

The Restructuring and Privatisation of the Peruvian Electricity Distribution Market

EPRG Working Paper 1009

Cambridge Working Paper in Economics 1017

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Abstract

This paper assesses the social welfare impact of the restructuring and privatisation of the electricity market in Peru. The companies that are part of this study are Electrolima and Electro Sur Medio, which account for 64 per cent of the total distribution market and 100 per cent of the privatised distribution companies respectively. Actual and counterfactual operating costs are examined. A separate analysis is performed for each company to look at the differences in terms of economies of scale and market structure. The benefits of being connected were also computed based on counterfactual scenarios. Companies that were not privatised (benchmark companies) were used for making appropriate comparisons and for determining the preferred counterfactual cost decline. Benchmark companies were also important for analysing the trend in quality issues. The results show that privatisation was worthwhile and that the social welfare of being connected makes an important contribution to it. Government and producers benefited the most and consumers the least due to price increases.

Keywords cost benefit analysis, restructuring and privatisation, electricity market, Peru

JEL Classification D61, H43, L94

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Publication March 2010 (last update October 2011)
Financial Support TSEC1

