Legal Update

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ADAPTING VIETNAM'S COMPETITIVE WHOLESALE ELECTRICITY MARKET TO A POST-FIT, DPPA, AND ENERGY STORAGE ERA

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On 2 June 2026, the Ministry of Industry and Trade ("MoIT") issued Circular No. 29/2026/TT-BCT, effective 20 July 2026, regulating the operation of Vietnam's Competitive Wholesale Electricity Market ("VWEM"), replacing the previous wholesale market framework and incorporating a number of reforms introduced following the Electricity Law 2024, to be amended.

While Circular 29 may initially appear to be a technical market-operation regulation, its significance extends well beyond dispatch and settlement procedures. The Circular reflects the reality that Vietnam's electricity sector has undergone a profound transformation since the earlier wholesale market rules were developed. Vietnam now operates a power system characterised by substantial renewable energy penetration, implementation of the direct power purchase agreement ("DPPA") mechanism, increasing interest in battery energy storage systems ("BESS"), the expiry of certain preferential pricing mechanisms applicable to renewable energy projects and a renewed policy emphasis on domestic gas utilisation.

Circular 29 seeks to accommodate these developments without fundamentally altering the underlying architecture of the VWEM.

The Circular introduces a number of notable reforms. Most significantly, it formally recognises new categories of market participants, including renewable energy projects participating in the DPPA mechanism, renewable energy projects whose preferential pricing mechanisms have expired,

independent battery energy storage systems, pumped-storage hydropower projects and BOT power projects that have been transferred following expiry of their BOT arrangements.

The Circular also introduces a formal definition of BESS, thereby bringing standalone energy storage facilities within the wholesale market framework for the first time. This represents a significant step in the evolution of Vietnam's electricity market because storage technologies are increasingly important for balancing intermittent renewable generation and maintaining system reliability.

Equally important, although less likely to attract immediate attention, are the reforms concerning domestic gas-fired generation. Circular 29 introduces and develops the concept of a **"Nhà máy nhiệt điện khí có ràng buộc phải sử dụng tối đa nguồn nhiên liệu khí"** and expands the concept of **"sản lượng điện năng bao tiêu"** to include electricity output associated with the utilisation of domestic gas resources. These provisions indicate that, notwithstanding the expansion of renewable energy, domestic gas utilisation continues to occupy a strategically important position within Vietnam's power sector.

From an investor perspective, Circular 29 therefore conveys two messages simultaneously. First, the wholesale market is being modernised to accommodate new technologies and commercial arrangements. Second, Vietnam continues to pursue market reform within a framework that preserves regulatory mechanisms designed to support energy security, fuel security and system reliability.

The resulting framework is increasingly sophisticated and market-oriented, but remains distinctly policy-driven.

Why Circular 29 Matters

The significance of Circular 29 cannot be understood without considering how dramatically Vietnam's electricity sector has changed over the past decade.

When the earlier wholesale market regulations were introduced, Vietnam's generation mix was dominated by conventional thermal generation and hydropower. Renewable energy participation was limited, direct electricity procurement mechanisms did not exist and utility-scale battery storage was not contemplated within the market framework.

That environment no longer exists.

Vietnam now possesses one of the largest renewable energy fleets in Southeast Asia. Large corporate consumers increasingly seek access to renewable electricity through the DPPA mechanism. Investors are actively evaluating storage opportunities. The first generation of solar and wind projects developed under preferential pricing regimes is transitioning into a new commercial environment. At the same time, Vietnam continues to develop domestic gas-to-power projects as part of its broader energy strategy.

The wholesale market rules therefore required updating.

Circular 29 should be viewed as MoIT's attempt to align the operation of the VWEM with these developments while maintaining the core principles that have historically characterised Vietnam's electricity market reform programme.

Expansion of Market Participation

One of the most important reforms introduced by Circular 29 is the expansion and clarification of the categories of facilities that participate in the wholesale electricity market.

The Circular expressly provides for the participation of several categories of facilities that either did not previously exist within the market framework or whose status was previously uncertain.

