives at a moment when the system itself had begun to exhibit structural strain.



### 3. Reordering the Foundations: Dispatch as a Hierarchy of Constraints

The most significant conceptual shift introduced by Circular 36 lies in the redefinition of dispatch as a process governed by hierarchically ordered constraints, rather than by a single optimisation objective.

Under Circular 16, dispatch could be described, in simplified terms, as an optimisation problem: minimise system cost subject to technical constraints. While contractual obligations and policy considerations were present, they were not formally embedded as binding constraints within the optimisation framework.

Circular 36 alters this structure fundamentally. It introduces constraints that are:

- Exogenous to cost optimisation
- Legally binding
- Integrated into modelling and scheduling processes

These constraints include, most notably:

- Expanded “bao tiêu” obligations
- Fuel utilisation requirements linked to domestic gas
- Prescribed curtailment sequencing

The introduction of these constraints transforms the nature of the optimisation problem. It is no longer a question of finding the least-cost solution within technical limits. It becomes a question of identifying a feasible solution within a multi-layered constraint hierarchy, in which cost is only one of several considerations.

From a legal perspective, this represents a shift from market-based allocation to regulated prioritisation. The market remains, but its outcomes are structured by rules that pre-determine the relative position of different generation sources.



#### 4. The Doctrinal Transformation of “Bao tiêu”

At the centre of this transformation lies the redefinition of “bao tiêu”. Under Circular 16, “bao tiêu” was clearly a contractual construct, referring to minimum offtake obligations under BOT power purchase agreements and certain related arrangements.

Its function was financial. It ensured revenue stability for project sponsors and supported financing structures. It did not, however, dictate dispatch.

Circular 36 expands this concept in a manner that fundamentally alters its character. By including within “bao tiêu” the quantity of electricity corresponding to the maximum operational capability of certain gas-fired plants—subject to fuel supply, technical constraints, and system requirements—it transforms the concept into an operational parameter.

This shift has several layers of consequence.

First, it collapses the distinction between financial entitlement and physical dispatch. Electricity that is “bao tiêu” is no longer merely compensated; it is effectively prioritised within the dispatch process.

Second, it introduces a direct linkage between contracts and system operation. Contracts are no longer external to dispatch; they are embedded within it.

Third, it elevates contractual obligations into a form of quasi-regulatory constraint, binding not only on the contracting parties but on the system operator itself.

Fourth, it introduces rigidity into the system. By pre-allocating certain volumes of generation, it reduces the flexibility of the operator to respond dynamically to market conditions.

This transformation represents a profound doctrinal shift. It reflects a move away from the classical separation between contract and dispatch toward a model in which contracts are constitutive of system operation.



## 5. Gas as Policy Anchor: The Creation of a Protected Generation Class

The introduction of gas-fired plants with mandatory domestic fuel utilisation must be read as the second pillar of this new framework.

This is not merely a definitional addition. It is the legal mechanism through which fuel policy is embedded within dispatch logic.

By identifying a class of plants whose operation is tied to domestic gas utilisation, the regulation creates the basis for preferential treatment within the dispatch hierarchy. This treatment is subsequently operationalised through both “bao tiêu” integration and curtailment sequencing.

The effect is to create a protected layer within the generation stack, ensuring that domestic gas is consumed to the maximum extent feasible.

This reflects a broader strategic objective. Electricity market design is being used to de-risk upstream gas investment, effectively transferring volume risk from the gas sector to the electricity system.

## Dispatch Architecture Rewritten: Article 18, Curtailment Hierarchy, and the Structural Reallocation of System Risk



### 6. Reengineering Dispatch: Article 18 as the Core of the Reform

If the expansion of “bao tiêu” represents the doctrinal shift within Circular 36, the amendments to Article 18 constitute its operational core. It is within this provision that the abstract integration of contractual and policy constraints is translated into a concrete sequencing mechanism that determines how generation is reduced under conditions of system constraint.

Under Circular 16, dispatch and curtailment decisions were guided by a combination of economic merit order and technical considerations. Although not purely market-driven in the classical sense, the framework retained a recognisable logic: generation units were prioritised based on cost, subject to constraints necessary for system stability and reservoir management. Curtailment, when required, followed this logic in reverse, with higher-cost or less efficient units reduced before lower-cost ones.

Circular 36 departs from this structure in a decisive manner. It introduces a multi-layered curtailment hierarchy, codified within Article 18(3), which prescribes the order in which different categories of generation are to be reduced when system conditions require adjustment.

The significance of this amendment lies not merely in the ordering itself, but in the fact that the ordering is normatively prescribed. It is no longer left to operator discretion or derived implicitly from cost considerations. Instead, it reflects a structured prioritisation of generation types based on a combination of economic, technical, contractual, and policy factors.

