



Restructuring the Chinese Electricity Supply Sector - *How industrial electricity prices are determined in a liberalized power market: lessons from Great Britain*

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Abstract In this paper, we begin by discussing the components of the price of industrial electricity in Great Britain, as an example of a fully reformed electricity market, where the market is roughly comparable in size to a reasonably large Chinese province. We go on to discuss the key actors in the liberalized electricity system in Great Britain, before unpacking each of the components of the price. We discuss the market determined elements first, then go on to introduce and discuss the regulated elements of the price before finishing with the central government determined price components. Our discussion covers the determination of the wholesale price, the retail margin, transmission charges, system balancing charges, distribution charges and environmental levies and taxes. In each of these cases we discuss the process by which they are determined (led by the market, the regulator, the central government or more than one) and the specific lessons for China. We conclude by emphasizing some of the high-level lessons on electricity price determination for China.

Keywords Chinese power market reform; industrial electricity price; electricity liberalization

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