These include:

- renewable energy projects participating in the DPPA mechanism through the national grid;
- renewable energy projects that have reached the end of preferential pricing mechanisms;
- BOT projects transferred after expiry of BOT arrangements;
- pumped-storage hydropower projects;
- independent battery energy storage systems serving the national electricity system.

This expansion is important because it reflects a fundamental shift in the nature of Vietnam's power sector.

Historically, wholesale market rules were largely designed around dispatchable conventional generation assets. Circular 29 recognises that future market development will involve a much broader range of technologies and commercial structures.

For investors, the practical significance is clear: participation in Vietnam's wholesale electricity market is no longer confined to traditional generation models.

BESS Enter the Regulatory Framework

Among the most widely discussed aspects of Circular 29 is the formal recognition of battery energy storage systems.

The Circular introduces a definition of **Hệ thống pin lưu trữ năng lượng (BESS)** as a system comprising batteries, charging equipment, control systems and associated equipment connected to the grid for the purpose of storing and discharging electrical energy.

This is more than a definitional change.

Historically, storage projects occupied an uncertain position within Vietnam's regulatory framework. While policymakers recognised the potential importance of storage technologies, existing market rules were developed primarily for generation facilities rather than energy storage assets.

Circular 29 signals a clear intention to integrate storage technologies into future market development.

The significance of this reform extends beyond standalone storage projects. As renewable energy penetration increases, the ability to absorb excess generation during periods of oversupply and discharge electricity during periods of higher demand becomes increasingly important for maintaining system stability.

Accordingly, storage is evolving from a desirable feature of the electricity system into an increasingly strategic component of market design.

DPPA, Domestic Gas and the Changing Nature of VWEM

While the formal recognition of BESS will likely attract considerable market attention, the more consequential reforms introduced by Circular 29 may ultimately be those affecting DPPA, domestic gas-fired generation and the concept of **sản lượng điện năng bao tiêu**.

These reforms provide important insight into how policymakers view the future structure of Vietnam's electricity sector and reveal that, notwithstanding continued market reform, strategic policy objectives remain deeply embedded within wholesale market operation.

DPPA Moves Closer to the Core of Market Design

One of the most significant developments reflected in Circular 29 is the incorporation of DPPA participants into the operational framework of the VWEM.

The Circular introduces definitions applicable to **khách hàng sử dụng điện lớn tham gia cơ chế mua bán điện trực tiếp** (Large electricity consumers in DPPA), establishes participation criteria and recognises renewable energy projects participating in DPPA transactions through the national grid.

This reform is important not merely because it recognises DPPA participants but because it reflects a broader regulatory shift - Decree 57 on DPPA empowers MoIT to decide on DPPA capacities, accordingly, thresholds for large electricity consumers qualification is sliced i.e. 20,000 kWh for private wire while retaining 200,000 kWh for the virtual (National grid) model - monthly.

Historically, Vietnam's electricity market was structured around a relatively straightforward model in which electricity was generated by power producers and sold through established market and contractual arrangements involving Vietnam Electricity Group (EVN). The emergence of DPPA introduces a fundamentally different dynamic. Large electricity consumers are no longer passive purchasers of electricity. Instead, they are increasingly seeking to procure renewable electricity directly in order to meet sustainability commitments, supply-chain requirements and decarbonisation objectives.

For multinational corporations operating in Vietnam, this development is particularly significant. Increasingly, global customers, investors and financiers require demonstrable access to renewable electricity. The ability to procure renewable electricity through direct arrangements has therefore become a commercial requirement rather than merely an environmental objective.

Circular 29 should therefore be viewed as an important step in integrating DPPA arrangements into the mainstream operation of Vietnam's electricity market.

The significance of this development extends beyond renewable energy developers. Industrial parks, manufacturing facilities, export-oriented enterprises and major electricity consumers may increasingly view DPPA participation as part of their long-term energy procurement strategy.

From a market design perspective, the incorporation of DPPA concepts into the VWEM framework suggests that direct renewable electricity procurement is evolving from a policy initiative into a structural component of Vietnam's electricity market architecture.