## 7. Deconstructing the Curtailment Hierarchy: Legal Structure and Embedded Priorities

A close reading of Article 18(3), as amended, reveals a carefully constructed sequence that can only be fully understood when interpreted in conjunction with the broader amendments introduced by Circular 36.

The hierarchy begins with the reduction of thermal units based on variable cost, preserving an element of economic logic at the initial stage. However, this logic is immediately qualified by exclusions and subsequent steps that progressively depart from pure merit order.

One of the most significant departures is the treatment of gas-fired plants with mandatory fuel utilisation obligations. These plants are explicitly excluded from early-stage reduction and are only subject to curtailment after multiple other categories have been reduced. This effectively places them in a protected position within the dispatch stack, ensuring that their output is preserved to the maximum extent feasible.

Renewable energy generation, by contrast, occupies a more exposed position within the hierarchy. Grid-connected wind and solar generation—particularly those not benefiting from storage capabilities or specific contractual protections—are subject to reduction at an earlier stage. This reflects a regulatory determination that, in conditions of constraint, the burden of adjustment should fall disproportionately on these sources.

Hydropower is treated in a more nuanced manner, with its reduction linked to reservoir conditions and operational requirements. This reflects the dual role of hydropower in the system, both as a source of generation and as a mechanism for water management.

The overall structure of the hierarchy thus reflects a layered prioritisation, in which:

- Certain categories of generation are explicitly protected;
- Others are exposed to early adjustment;
- And economic considerations operate only within defined segments of the hierarchy.

From a legal perspective, this represents a codification of what might previously have been considered discretionary or situational decision-making. It transforms curtailment from an operational necessity into a regulated process governed by explicit normative rules.

## 8. Curtailment as Risk Allocation: From Technical Outcome to Regulatory Design



One of the most consequential implications of the revised hierarchy is its effect on the allocation of risk within the market. Under the previous framework, curtailment risk was largely a function of system conditions, including demand fluctuations, transmission constraints, and resource availability. While not evenly distributed, it was not formally codified as a function of technology type or policy alignment.

Circular 36 changes this dynamic fundamentally. By prescribing the order in which different categories of generation are reduced, it effectively assigns curtailment risk in a structured and predictable manner.

Renewable energy projects, particularly those operating without contractual protections or storage capabilities, are placed in a position where curtailment becomes a structural feature of their operating environment. This has direct implications for revenue stability, as the probability of being curtailed is no longer contingent solely on system conditions but is embedded in the regulatory framework.

Gas-fired plants with mandatory utilisation obligations, by contrast, benefit from a significant reduction in curtailment risk. Their position within the hierarchy ensures that they are only affected in scenarios where multiple other categories of generation have already been reduced.

This reallocation of risk reflects a deliberate policy choice. It prioritises the utilisation of domestic gas and the stability of associated investments, while shifting the burden of system adjustment onto other sources.

From a financial perspective, this has profound implications. Curtailment risk is a key determinant of project bankability, particularly for renewable energy projects. By embedding this risk within the regulatory framework, Circular 36 effectively alters the risk profile of different asset classes.

## 9. Interaction Between Curtailment Hierarchy and “Bao tiêu”

The revised curtailment hierarchy cannot be fully understood in isolation. It must be read in conjunction with the expanded concept of “bao tiêu”, as the two operate together to create a coherent system of prioritisation.

“Bao tiêu” establishes a baseline level of generation that is effectively protected through contractual and regulatory mechanisms. The curtailment hierarchy then determines how the remaining system is adjusted around this baseline.

In practical terms, this means that generation associated with “bao tiêu”—particularly from gas-fired plants—benefits from both direct protection through contractual integration and indirect protection through its position in the curtailment sequence.

This dual mechanism reinforces the prioritisation of certain assets, creating a layered system in which:

- Contractual obligations define minimum operational levels;
- Curtailment rules preserve those levels under conditions of constraint.

The interaction between these elements illustrates the extent to which Circular 36 integrates contractual and operational dimensions into a unified framework.



## 10. Implications for Renewable Energy: Structural Curtailment and Market Exposure

The position of renewable energy within the revised hierarchy has significant implications that extend beyond immediate operational considerations.

Under the feed-in tariff regime, renewable energy projects operated within a framework that provided both price certainty and, in many cases, implicit priority dispatch. While curtailment did occur, it was not systematically embedded within the regulatory framework as a function of technology type.

Circular 36 marks a transition away from this model. Renewable energy projects are now integrated into a market in which:

- Price is determined through market mechanisms;
- Dispatch is governed by a hierarchical constraint system;
- Curtailment risk is structurally embedded.

This represents a fundamental shift in the economic model of renewable energy in Vietnam. Projects must now be evaluated not only on the basis of resource availability and tariff structures, but also on their position within the dispatch hierarchy.

The implications extend to financing, where lenders must account for increased variability in revenue streams. They also extend to project design, where the integration of storage or hybridisation may become necessary to mitigate curtailment risk.



