

A Theory and Empirical Analysis on the Efficiency of Chinese Electricity Pricing

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Abstract : This paper applies the theory and empirical method to examine the relationship between electricity price and coal price, as well as electricity and industry output, for China during Jan 1999-Dec 2012. Our results indicate that there is no any causality between coal price and electricity price under other factors are controlled. However, we found a bi-directional causality between electricity consumption and industry output. Overall, the electricity price set by China's NDRC is inefficient, which lead to the electricity supply shortage after 2004. It is time to reform electricity price system for China's reformers.

Keywords : electricity price, coal price, power supply, China

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