Domestic Gas Remains Strategically Significant

Much of the recent discussion concerning Vietnam's power sector has focused on renewable energy, energy storage and decarbonisation. However, Circular 29 demonstrates that domestic gas-fired generation continues to occupy an important position within national energy policy.

One of the most notable reforms introduced by the Circular is the creation of a dedicated regulatory concept for **"Nhà máy nhiệt điện khí có ràng buộc phải sử dụng tối đa nguồn nhiên liệu khí"** (Gas-fired power plants are obligated to maximize the use of gas fuel). The Circular defines this category by reference to domestic natural gas-fired projects developed and operated in accordance with the Electricity Law and implementing regulations.

The significance of this provision lies not merely in the definition itself but in the fact that the concept subsequently appears throughout the operational provisions of the Circular.

This indicates that the utilisation of domestic gas resources is not treated solely as a commercial issue. Rather, it constitutes a regulatory consideration capable of influencing market operation and dispatch outcomes.

This approach is consistent with broader policy objectives. Domestic gas resources represent an important component of Vietnam's energy security strategy. From a policy perspective, maximising utilisation of domestic gas may reduce reliance on imported fuels, improve supply security and support long-term energy planning objectives.

Consequently, Circular 29 reflects a market framework in which economic dispatch considerations continue to coexist with broader strategic objectives.

For investors considering gas-to-power projects, the Circular provides important evidence that domestic gas-fired generation remains a strategically supported component of Vietnam's future generation mix notwithstanding the continued expansion of renewable energy.

Expansion of the Concept of "Sản lượng điện năng bao tiêu"

Perhaps the most commercially significant reform introduced by Circular 29 concerns the revised treatment of **sản lượng điện năng bao tiêu**.

Historically, the concept of bao tiêu was primarily associated with minimum offtake commitments under BOT power projects and certain imported electricity arrangements.

Circular 29 significantly expands this concept.

Under the revised framework, sản lượng điện năng bao tiêu includes not only electricity output associated with BOT minimum purchase obligations but also electricity output corresponding to the maximum utilisation of domestic gas-fired generation subject to domestic gas utilisation requirements, taking into account fuel availability, operational capability and system requirements.

This reform is important for several reasons.

First, it demonstrates that domestic gas utilisation objectives are being integrated directly into wholesale market operation rather than being treated exclusively through contractual arrangements or sector planning instruments.

Second, it confirms that dispatch and market operation cannot be analysed solely through the lens of pure market competition. Regulatory obligations relating to fuel utilisation may influence operational outcomes.

Third, the reform has potentially significant implications for project economics.

From the perspective of sponsors and lenders, guaranteed or prioritised output concepts often play an important role in project bankability. The inclusion of domestic gas-related output within the bao tiêu framework therefore provides a degree of regulatory recognition that may be relevant when assessing long-term revenue assumptions.

While Circular 29 does not eliminate market risk, it demonstrates that policymakers continue to recognise the strategic importance of certain categories of generation.

What These Reforms Reveal About Vietnam's Electricity Market

Taken together, the reforms relating to DPPA, domestic gas utilisation and sản lượng điện năng bao tiêu reveal an important characteristic of Vietnam's electricity market reform programme.

Vietnam is clearly moving towards broader market participation.

The Circular accommodates renewable energy projects, direct procurement arrangements, battery storage and other emerging market participants.

At the same time, however, the market is not being transformed into a purely merchant framework governed exclusively by price signals.

Instead, Circular 29 continues to incorporate mechanisms designed to achieve broader public policy objectives, including energy security, fuel security and system reliability.

This approach has characterised Vietnam's electricity market reform for many years and remains visible throughout the new Circular.

For investors, the lesson is straightforward.

Success in Vietnam's electricity sector increasingly requires an understanding not only of market dynamics but also of the policy objectives that continue to influence market design and operational decision-making.

Dispatch, Curtailment and Market Operation: Why Circular 29 Matters for Revenue Risk and Project Bankability

While much attention is likely to focus on the new categories of market participants recognised under Circular 29, the provisions governing dispatch, system operation and market administration may ultimately prove more important for project economics.