## 11. Hydropower and System Flexibility: A Residual Balancing Role

Hydropower occupies a distinctive position within the revised hierarchy, reflecting its dual role within the system. Unlike renewable energy sources such as wind and solar, hydropower provides a degree of dispatchability and can contribute to system balancing. At the same time, it is subject to hydrological constraints that limit its flexibility.

Circular 36 recognises this complexity by linking the treatment of hydropower to reservoir conditions and operational requirements. This ensures that hydropower is neither fully protected nor fully exposed, but rather operates as a flexible balancing resource within the system.

From a systemic perspective, this reinforces the role of hydropower as a stabilising element, capable of absorbing fluctuations in other sources while maintaining compliance with water management obligations.

## 12. The Role of Storage and Emerging Technologies

Although Circular 36 does not explicitly focus on energy storage, its implications for storage technologies are significant. By exposing renewable energy to structured curtailment risk, the regulation creates an economic incentive for the integration of storage solutions.

Storage can mitigate curtailment by allowing excess generation to be shifted to periods of higher demand or lower constraint. In this sense, Circular 36 indirectly supports the development of storage by altering the economic calculus of renewable projects.

Similarly, hybrid systems that combine renewable generation with storage or dispatchable capacity may become more attractive, as they offer greater resilience within the constrained dispatch framework.



### 13. Curtailment Hierarchy as a Reflection of Policy Integration

At a broader level, the revised curtailment hierarchy illustrates the extent to which Circular 36 integrates policy objectives into market operation. The ordering of generation types reflects a deliberate prioritisation of:

- Domestic fuel utilisation;
- System reliability;
- Contractual stability;

over purely economic considerations.

This does not eliminate the role of market mechanisms, but it redefines their function. The market operates within a framework that is designed to achieve specific policy outcomes, rather than as an end in itself.

### 14. Transition from Implicit Practice to Explicit Regulation

It is important to note that some of the elements codified in Circular 36 may have already been present in practice, particularly in the form of operator discretion in managing curtailment. What the Circular does is to formalise and standardise these practices, providing a clear legal basis for decisions that might previously have been taken on an ad hoc basis.

This formalisation enhances transparency and predictability, but it also reduces flexibility. By codifying the hierarchy, the regulation limits the ability of the operator to deviate from prescribed sequencing, even in situations where alternative approaches might be economically optimal.

### 15. Concluding Observations on Article 18 Reform

The amendments to Article 18 represent the point at which the conceptual shifts introduced by Circular 36 are translated into operational reality. They establish a structured hierarchy that governs the allocation of dispatch and curtailment, embedding within the system a set of priorities that reflect both contractual obligations and policy objectives.

In doing so, they redefine the nature of risk within the market, shifting it from a function of system conditions to a function of regulatory design. This has far-reaching implications for all market participants, particularly in terms of investment decisions, project structuring, and financing.

## Market Modelling, Algorithmic Dispatch, and the Legal Integration of Constraints: Articles 19, 32, 47, 54 and 58



### 16. From Dispatch Rules to System Architecture: Why the Modelling Provisions Matter

While Article 18 provides the visible operational hierarchy of dispatch and curtailment, the deeper transformation introduced by Circular 36 lies in the amendments to provisions governing market modelling, planning, scheduling, and settlement, notably Articles 19, 32, 47 and 54.

These provisions determine how the system operator constructs and executes the algorithms through which dispatch decisions are made. In effect, they define the mathematical and procedural architecture of the market itself. Without understanding these amendments, the changes to dispatch hierarchy risk being interpreted as merely procedural rather than structural.

Under Circular 16, modelling frameworks were designed primarily to support cost-based optimisation. They incorporated technical constraints, system conditions, and certain contractual parameters, but their objective function remained oriented toward economic efficiency. The system operator's task was to determine the least-cost dispatch solution subject to constraints.

Circular 36 fundamentally alters this architecture by requiring that newly defined constraints—particularly those associated with “bao tiêu” and fuel utilisation—be embedded directly within modelling inputs and optimisation parameters. The effect is not simply to add additional variables, but to change the nature of the optimisation problem itself.

## 17. Article 19: Integration of Contractual and Policy Constraints into Market Simulation

Article 19 governs the development of market simulation models used for planning and operational preparation. Under the amended framework, these models must incorporate constraints derived from “bao tiêu” obligations and related regulatory priorities.

This requirement has a critical implication. Simulation models are not merely analytical tools; they are the basis upon which dispatch schedules are constructed and validated. By embedding contractual and policy constraints into these models, Circular 36 ensures that such constraints are not applied ex post, but are structurally integrated into the system from the outset.

This represents a shift from a model in which constraints are layered onto an optimisation process to one in which they are constitutive of that process. The simulation no longer seeks to identify the least-cost configuration of generation; it seeks to identify a configuration that satisfies a set of hierarchical constraints while minimising cost within those boundaries.

