

LCQ12: Consultation on future development of electricity market in HK

\*\*\*\*\*

Following is the question by the Hon Frederick Fung and a written reply by the Secretary for Economic Development and Labour, Mr Stephen Ip, in the Legislative Council today (March 29):

Question

The existing Scheme of Control Agreements between the Government and each of the two power companies will expire in 2008, and the Stage II Consultation launched by the Government on the future development of the electricity market in Hong Kong will end shortly. It has been reported that the proposals put forward in the consultation paper have received negative responses from the two power companies, with one of them indicating that the consultation paper has strained its relationship with the Government. In this connection, will the Government inform this Council:

(a) whether it will, after the end of the above Stage II Consultation, put forward more specific proposals and launch Stage III Consultation; if so, of the details of the work and the timetable concerned; if not, the reasons for that;

(b) of the difficulties encountered in the authorities' negotiations with the two power companies, and whether the proposals put forward in the above consultation paper will be revised or withdrawn as a result; and

(c) whether it has drawn up any contingency plan for the possible outcomes of the negotiations mentioned in (b) (including the failure to reach new scheme of control agreements due to a breakdown of the negotiations with the two power companies); if it has, of the details of the plan, and whether it includes the control, takeover or acquisition of the two power companies by the authorities in order to safeguard public interests; if it has not, the reasons for that?

Reply

Madam President,

(a) In end January 2005, the Government launched the Stage I Public Consultation on the "Future Development of the Electricity Market in Hong Kong". Over 900

responses were received in the three-month consultation period. Taking into account the views received during the Stage I Consultation, we set out specific proposals for the regulatory arrangements for the post-2008 electricity market in the Stage II Consultation Paper. The Stage II Consultation will last until the end of this month. We will consider the views received, improve our proposals as appropriate and draw up regulatory arrangements that are in the best interest of Hong Kong. As we have already conducted extensive consultation on the specific regulatory arrangements for the post-2008 electricity market, we have no plan to conduct another round of consultation.

(b) We are still at the public consultation stage. The discussion with the power companies will start later this year.

(c) In the light of the views received during the consultation period, the Government will draw up regulatory arrangements that will balance the needs of different sectors of the community. Our objectives are to achieve a material reduction in electricity tariffs; to motivate the power companies to reduce their emissions to help improve the environment; and to ensure that the public can continue to enjoy stable and reliable electricity supply through providing the power companies with a reasonable investment return. Over the years, the two power companies have made substantial investment in electricity infrastructure and provided stable electricity supply for Hong Kong. We believe the two power companies will adopt a positive attitude in the discussion with the Government and a reasonable agreement can be reached with them at the end. As set out in the Stage II Consultation Paper on the "Future Development of the Electricity Market in Hong Kong", we will also keep under review the need for new regulatory arrangements or legislation in the light of market developments.

Ends/Wednesday, March 29, 2006

Issued at HKT 13:00