For sponsors, lenders and investors, revenue is not determined merely by installed capacity or contractual arrangements. Revenue ultimately depends upon whether a project is dispatched, the volume of electricity that can be delivered to the system and the framework governing market settlement.

Consequently, the operational provisions of Circular 29 deserve careful attention.

The Continuing Central Role of NSMO

One of the clearest themes running throughout Circular 29 is the continued central role of the National Power System and Electricity Market Operation Company ("NSMO").

The Circular preserves NSMO's position as the entity responsible for key aspects of wholesale market administration, including:

- operation of the power system;
- operation of the electricity market;
- market scheduling;
- dispatch coordination;

- market simulation and planning;
- settlement-related calculations; and
- monitoring compliance with market rules.

This is significant because it confirms that Vietnam's electricity market continues to operate within a highly coordinated institutional framework.

Unlike fully liberalised electricity markets where dispatch outcomes may be driven almost exclusively by market prices, Vietnam's system continues to rely upon extensive central coordination.

For investors accustomed to mature merchant power markets, this distinction is important.

Understanding market prices alone is insufficient.

Project performance also depends upon understanding dispatch priorities, system constraints and operational requirements established by the market operator.

Dispatch Is Not Purely Economic Dispatch

One of the most important lessons emerging from Circular 29 is that Vietnam's wholesale market should not be viewed as a pure economic dispatch market.

The Circular expressly incorporates operational considerations that extend beyond simple price-based optimisation.

The amendments introduced under Circular 29 are particularly instructive in this regard.

The amended provisions establish operational treatment for **Nhà máy nhiệt điện khí có ràng buộc phải sử dụng tối đa nguồn nhiên liệu khí** (Gas-fired power plants are obligated to maximize the use of gas fuel), integrating such plants directly into dispatch and system-operation considerations.

This means that market operation must take into account factors beyond short-run marginal cost.

The regulatory framework recognises that fuel-utilisation obligations, system reliability requirements and broader policy considerations may influence operational outcomes.

For sponsors of domestic gas-fired projects, this provides additional evidence that policymakers continue to regard domestic gas utilisation as strategically important.

For other market participants, it serves as a reminder that market outcomes cannot be analysed solely through traditional merchant market assumptions.

Curtailment Risk Remains a Critical Issue

One of the most important issues facing renewable energy investors in Vietnam is curtailment risk.

As renewable penetration increases, situations may arise in which available generation exceeds the system's ability to absorb electricity safely and reliably.

The amended dispatch provisions provide useful insight into how the system operator approaches such circumstances.

Circular 29 amends the order in which generating facilities may be reduced or curtailed when system operation requires a reduction in generation output. Among other things, the amended provisions address:

- thermal generation;
- hydropower generation;
- renewable energy projects;
- projects operating under specific contractual arrangements;
- domestic gas-fired projects subject to fuel-utilisation obligations.

The practical significance of these provisions should not be underestimated.

For project finance transactions, curtailment risk is often one of the most heavily negotiated risk-allocation issues.

The ability of a project to generate electricity is not, by itself, sufficient. The project must also be capable of delivering that electricity to the system and receiving the corresponding revenue.

Accordingly, investors evaluating renewable energy assets should continue to analyse:

- historical curtailment patterns;
- transmission constraints;
- dispatch arrangements;
- system balancing requirements;
- market rules governing reduction of output.

Circular 29 does not eliminate curtailment risk. Rather, it provides a more structured framework within which such risks are managed.

Renewable Energy and Dispatch Risk

The inclusion of renewable energy projects within the wholesale market framework introduces additional commercial considerations.

Historically, many renewable energy projects were evaluated primarily on the basis of:

- feed-in tariff entitlement;
- solar irradiation;
- wind resource quality;
- counterparty credit risk.

Going forward, market participation introduces additional variables.

Investors increasingly need to consider:

- dispatch outcomes;
- market exposure;
- balancing requirements;
- curtailment risk;
- interaction with storage technologies;
- operational flexibility.

This evolution reflects the broader maturation of Vietnam's renewable energy sector.