From a legal perspective, this elevates the status of contractual and policy parameters. They are no longer external considerations; they become part of the formal system logic that governs market operation.



### 18. Article 32: Annual and Periodic Market Planning as Constraint Allocation

Article 32 addresses the preparation of annual and periodic market operation plans. Under Circular 36, these plans must explicitly incorporate the constraints associated with “bao tiêu” and fuel utilisation requirements.

This provision extends the integration of constraints beyond real-time dispatch into the planning horizon. It ensures that the allocation of generation and system capacity over time is pre-conditioned by contractual and policy priorities.

The effect is to create a forward-looking allocation of system resources, in which certain volumes of generation are effectively reserved or prioritised. This reduces the degree of flexibility available in real-time dispatch, as key parameters have already been determined at the planning stage.

In practical terms, this means that the market is no longer entirely responsive to short-term price signals. Instead, it operates within a framework where long-term contractual and policy considerations shape short-term operational outcomes.

### 19. Article 47: Day-Ahead Scheduling and the Operationalisation of Hierarchical Constraints

Article 47 governs day-ahead scheduling, which is the critical interface between planning and real-time dispatch. Under the amended framework, day-ahead schedules must be constructed in a manner that reflects the constraints embedded in simulation and planning models.

This ensures continuity across the different stages of market operation. The constraints introduced at the modelling and planning stages are carried through into scheduling, creating a consistent and integrated framework.

The significance of this lies in the elimination of discretionary gaps. Under a less integrated system, there may be scope for adjustments or reinterpretations at different stages of operation. Circular 36 reduces this scope by ensuring that the same set of constraints governs all stages, from simulation to scheduling to real-time dispatch.

This enhances predictability but also reinforces rigidity. Market participants can anticipate dispatch outcomes with greater certainty, but the system operator has less flexibility to deviate from prescribed parameters.

## 20. Article 54: Settlement and the Financial Reflection of Constrained Dispatch

Article 54 governs market settlement, including the calculation of payments and financial flows. Under Circular 36, settlement calculations must reflect the constraints associated with “bao tiêu” and related provisions.

This is a critical element of the reform, as it ensures that the financial outcomes of the market are aligned with its operational logic. If dispatch is determined by a hierarchy of constraints, then settlement must reflect that hierarchy.

The integration of “bao tiêu” into settlement calculations reinforces its dual character as both a contractual and operational parameter. It ensures that the financial consequences of dispatch decisions are consistent with the underlying regulatory framework.

From a legal perspective, this creates a more coherent system in which operational and financial dimensions are aligned. However, it also raises potential issues in cases where contractual expectations and operational outcomes diverge, particularly in relation to compensation for curtailed generation.



## 21. Transformation of the Optimisation Problem: From Cost Minimisation to Constraint Satisfaction

Taken together, the amendments to Articles 19, 32, 47 and 54 transform the nature of the optimisation problem that underpins market operation.

Under the previous framework, the problem could be described as follows: minimise total system cost subject to technical constraints. Under the amended framework, the problem becomes significantly more complex. It involves:

- Satisfying contractual obligations embedded in “bao tiêu”;
- Ensuring utilisation of domestic gas resources;
- Adhering to prescribed curtailment hierarchies;
- Maintaining system stability and reliability;
- Minimising cost within these constraints.

This is no longer a single-objective optimisation problem. It is a multi-objective constraint system, in which cost minimisation is subordinate to other requirements.

From a technical perspective, this increases the complexity of modelling and may reduce overall efficiency. From a legal perspective, it reflects a deliberate choice to prioritise policy objectives over pure economic optimisation.



## 22. Article 58: Expansion of System Operator Discretion and Policy Implementation Role

The amendments to Article 58 further reinforce the evolving role of the system operator by authorising proactive measures to maximise the utilisation of gas-fired generation, including through technical adjustments such as gas pressure management.

This provision must be understood in the context of the broader reform. It provides the operator with the tools necessary to implement the policy priorities embedded in the dispatch framework.

Under Circular 16, the operator's role was primarily reactive and technical. It implemented dispatch decisions derived from optimisation models. Under Circular 36, the operator assumes a more active role, ensuring that system operation aligns with contractual and policy constraints.

This represents a shift from a model of neutral implementation to guided execution, where the operator is responsible not only for system stability but also for the realisation of policy objectives.

## 23. Legal Tensions: Contractual Rights versus System Constraints

The integration of contractual obligations into dispatch and modelling raises important legal questions regarding the interaction between private law rights and public law constraints.

Under traditional frameworks, contractual rights are enforced through payment mechanisms, even where dispatch does not occur. Circular 36 blurs this distinction by embedding contractual parameters into dispatch logic.

This creates potential areas of tension. For example, where system conditions require curtailment despite the existence of “bao tiêu” obligations, the question arises as to whether such obligations are satisfied through dispatch priority or through compensation mechanisms.

