

Analysis and Report of the Organizational Form and Governance Situation of Electric Power Exchange Center

Qiaoling Zhang* and Xiang Long

Guangzhou Power Exchange Center, Guangzhou, Guangdong 510000, China

E-mail: 584192866@qq.com

*corresponding author

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Abstract: With the deepening of electricity market reforms, the importance of research on the organizational form of trading institutions has become more prominent. This paper has analyzed the characteristics of joint-stock company, wholly-owned company and Membership Company as well as the reform of organizational form. On the basis of analysis, this paper has raised some suggestions as follows: to reach high efficiency and effectiveness, the Power Trading Centre needs all-round support from the China Southern Power Grid Corporation; the most suitable organizational form for the Power Trading Centre should be the joint-stock; the market management committee, as the deliberation and coordination body, should not involve in the deciding processes of the Power Trading Centre.

1. Exchange organization form classification and characteristics

There are two types of organization of domestic and foreign exchanges: company system and membership system. The company is divided into: limited liability companies (subdivided into general limited liability companies and sole proprietorships) and joint stock companies (subdivided into general joint stock companies and listed companies). Therefore, corporate exchanges are divided into: joint-stock companies (limited liability companies and joint-stock companies with multiple shareholders), wholly-owned companies and listed companies. The membership system is the initial organization form of the exchange, and the corporate system (based on the shareholding system) is the main organization form of exchanges in various countries today.

1.1 Membership Exchange

Features: The membership system is governed by civil law. First, the ownership, control, and trading rights of the exchange belong to the members, and the operating expenses are borne by all members. Guarantee responsibility; third, the power organ is the general meeting of members, and the permanent organ is the council, and the decision-making mechanism is one-person-one-vote.

There are problems: First, the exchange lacks independence, and members over control the exchange. Second, members have more convenience than ordinary investors in trading and obtaining information, which affects the fairness of transactions. The third is the conflict between the public interest and the interests of the members and the interests of the members. The collective decision-making efficiency is low, the exchanges are unresponsive to changes in the market environment, and their competitiveness is reduced.

1.2 Corporate Exchange

Features: The company-based exchange first applies the provisions of the company law, and the company law has no provisions and then the civil law provisions. The first is that the ownership, control and trading rights of the exchange are not linked, the property belongs to all shareholders, and the transaction generally receives margin, etc. The second is to adopt a corporate governance structure oriented to obtain competitive advantages. The power institution is the shareholders' meeting and the permanent institution is the board of directors. Decision-making

implements the principle of capital majority decision; third, it is customer and profit-oriented, and also undertakes important regulatory functions and public welfare functions.

There are problems: First, it is easy to encourage speculative trading. Under the guidance of the profit concept, it is easy to blindly expand transactions and encourage speculation or other market violations. Second, the risk borne by the Stock Exchange is greater. The exchange bears the responsibility of the buyer and seller for damages for breach of contract, and if they do not manage well and fall into bankruptcy, it will have a huge impact on the market. The third is the profit-making purpose of the transaction, which contradicts the regulatory and public welfare functions it undertakes, and there is a contradiction between maintaining the interests of market users and the interests of shareholders [1].

1.3 Exchange of listed companies

Features: Listed exchanges apply the provisions of listed companies in the company law. First, ownership is further decentralized, stocks can be issued, funds are raised from the capital market, and the exchange's core position in the capital market is consolidated. The second is to abide by the regulations of listed companies, weaken the direct intervention of the government, be subject to all-round supervision by the public and regulatory agencies, and have high operational transparency. [2]

2. Exchange organization reform

Since the 1990s, the organizational form of the exchange is experiencing a wave of organizational reforms. Highlighted in:

One is the reform of the exchange company system. With the rapid development of information technology, the electronicization of transactions, the lack of intermediary, and the intensification of global competition Restructuring. The company is oriented by customers and profits, unifying the interests of the exchange and the interests of market participants, greatly promoting the competitiveness of the exchange, and consolidating the core position of the exchange in the securities market [3]. The second is mergers and acquisitions and alliances between exchanges. At the horizontal level, the integration between the spot exchange and the derivatives exchange has been carried out to form a situation where the derivative product market and the spot market mutually promote and develop together. At the vertical level, the integration between exchanges and depository and settlement companies was conducted to provide a more comprehensive transaction process and investment value chain, reducing transaction costs and operating risks for the entire market.

3. Experience and inspiration

Summarizing the experience of reform and development of domestic and foreign exchanges, and combining the concerns of the power trading center, the following enlightenments are proposed:

3.1 The company system replaces the membership system is the development trend of the exchange

Membership exchanges are products of underdeveloped technology and spontaneous associations of members. The intensification of electronic trading and global competition has not adapted to the trend of the times. The main advantages of the company system: the separation of ownership, control and trading rights of the exchange has been achieved, the internal governance structure of the exchange has been changed, and the operation of the exchange has become more market-oriented.

3.2 The shareholding system is the main organizational form of exchanges in various countries, but most of them are cross-shareholdings between exchanges.

The reasons for cross-shareholding among exchanges are as follows: First, exchanges have the

characteristics of network externalities and economies of scale. The shareholding system is conducive to the realization of mergers and acquisitions and integration between exchanges, giving play to each shareholder's resource advantages and product advantages, and gaining more Customers; at the same time, the use of fixed-cost transaction networks reaches the optimal limit, achieving economies of scale and scope. Second, the exchange is a capital-intensive company. The larger the market, the higher the liquidity, the smaller the price volatility, and the lower the market risk [4].

