

LCQ6: Post-2008 electricity market arrangements

Following is a question by the Hon Fred Li and a reply by the Secretary for Economic Development and Labour, Mr Stephen Ip, in the Legislative Council today (November 10):

Question:

The Scheme of Control Agreements ("SCAs") with the two power companies in Hong Kong will expire in 2008, which is only about four years from now. As it takes at least three years to build a new power plant, the Government has to deal with issues relating to the future reform of the electricity supply market expeditiously. In this connection, will the Government inform this Council:

(a) whether it will open up the electricity supply market or continue with the schemes of control, and of the considerations in making its decision in this regard; if the schemes of control are to be continued, whether the future schemes will differ from the current ones; if so, of the details;

(b) whether the future reform of the electricity supply market has to be presented in the form of a bill or subsidiary legislation, for passage by the Legislative Council ("LegCo"); if not, whether the authorities will consult LegCo on the relevant reform proposals; and

(c) as the above SCAs will expire in 2008, whether the authorities have any plan to promote development of more renewable energy sources by the power companies concerned; if so, of the details of the plan; if not, the reasons for that?

Reply:

Madam President,

(a) The Scheme of Control Agreements (SCAs) between the Government and the two power companies will expire in 2008. The Government is in the process of studying options for the future development of the electricity market after 2008. The study encompasses a wide range of complex subjects, including technical, legal, business, environmental and regulatory issues. Our plan is to seek the views of the public on the post-2008 electricity market arrangements in two stages. We are preparing a consultation paper and plan to commence the first-stage public consultation early next year.

(b) Before we proceed with Stage 1 of the public consultation, we will consult the Panels on Economic Services and Environmental Affairs of the Legislative Council on the future direction and framework for the development of the post-2008 electricity market. We will consider the views collected in Stage 1 and formulate proposals on the development and regulation of the future electricity market. We will consult the two Panels again on these proposals before the second-stage public consultation. We do not have any pre-conceived ideas on whether the development and regulation of the future electricity market will entail presenting a bill or subsidiary legislation to the Legislative Council. We will propose the way forward after completion of the public consultation exercise.

(c) For the purpose of enhancing security and reliability of electricity supply and for environmental considerations, the Government supports fuel diversity in power generation, including the use of renewable energy (RE), provided that it will not impose an unacceptable financial burden on consumers.

In formulating the framework for the development and regulation of the post-2008 electricity market, we will consider the role of RE in the future market. We will also take into account the views collected by the Council for Sustainable Development in its current public consultation exercise on the economic, social and environmental impact of the introduction of RE in Hong Kong.

Ends/Wednesday, November 10, 2004