Circular 36 does not fully resolve these tensions. Instead, it creates a framework in which they must be managed through a combination of regulatory interpretation and contractual structuring.

## 24. Implications for Pricing: Distortion and Signal Dilution

The integration of non-economic constraints into dispatch has implications for price formation. In a purely merit-order system, prices reflect marginal cost. Under the amended framework, prices may reflect the cost of the marginal unit within a constrained system, rather than the unconstrained marginal cost.

This can lead to price distortion, where market prices do not fully reflect underlying cost structures. It can also dilute price signals, reducing their effectiveness in guiding investment and operational decisions.

However, this is a foreseeable consequence of a system in which policy objectives are prioritised alongside economic efficiency.

## 25. System Coherence: Integration versus Complexity

Circular 36 achieves a high degree of integration between contractual, operational, and financial dimensions of the market. This enhances coherence and predictability, as all elements of the system are aligned.

At the same time, it increases complexity. The system operator must manage a more intricate set of constraints, and market participants must navigate a framework in which multiple factors influence outcomes.

This trade-off between coherence and complexity is characteristic of policy-integrated market systems.

## 26. Concluding Observations on System Architecture Reform

The amendments to the modelling, planning, scheduling, and settlement provisions of Circular 16 represent the deeper structural layer of Circular 36. They ensure that the conceptual shifts introduced by the regulation are embedded within the core architecture of the market.

The result is a system in which dispatch outcomes are determined by a fully integrated framework of constraints, rather than by a single optimisation objective. This marks a decisive step in the evolution of Vietnam's electricity market toward a model in which market mechanisms are subordinated to policy objectives.

## Transactional Consequences, Bankability, and Risk Reallocation Across the Power Value Chain



### 27. Reframing Bankability: From Merit-Order Predictability to Regulatory Alignment

The structural changes introduced by Circular 36 require a fundamental reassessment of how bankability is evaluated in Vietnam’s power sector. Under the prior framework established by Circular 16, lenders and investors could, with reasonable confidence, model project revenues based on a combination of contractual protections and assumptions derived from merit-order dispatch. Although the market was not fully liberalised, the underlying logic of cost-based dispatch provided a relatively stable analytical foundation.

Circular 36 disrupts this foundation by introducing a dispatch regime in which regulatory hierarchy and policy alignment materially influence utilisation rates. The consequence is that traditional bankability metrics—particularly those relying on dispatch assumptions derived from marginal cost competitiveness—are no longer sufficient in isolation.

Instead, project viability must now be assessed through a multi-dimensional lens that incorporates not only cost and contractual terms, but also regulatory positioning within the dispatch hierarchy. Assets that are aligned with policy priorities, particularly gas-fired plants linked to domestic supply, benefit from enhanced dispatch certainty. Conversely, assets that are positioned lower within the hierarchy, particularly standalone renewable projects without contractual protections, face structurally higher variability in output.

This shift effectively transforms bankability from a function of economic competitiveness and contractual security into a function of regulatory alignment and systemic positioning.

## 28. Debt Structuring and DSCR Sensitivity in a Constrained Dispatch Environment



The implications for debt structuring are immediate and significant. Under a merit-order framework, lenders could model debt service coverage ratios (DSCR) based on relatively stable assumptions regarding dispatch priority. Even where variability existed, it was typically linked to demand fluctuations or fuel price movements, rather than to regulatory hierarchy.

Under Circular 36, DSCR modelling must incorporate structural curtailment risk for certain categories of assets. For renewable energy projects, this requires a recalibration of base case and downside scenarios. Curtailment can no longer be treated as a low-probability event; it must be integrated into expected generation profiles.

This has several consequences. First, lenders are likely to adopt more conservative assumptions regarding capacity factors and utilisation rates. Second, debt sizing may be reduced to reflect increased variability in cash flows. Third, reserve requirements, including debt service reserve accounts, may be adjusted to provide additional buffers against revenue volatility.

For gas-fired projects, the situation is materially different. The integration of “bao tiêu” and the preferential position within the curtailment hierarchy enhance revenue predictability, supporting stronger DSCR profiles. This may facilitate higher leverage ratios and more favourable financing terms, particularly for projects that are clearly aligned with domestic gas utilisation policy.

The result is a divergence in financing conditions across technologies, reflecting their respective positions within the regulatory framework.

## 29. Power Purchase Agreements: Rebalancing Risk Allocation

The transformation of dispatch logic under Circular 36 necessitates a re-examination of power purchase agreement (PPA) structures, particularly in relation to risk allocation between generators and offtakers.

Under traditional BOT structures, PPAs typically included take-or-pay provisions and, in some cases, deemed dispatch mechanisms, which provided compensation where the plant was available but not dispatched for reasons beyond its control. These provisions were designed to mitigate dispatch risk in a system where the operator retained discretion.