The transition from policy-supported renewable deployment towards market-based renewable participation inevitably requires greater attention to operational performance and system integration.

The Importance of System Flexibility

A recurring theme throughout Circular 29 is the growing importance of flexibility resources.

The recognition of BESS and pumped-storage hydropower projects is not merely a technology-specific reform.

Rather, it reflects a broader shift in the requirements of the power system.

Historically, electricity markets focused primarily on generation capacity.

Today, increasing renewable penetration requires the system to respond rapidly to fluctuations in generation output.

Consequently, the ability to:

- store electricity;
- shift electricity across time;
- balance variable renewable generation;
- provide operational flexibility;

is becoming increasingly valuable.

Circular 29 implicitly recognises this reality.

The inclusion of storage technologies within the wholesale market framework suggests that future market reforms may increasingly focus on flexibility services and system balancing mechanisms.

For investors, this may create new opportunities extending beyond traditional generation assets.

Revenue Risk Is Becoming More Complex

Perhaps the most important commercial implication of Circular 29 is that project revenue is becoming increasingly dependent upon multiple interacting variables.

Historically, many projects relied heavily upon:

- fixed tariffs;
- long-term contractual arrangements;
- predictable offtake structures.

The future market environment is likely to be more complex.

Revenue outcomes may increasingly depend upon:

- dispatch decisions;
- market participation obligations;
- system constraints;
- curtailment exposure;
- storage capability;

- contractual structures;
- settlement arrangements.

This does not necessarily increase risk.

However, it does require a more sophisticated approach to project evaluation.

Sponsors, lenders and investors will increasingly need to analyse operational and market-related risks alongside traditional legal and contractual considerations.

Implications for Project Finance and M&A

From a project finance perspective, Circular 29 reinforces the importance of detailed technical and regulatory due diligence.

Future financing transactions are likely to require closer examination of:

- dispatch assumptions;
- curtailment exposure;
- market participation obligations;
- settlement mechanisms;
- **Qc** allocation methodology;
- interaction between contractual arrangements and market operation.

Similarly, M&A investors evaluating generation assets should increasingly assess:

- exposure to market-based revenues;
- dispatch-related risks;
- operational flexibility;
- compatibility with future market reforms.

Projects that appear similar from a generation-capacity perspective may have materially different risk profiles once dispatch and market-operation considerations are taken into account.

Sản lượng Hợp đồng (Qc), Settlement and the Allocation of Market Risk

For many market participants, the most significant provisions of Circular 29 are not those relating to BESS, DPPA or even domestic gas utilisation.

Rather, they concern **Sản lượng hợp đồng (Qc)**.

While Qc rarely attracts public attention, it remains one of the most important commercial mechanisms within Vietnam's wholesale electricity market. For project sponsors, lenders and investors, the methodology governing Qc can have a direct impact on revenue stability, market exposure and project bankability.

In many respects, understanding Qc is essential to understanding how market risk is allocated within the VWEM.

Why Qc Matters

Vietnam's wholesale electricity market is not a pure merchant market.

Generators are not exposed exclusively to spot market prices.

Instead, the market continues to operate through a combination of:

- contractual arrangements;
- regulated mechanisms;
- market settlement processes; and
- competitive market transactions.

Qc sits at the centre of this framework.

Broadly speaking, Qc determines the volume of electricity associated with contractual settlement arrangements and therefore influences the extent to which a generator is exposed to market price volatility.

For lenders, Qc is particularly important because it affects:

- revenue predictability;
- debt service coverage;
- downside risk;
- financial modelling assumptions.

Consequently, even relatively modest changes to Qc methodology can have material implications for project economics.

Circular 29 Preserves the Importance of Contractual Structures

One of the most important observations arising from Circular 29 is that Vietnam has not abandoned contractual risk allocation in favour of a purely merchant market model.

Instead, the Circular continues to recognise the importance of contractual mechanisms within market operation.

This is consistent with the broader philosophy reflected throughout the Circular.

The VWEM continues to evolve towards greater competition and broader participation. However, the regulatory framework remains designed to ensure that market development occurs in a controlled and orderly manner.

