

LCQ11: CLP's tariff structure

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Following is the question by the Hon Albert Chan and a written reply by the Secretary for Economic Development and Labour, Mr Stephen Ip, in the Legislative Council today (November 8):

Question:

At present, CLP Power Hong Kong Limited (CLP) adopts a progressive block tariff structure for domestic customers; the basic bi-monthly charge rate is 86.2 cents for each of the first 400 units, 93.2 cents for each of the next 600 units, and so on. Many members of the public have complained that this tariff structure is unfair to large households. In this connection, will the Government inform this Council whether:

- (a) it knows CLP's justifications for adopting the progressive block tariff structure for domestic customers;
- (b) it knows if CLP has, in formulating the progressive block tariff structure for domestic customers, considered its impact on large households; if it has, of the details; if not, the reasons for that; and
- (c) it has measures to ameliorate the above problem; if so, of the details of the measures; if not, the reasons for that?

Reply:

Madam President,

(a) CLP Power Hong Kong Limited (CLP) has implemented an inverted block structure for domestic tariff since 1996 in order to encourage domestic customers to save electricity and achieve the objectives of efficient use of energy and protection of the environment. Upon changing from monthly to bi-monthly billing for domestic customers in 1998, CLP doubled the block size of domestic tariff to ensure that the electricity charges paid by consumers would not increase as a result of this change. For example, the lowest unit rate was changed from 86.2¢ for the first 200 units of electricity consumed in a month to 86.2¢ for the first 400 units of electricity

consumed in two months.

(b) According to CLP, while the number of family members has a bearing on the electricity consumption of a household, the overall consumption is also notably affected by the energy efficiency of household appliances chosen by the family as well as the family members' practices and habits in using their appliances. CLP has indicated that the needs of domestic customers and related factors have been taken into account in formulating the tariff structure. Under the current tariff structure, domestic customers are charged based on their total bi-monthly electricity consumption under four blocks. The unit rates are 86.2¢ for the first 400 units of electricity consumed, 93.2¢ for the next 600 units and at two progressively higher levels for the remaining two blocks. As a result, all domestic customers, including large households, can enjoy the lower tariff rate for the first 400 units of electricity consumed. In addition, CLP provides concessionary tariff to the elderly. All qualified elderly persons are offered half-price for the first 400 units of electricity consumed in two months and an exemption of the minimum charge per bill.

(c) The merit of an inverted block structure is to encourage domestic customers to save electricity, in order to help reduce the growth in long term electricity demand and achieve the objectives of efficient use of energy and protection of the environment. Many other major cities, such as San Francisco, Tokyo, Seoul and Taipei, have also adopted a similar structure for their domestic tariffs.

Ends/Wednesday, November 8, 2006

Issued at HKT 12:03