Circular 36 alters the context in which such provisions operate. Where dispatch is now influenced by regulatory hierarchy, the question arises as to whether curtailment resulting from that hierarchy constitutes a compensable event. If curtailment is treated as a foreseeable outcome of regulatory design, rather than as an exceptional system event, the basis for compensation may be contested.

This creates a potential tension between contractual expectations and regulatory reality. Generators may seek to preserve or strengthen deemed dispatch provisions to protect against curtailment, while offtakers may resist such provisions on the basis that curtailment reflects systemic prioritisation rather than operator discretion.

For new projects, particularly in the renewable sector, PPAs are likely to evolve to address this risk explicitly. This may include:

- More detailed definitions of curtailment events;
- Explicit allocation of curtailment risk;
- Mechanisms for revenue stabilisation, such as floor pricing or hybrid structures.

For gas-fired projects, the integration of “bao tiêu” reduces the need for extensive deemed dispatch provisions, as dispatch priority is effectively embedded within the regulatory framework. However, contractual provisions will still be required to ensure alignment between regulatory treatment and financial expectations.



### 30. Curtailment Risk as a Central Commercial Variable

One of the most significant commercial consequences of Circular 36 is the elevation of curtailment risk from a peripheral consideration to a central variable in project structuring.

Under previous regimes, curtailment was often treated as a residual risk, arising primarily from grid constraints or exceptional system conditions. Under the revised framework, it becomes a structural feature of the market, particularly for renewable energy projects.

This requires a fundamental shift in how projects are designed and evaluated. Developers must now consider not only resource quality and tariff structures, but also the likelihood and extent of curtailment based on their position within the dispatch hierarchy.

This may influence site selection, technology choices, and project configuration. For example, projects located in regions with high renewable penetration and limited grid capacity may face higher curtailment risk, affecting their economic viability.

The integration of storage or hybridisation with dispatchable capacity may become a key strategy for mitigating this risk, allowing projects to shift generation to periods of lower constraint or higher demand.

### 31. Gas-to-Power Projects: Enhanced Bankability and Strategic Advantage

In contrast to the increased challenges faced by renewable energy projects, gas-to-power projects—particularly those linked to domestic gas supply—emerge from Circular 36 in a strengthened position.

The combination of expanded “bao tiêu”, preferential treatment within the curtailment hierarchy, and explicit policy support for domestic gas utilisation creates a regulatory environment that enhances dispatch certainty and revenue stability. This directly supports the bankability of such projects.

From a financing perspective, this reduces key risks associated with utilisation and revenue variability, enabling more robust financial models and potentially attracting a broader range of lenders and investors.

From a strategic perspective, it aligns electricity market design with upstream gas development, creating a more coherent value chain. This is particularly important for large-scale gas projects that require significant capital investment and long-term revenue certainty.

### 32. Lender Perspective: Recalibrating Credit Analysis

For lenders, the reforms introduced by Circular 36 necessitate a recalibration of credit analysis methodologies. Traditional approaches based on merit-order assumptions must be supplemented with an assessment of regulatory positioning and policy alignment.

This requires a more nuanced understanding of the market, including:

- The position of the project within the dispatch hierarchy;
- The extent of contractual protection against curtailment;
- The interaction between regulatory constraints and contractual provisions;
- The potential for changes in regulatory policy over time.

Lenders must also consider the implications of regulatory risk, particularly in a system where policy objectives play a significant role in determining market outcomes. This may lead to increased emphasis on legal due diligence and regulatory analysis as part of the credit assessment process.

### 33. Investor Strategy: Portfolio Rebalancing and Technology Differentiation

The reforms introduced by Circular 36 are likely to influence investor strategy, particularly in relation to portfolio composition and technology selection.

Investors may increasingly favour assets that are aligned with regulatory priorities, particularly gas-fired projects linked to domestic supply. At the same time, investment in renewable energy may shift toward configurations that mitigate curtailment risk, such as hybrid systems or projects with integrated storage.

This may lead to a rebalancing of portfolios, with a greater emphasis on diversification across technologies and regions. It may also encourage innovation in project design, as developers seek to adapt to the constraints imposed by the new framework.

### 34. Comparative Perspective: Alignment with Emerging Market Trends

The evolution of Vietnam's electricity market under Circular 36 reflects broader trends observed in other emerging markets undergoing energy transition. In many such markets, the integration of renewable energy and the need to support strategic fuel sources have led to the adoption of hybrid models in which market mechanisms are combined with policy-driven constraints.

Vietnam's approach is notable for the extent to which it formalises this integration within the regulatory framework. By embedding contractual and policy constraints directly into dispatch logic, it creates a system that is both structured and transparent, albeit at the cost of reduced flexibility.

### 35. Systemic Reallocation of Risk and Value

The cumulative effect of Circular 36 is a systemic reallocation of risk and value within the electricity sector. Assets aligned with policy priorities benefit from enhanced stability and predictability, while others face increased exposure to variability and uncertainty.