From a financing perspective, this is significant. Project finance transactions typically rely upon a degree of revenue visibility.

A market framework that combines contractual mechanisms with market participation is generally more compatible with long-term infrastructure financing than a purely merchant structure.

Increasing Complexity of Revenue Modelling

Historically, revenue modelling for power projects in Vietnam was relatively straightforward.

Project economics were often driven primarily by:

- tariff entitlement;
- availability;
- generation resource quality;
- contractual offtake arrangements.

That environment is changing.

Under the evolving market framework, project revenues increasingly depend upon a broader range of variables, including:

- dispatch outcomes;
- market participation requirements;
- curtailment exposure;
- contractual allocation mechanisms;
- settlement arrangements;
- operational constraints.

Qc therefore assumes increasing importance because it acts as one of the principal interfaces between contractual revenues and market revenues.

For investors evaluating projects after Circular 29, it is no longer sufficient to analyse tariff structures alone.

The interaction between Qc and market participation must also be considered.

Regulatory Oversight Remains Central

Another important characteristic of the Circular is the continuing role of regulatory and market institutions in the administration of contractual and market arrangements.

Throughout Circular 29, NSMO continues to occupy a central position within market operation, planning and administration.

This reflects a broader policy objective: ensuring that disputes or disagreements among market participants do not adversely affect system operation.

For investors, this provides both advantages and challenges.

The advantages include:

- operational stability;
- greater predictability;
- reduced risk of market disruption.

The challenges include:

- continuing regulatory involvement;
- dependence on market rules;
- evolving administrative procedures.

As a result, legal and regulatory analysis remains as important as commercial analysis when evaluating project economics.

Implications for Renewable Energy Projects

The importance of Qc becomes particularly apparent in the context of renewable energy projects.

The first generation of utility-scale solar and wind projects in Vietnam was developed primarily under preferential pricing mechanisms.

As those projects transition into a more market-oriented environment, revenue outcomes will increasingly depend upon:

- dispatch;

- settlement;
- market participation;
- contractual arrangements.

For these projects, Qc may become an increasingly important factor in determining the extent of exposure to market volatility.

Consequently, investors evaluating post-FIT renewable assets should examine not only resource quality and technical performance but also the project's position within the market settlement framework.

This is likely to become an increasingly important area of due diligence in future M&A transactions.

Implications for Gas-to-Power Projects

The interaction between Qc and domestic gas utilisation obligations may become particularly significant for gas-fired projects.

As discussed earlier, Circular 29 introduces and develops the concept of **Nhà máy nhiệt điện khí có ràng buộc phải sử dụng tối đa nguồn nhiên liệu khí** and expands the concept of **sản lượng điện năng bao tiêu** to encompass electricity output associated with domestic gas utilisation requirements.

These reforms indicate that domestic gas projects continue to occupy a distinctive position within the regulatory framework.

From a financing perspective, this may influence how lenders and sponsors evaluate:

- dispatch assumptions;
- revenue stability;
- long-term market exposure;
- downside scenarios.

The interaction between fuel-utilisation obligations, bao tiêu concepts and settlement arrangements is therefore likely to become an increasingly important consideration for future gas-to-power transactions.

Qc and M&A Transactions

The significance of Qc extends beyond project financing.

For M&A investors, the market is gradually transitioning away from a framework in which value is driven primarily by fixed tariffs and long-term contractual certainty.

Future transactions will increasingly require detailed analysis of:

- market participation obligations;
- settlement mechanisms;
- dispatch exposure;
- contractual allocation structures;
- operational flexibility.

Projects with identical installed capacity may have materially different valuations depending upon their exposure to market-related risks.

As the VWEM continues to mature, Qc and settlement arrangements are likely to become increasingly important components of transaction due diligence.

What Circular 29 Ultimately Reveals

Perhaps the most important conclusion arising from Circular 29 is that Vietnam is not moving towards a purely merchant electricity market.

Nor is it retaining a traditional administratively controlled framework.

