

Market based electricity price deregulation

As your favourite journal is trying to reinvent in this challenging time, we will seek your continuous support and patronage. It is thus important that you communicate with us more on what we should do next. Please communicate with us by your information, suggestions, inputs and concern, and more particularly, how you think that the future of power engineering, technology and economics will change and pose new arenas of growth and challenges.

I particularly invite all of you to contribute to the new section that we have named as “Industry Directions”. This feature is about the changes and dynamics in the power industry and will be a crystal-ball gazing of the things to come. This one-page write up can be penned by any one – from the industry, from the manufacturers and from the academia. This feature has promise to be immensely helpful to all those connected to the industry. So just start writing and we shall heartily welcome your contributions.

Coming to the topic above, it is often raised that the regulated price mechanism, brings price distortion in the market that harms its capability to optimize resource allocation in the energy industry, which thus brings deadweight loss to the economy. As the integral parts of coal-electricity industry chain, the upstream coal industry and the downstream power generation industry not only cooperate under de-regulation but also game with each other. The interaction between the two industries will be reflected on the coal price and its production. Research shows the price deregulation will result in higher electricity price, lower coal price, less coal production and less electricity generation. Empirical analyses show that the deregulation will reduce the profit of the coal industry but increase that of the electricity industry. The extra gain of the electricity industry exceeds the loss of the coal industry, leading to a net benefit to the whole industry chain. To summarize, similar such reform in China shows positive results in favor of the welfare redistribution policies and thus, pursuable for more perfection.

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