This reallocation reflects a deliberate policy choice, aimed at supporting strategic objectives while maintaining overall system stability. It also underscores the importance of regulatory analysis in understanding market dynamics.

### 36. Concluding Observations on Transactional Impact

Circular 36 transforms the commercial landscape of Vietnam's electricity market. It introduces new variables into project evaluation, alters the balance of risk between different technologies, and reshapes the contractual and financing structures that underpin investment.

For market participants, the key takeaway is that success in this environment requires a holistic understanding of the interplay between regulatory, contractual, and operational factors. Economic competitiveness remains important, but it must be complemented by alignment with the regulatory framework that now governs dispatch outcomes.

## SYSTEM SYNTHESIS AND FORWARD OUTLOOK

### Systemic, Progressive Trajectory, Hidden Implications and Strategic Framework



#### 37. Reconstructing the Reform as a Coherent System

When Circular 36 is read holistically—across its definitional changes, dispatch hierarchy, modelling integration, and transactional implications—it becomes evident that the regulation is not a collection of isolated amendments, but a coherent reconfiguration of the electricity market as a system.

The reform operates simultaneously across three interdependent layers. At the doctrinal level, it redefines key concepts such as “bao tiêu”, transforming them from contractual constructs into operational parameters. At the operational level, it restructures dispatch through a codified hierarchy that determines how generation is prioritised and curtailed. At the architectural level, it embeds these changes into the modelling, planning, and settlement frameworks that govern market operation.

These layers are not independent. They are mutually reinforcing. The expanded definition of “bao tiêu” feeds into dispatch prioritisation; the dispatch hierarchy is implemented through modelling constraints; and the resulting outcomes are reflected in settlement mechanisms. The system thus achieves a high degree of internal coherence, in which legal definitions, operational rules, and financial outcomes are aligned.

This integration is the defining characteristic of Circular 36. It transforms the market from a loosely connected set of mechanisms into a structured and internally consistent framework, in which each component reinforces the others.

### 38. The Emergence of a Policy-Integrated Market Paradigm

The cumulative effect of the reforms is the emergence of a market paradigm that is best described as policy-integrated rather than market-driven. This distinction is critical.

In a classical competitive electricity market, dispatch is determined by marginal cost, and prices serve as the primary signal for both operational and investment decisions. Policy objectives may be pursued through separate instruments, such as subsidies or capacity mechanisms, but they do not fundamentally alter the logic of dispatch.

Circular 36 departs from this model by embedding policy objectives directly into dispatch logic. The utilisation of domestic gas, the stability of contractual arrangements, and the management of system reliability are not external considerations; they are determinative inputs in the dispatch process.

This does not eliminate the role of market mechanisms. Prices are still formed, and generators still participate in a market structure. However, the market operates within a framework that is pre-structured by policy. It is therefore more accurate to describe it as a regulated market system, in which competition exists but is bounded by strategic priorities.

### 39. Forward Trajectory: Positioning within Vietnam's Energy Transition

The significance of Circular 36 extends beyond its immediate operational impact. It establishes the baseline framework for the next phase of Vietnam's energy transition, particularly in the period between 2025 and 2030.

During this period, several key developments are expected to shape the sector. The implementation of revised Power Development Plan VIII will drive significant investment in gas-to-power infrastructure, including both domestic gas fields and LNG import terminals. At the same time, renewable energy will continue to expand, albeit under a different regulatory regime that emphasises market participation rather than fixed tariffs.

The development of the direct power purchase agreement (DPPA) mechanism will introduce new avenues for private sector participation, particularly for large industrial consumers seeking to procure renewable energy directly. This will add another layer of complexity to the market, as bilateral arrangements interact with the wholesale market framework.

Within this evolving landscape, Circular 36 provides the operational rules that will govern the interaction of these elements. It determines how different sources of generation will be prioritised, how risks will be allocated, and how contractual arrangements will interface with system operation.

In this sense, Circular 36 is not merely a response to current challenges; it is a foundational instrument for the next phase of market development.

#### 40. Hidden Implications: Second-Order Effects and System Behaviour

Beyond its immediate and visible effects, Circular 36 is likely to produce a range of second-order impacts that may only become apparent over time.

One such impact relates to investment signals. By altering the relationship between cost and dispatch priority, the regulation may influence the types of projects that are developed. Technologies that are aligned with policy priorities, particularly gas-fired generation, are likely to attract increased investment, while those that are exposed to curtailment risk may face greater scrutiny.

Another implication concerns market efficiency. The integration of non-economic constraints into dispatch may lead to situations where higher-cost generation is prioritised over lower-cost alternatives. While this is consistent with policy objectives, it may reduce overall system efficiency and increase costs for consumers.

A further implication relates to regulatory stability and predictability. While Circular 36 enhances clarity by codifying dispatch rules, it also underscores the central role of policy in shaping market outcomes. This may introduce a degree of uncertainty for investors, particularly if policy priorities evolve over time.