Instead, the Circular reflects the continued development of a hybrid market model.

This model combines:

- competitive market participation;
- contractual risk allocation;
- central market administration;
- strategic fuel-utilisation objectives;
- regulatory oversight.

Qc is one of the clearest illustrations of this approach.

It demonstrates that market reform in Vietnam is not simply about increasing competition. It is also about managing the allocation of risk among generators, consumers, market operators and the State in a manner that supports long-term sector development.

Implications for Investors, Developers and Lenders

Viewed as a whole, Circular 29 sends several important signals to the market.

First, the wholesale electricity market is expanding to accommodate a broader range of technologies and commercial structures, including BESS, DPPA arrangements, post-FIT renewable projects and transferred BOT assets.

Second, domestic gas utilisation remains strategically important and continues to influence market design and operational arrangements.

Third, future project economics will increasingly depend upon operational and market-related considerations rather than tariff structures alone.

Fourth, flexibility resources such as storage and pumped-storage hydropower are likely to play a growing role in future market development.

Finally, Vietnam continues to pursue a model in which market-based mechanisms operate alongside regulatory tools designed to achieve broader policy objectives.

For sophisticated investors, this final point may be the most important takeaway from Circular 29.

The future of Vietnam's electricity market is likely to be defined not by pure liberalisation, but by the continuing interaction between competition, energy security, system reliability and strategic resource utilisation.

Strategic Observations and Future Outlook

A legal analysis of Circular 29 would be incomplete without considering what the Circular reveals about the future direction of Vietnam's electricity market.

While many provisions of the Circular are operational in nature, the regulation also provides valuable insight into broader policy priorities and the likely trajectory of future reforms.

Viewed collectively, the reforms introduced by Circular 29 suggest that Vietnam's electricity market is entering a new phase of development. The challenge facing policymakers is no longer simply how to introduce competition into the electricity sector. Rather, the challenge is how to integrate renewable energy, storage technologies, direct procurement mechanisms and strategic fuel utilisation objectives into a coherent market framework capable of maintaining security of supply and supporting long-term investment.

In this respect, Circular 29 provides several important signals.

Observation 1: The Market Is Becoming More Competitive, But Not Necessarily More Liberalised

One of the most common misconceptions among foreign investors is the assumption that electricity market reform inevitably leads towards a fully liberalised merchant market.

Circular 29 does not support that conclusion.

The Circular undoubtedly expands market participation. It recognises new categories of participants, incorporates DPPA arrangements, accommodates energy storage technologies and facilitates the integration of post-FIT renewable energy projects into market structures.

At the same time, however, the Circular preserves strong institutional oversight, extensive operational coordination and regulatory mechanisms designed to support strategic policy objectives.

The result is a market that is becoming more competitive but not necessarily more liberalised in the conventional sense.

This distinction is important.

For investors, success in Vietnam's electricity sector will continue to depend upon understanding both market dynamics and regulatory priorities.

Observation 2: Storage Is Moving From Optional to Strategic

The formal recognition of BESS and pumped-storage hydropower projects may ultimately prove to be among the most significant aspects of Circular 29.

Historically, Vietnam's power sector focused primarily on increasing generation capacity.

Increasingly, however, the challenge is no longer simply generating electricity. The challenge is balancing a system characterised by growing levels of intermittent renewable generation.

In this environment, flexibility resources become increasingly important.

The significance of Circular 29 is therefore not limited to the introduction of a BESS definition. More fundamentally, the Circular reflects a broader recognition that future market development will require technologies capable of balancing, shifting and storing energy.

Future reforms may therefore increasingly focus on:

- ancillary services;
- balancing mechanisms;
- flexibility markets;
- storage remuneration frameworks;
- integration of distributed energy resources.

For investors, this may create opportunities extending well beyond traditional generation assets.

Observation 3: Renewable Energy Is Entering a More Commercially Mature Phase

The integration of renewable energy projects whose preferential pricing mechanisms have expired is one of the clearest indications that Vietnam's renewable energy sector is entering a new stage of development.

The first phase of renewable energy development was largely driven by policy incentives and fixed pricing arrangements.