Among the power exchanges, spot exchanges basically maintain the holding of transmission system vendors, and power futures and commodity exchanges implement joint transactions. The particularity lies in: First, electricity is different from general commodities. The production and transmission of electricity are carried out at the same time. The spot transaction of electricity cannot be separated from the carrier of grid transmission. The second is that electricity futures and the spot market interact with each other. The futures market guides and regulates the development of the spot market. Through physical delivery, the futures price eventually becomes consistent with the spot price, enabling the futures market to play the role of a price barometer.

3.3 From a high degree of separation to mergers and acquisitions is not a necessary stage for the development of the exchange.

The expansion of market scope brings more market players and more supply, which makes competition more full, resource allocation efficiency is higher, it can protect power supply safety more effectively, and it can better meet the large-scale consumption of clean power. This has become the power market of various countries. Summary of construction experience. The high degree of segmentation of traditional exchanges is not conducive to exerting scale effects and even causing waste of resources, which is determined by its historical stage and development environment [5].

The reform of China's electricity marketization is carried out under the government's promotion, and the historical background of the high segmentation of traditional exchanges does not exist in China. Therefore, there is no need to retake the old path of foreign exchanges from independent division to merger and acquisition. It can fully combine China's energy structure characteristics, power grid layout and development stage, and establish a centralized and unified regional power market and trading institution. Market construction in the provinces in the region.

3.4 The important strategic position of the exchange

From the perspective of the control of exchanges by various countries, the more important function of exchanges is to promote the development of the capital (electricity) market, so that the market can play a greater role in the allocation of resources; exchanges are rule-makers, involving market participants in the future market The right to speak; the exchange plays an important role in the discovery and hedging center of various commodity prices, and is a barometer of the price and direction of various commodities; the exchange undertakes the regulatory function and public welfare function, not for profit, Only a small amount of service fees are charged for system construction, employee compensation, and incentives. These are also fundamentally different from commercial companies that are generally for profit.

3.5 Main contents of exchange competition

One is the dispute over rules. In the process of mergers and acquisitions and integration of global exchanges, the leading role of competition depends on who sets the rules of the game first, including: trading rules, trading system, clearing methods, price index and other aspects. The second is the system battle. The exchange's network externalities have created a "Matthew effect" of "stronger and weaker" competition among exchanges. In recent years, major exchanges have invested more and more in technology and equipment, and major exchanges Whose system, algorithm, etc. is used in the joint transaction, and disputes related to the system become the focus. The third is that the governance structure of the exchange is directly related to the ownership dispute of the exchange, because it involves national barriers or government barriers, and is also the focus of competition between exchanges.

4. Opinions and suggestions on the organization form of the power trading center

The supporting documents of the reform make it clear that the trading institutions can adopt the corporate system of relatively holding power grid companies, the subsidiary system of the power grid enterprises, the membership system and other organizational forms, and stipulate that the trading center should not be used for profit.

(1) The company system realizes the separation of the ownership, control and trading rights of the exchange, improves the internal governance structure in accordance with the company law, and makes the operation of the exchange more market-oriented, in line with the current trend of exchange reform and development. However, the trading center is mainly responsible for the implementation of the national strategy of power transmission from west to east, promoting the development of the electricity market, promoting the optimization of regional resources and other functions. It is not for profit purposes and is fundamentally different from general commercial companies. Therefore, it is not suitable for China Southern Power Grid Corporation to Management model of branch and subsidiary companies.

(2) The current power market reforms such as transmission and distribution prices, incremental distribution networks, and electricity sales are in full swing. The trading center is the leader and implementer of market rules, which affects the market participants' right to speak in the future market. The market supervision and public welfare functions of the company are of great strategic significance to the power grid company. It is hoped that the company will provide strong support in the construction of the trading system and the compensation of employees in the trading center.

(3) Both the joint-stock system and the sole proprietorship company are limited liability companies, both of which adopt the principle of capital majority. The nature and objectives of the company are exactly the same, mainly different in the governance structure, power and decision-making mechanism of the trading center. Rights are different. The shareholding system is the development trend of the exchange organization form. Cross-shareholding among major exchanges is conducive to giving play to the resource advantages of all parties [6].

The shareholding system, because of the participation of multiple shareholders, is conducive to the trading center to standardize corporate governance, strengthen self-regulatory supervision, establish an open and fair image, and attract market players to enter the platform for trading; it is conducive to taking advantage of the resources of multiple shareholders (if other large exchanges participate in shares. The resource advantage is obvious), the risk is also shared by multiple shareholders; it is also conducive to showing the fair and open attitude of Southern Net and actively supporting the market-oriented reform.

(4) The market management committee is the deliberation and coordination body that shall not participate in the decision-making matters of the trading center. The market management committee is a platform for market participants to express their interests, and each member unit is the role of a trader. But if the market management committee is given the decision-making function related to the transaction business, it is equivalent to returning to the old road of the traditional membership system, as the trading and decision-making rights are mixed together which does not conform to the direction of market-oriented reform and affects the fairness and justice of transactions.

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