Finally, there are implications for innovation and technology adoption. The increased exposure of renewable energy to curtailment risk may accelerate the development of storage and hybrid systems, as developers seek to mitigate this risk and enhance the value of their assets.

#### 41. Strategic Positioning: Navigating the New Market Structure

For market participants, the reforms introduced by Circular 36 necessitate a shift in strategic approach. Success in this environment will depend not only on technical and economic factors, but also on the ability to navigate and align with the regulatory framework.

Developers and investors must consider how their projects fit within the dispatch hierarchy and how they can mitigate risks associated with their position. This may involve adjustments in project design, contractual structuring, and portfolio composition.

Lenders must adapt their credit analysis methodologies to account for the new risk landscape, incorporating regulatory factors alongside traditional financial metrics. This may require closer engagement with regulatory developments and a deeper understanding of market dynamics.

Policy makers, for their part, will need to monitor the impact of the reforms and ensure that the balance between policy objectives and market efficiency is maintained. As the market continues to evolve, further adjustments may be required to address emerging challenges and opportunities.



## 42. Final Conclusion: A Market Redefined by Structure Rather than Price

Circular 36 represents a critical step in the evolution of Vietnam's electricity market. It retains the formal structure of a competitive wholesale market but fundamentally alters its operating logic by embedding within it a set of binding constraints that reflect broader policy objectives.

The resulting system is characterised by a high degree of integration between legal, operational, and financial dimensions. Dispatch is no longer determined solely by price; it is the outcome of a structured process in which contractual obligations, fuel policy, and system reliability are given explicit and binding effect.

This transformation marks the emergence of a hybrid market model, in which competition operates within a framework defined by regulation. It reflects a pragmatic approach to market development, balancing the benefits of competition with the need to achieve strategic objectives.

For stakeholders, the implications are both significant and enduring. The rules of the market have changed, and with them the basis on which investment, financing, and operational decisions must be made. Economic competitiveness remains important, but it is no longer sufficient. Alignment with the regulatory architecture has become a central determinant of success.

In this sense, Circular 36 does more than amend existing rules. It redefines the market itself, establishing a framework that will shape the evolution of Vietnam's power sector for years to come.

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*This guide provides a clear overview of the competitive electricity market evolution. The information provided is for general knowledge purposes only and does not constitute legal advice. For specific legal guidance, please reach out to us.*



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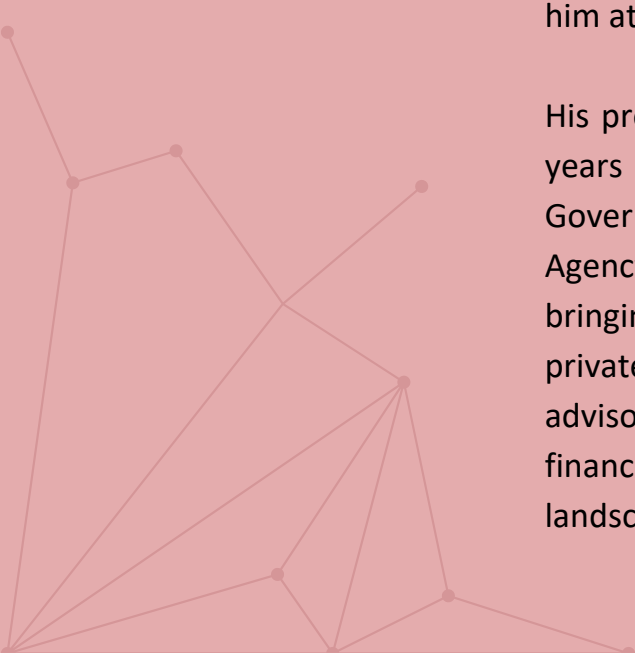
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**Vaibhav Saxena** is a senior counsel at VILAF and a recognized authority in Vietnam's energy and infrastructure sector, advising on the legal and commercial frameworks underpinning the country's power market transition. His practice sits at the intersection of law, policy, and investment strategy, with a particular focus on renewable energy, LNG-to-power, and emerging storage solutions.

He has advised on some of Vietnam's most complex and high-value energy transactions, including multi-gigawatt LNG projects, large-scale solar and wind portfolios, and innovative corporate and direct power purchase arrangements. He is closely engaged with the development of Vietnam's regulatory architecture, including the Direct Power Purchase Agreement (DPPA) regime and battery energy storage (BESS) policy initiatives, positioning him at the forefront of market reform and energy transition.

His professional journey spans over 15 years, including thirteen years at the Bar, further enriched experience with the Government of India and the International Atomic Energy Agency, prior to taking up assignments with Vietnam transition, bringing a unique combination of global public sector insight and private sector execution. He is widely regarded as a trusted advisor to leading international investors, developers, and financial institutions navigating Vietnam's evolving energy landscape.



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