The next phase is likely to be characterised by greater exposure to:

- market participation;
- dispatch outcomes;
- operational performance;
- balancing requirements;
- contractual innovation.

This transition is a natural feature of market maturation.

However, it also means that future project success will increasingly depend upon commercial and operational sophistication rather than tariff support alone.

Developers, sponsors and lenders will need to adapt accordingly.

Observation 4: Domestic Gas Remains a Strategic Resource

Despite the increasing prominence of renewable energy, Circular 29 demonstrates that domestic gas continues to occupy a strategically important position within Vietnam's electricity sector.

The introduction of the concept of **Nhà máy nhiệt điện khí có ràng buộc phải sử dụng tối đa nguồn nhiên liệu khí** and the expansion of **sản lượng điện năng bao tiêu** provide clear evidence that domestic gas utilisation remains a policy priority.

This should not be surprising.

Vietnam's energy transition is not simply a transition towards renewable energy. It is also a transition towards a more diversified and secure energy mix.

Domestic gas continues to play an important role in achieving that objective.

For sponsors and lenders involved in gas-to-power projects, Circular 29 therefore provides a useful indication that domestic gas remains embedded within the broader policy framework governing market development.

Observation 5: Qc and Market Settlement Will Become Increasingly Important

Public attention often focuses on generation technologies.

However, experienced project finance practitioners know that revenue certainty is often more important than technology.

As Vietnam's electricity market continues to evolve, issues relating to:

- sản lượng hợp đồng (Qc);
- settlement arrangements;
- dispatch exposure;
- curtailment risk;
- market participation obligations;

are likely to become increasingly important.

For lenders and infrastructure investors, these issues frequently determine project bankability.

Consequently, future reforms affecting Qc and settlement mechanisms may ultimately prove more significant than reforms affecting generation technologies themselves.

Observation 6: The Future of Market Reform Will Likely Focus on Flexibility and Integration

Circular 29 addresses many of the challenges associated with integrating renewable energy, storage technologies and direct procurement mechanisms into the wholesale market.

However, it is unlikely to represent the final stage of market reform.

Several areas remain likely candidates for future regulatory development, including:

- ancillary service markets;
- balancing markets;
- storage remuneration mechanisms;
- greater integration of distributed energy resources;
- evolving approaches to renewable energy curtailment;
- further development of corporate electricity procurement frameworks.

In many respects, Circular 29 should be viewed as laying the foundation for these future reforms.

Final Observation

Circular 29 is far more than a technical replacement of Circular 36/2025/TT-BCT.

The Circular reflects the continuing evolution of Vietnam's electricity market and the increasing complexity of the country's power system.

The regulation broadens participation in the wholesale market, accommodates emerging technologies, incorporates DPPA participants, facilitates the transition of post-FIT renewable energy projects and reinforces the strategic role of domestic gas utilisation.

At the same time, the Circular confirms that Vietnam's approach to market reform remains distinctive.

Rather than pursuing a purely liberalised electricity market, Vietnam continues to develop a framework in which competition operates alongside regulatory mechanisms designed to support energy security, fuel security and system reliability.

The resulting model is neither a traditional regulated utility system nor a fully merchant electricity market.

Instead, it is an increasingly sophisticated hybrid framework tailored to the realities of Vietnam's energy transition and long-term development objectives.

For developers, sponsors, lenders, infrastructure funds and large electricity consumers, the key lesson is clear.

Future success in Vietnam's electricity sector will depend not only upon understanding market opportunities but also upon understanding the regulatory and policy considerations that continue to shape market outcomes.

In that respect, Circular 29 provides valuable insight into the next phase of Vietnam's electricity market reform programme and the direction in which the sector is likely to evolve over the coming years.

This reform is important not merely because it recognises DPPA participants but because it reflects a broader regulatory shift - Decree 57 on DPPA empowers MoIT to decide on DPPA capacities, accordingly, thresholds for large electricity consumers qualification is sliced i.e. 20,000 kWh for private wire while retaining 200,000 kWh for the virtual (National grid) model - monthly.

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