



## What effect has the 2015 power market reform had on power prices in China? Evidence from Guangdong and Zhejiang

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*Bai-Chen Xie*

*Jun Xu*

*Michael G. Pollitt*

**Abstract** This paper presents an analysis of the impact of the recent power market reform process in China – following the No.9 Document issued in March 2015 - on the industrial price of electricity. We do this by picking a typical power price for a medium sized industrial customer in two of China’s leading reform provinces: Guangdong and Zhejiang. We find that power market reform, which is characterised by the introduction of wholesale electricity markets, has substantially reduced prices. Our detailed analysis shows that these price falls have come from a number of different sources: falls in the prices paid to generators, reductions in grid charges and falls in government taxes and additional charges. We show that by December 2019 the regulated price falls by 26.6% in Guangdong and by 27.0% in Zhejiang while the market price falls even further by 30.2% in Guangdong and 30.4% in Zhejiang compared with their regulated prices in January of 2012. Accordingly, the weighted retail price for all customers falls almost by 27.7% in both Guangdong and Zhejiang. We conclude that while the impact of the power markets is significant, the associated changes to network charges and other government determined components of the price is more significant.

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Contact xujun84@zufe.edu.cn

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