

LCQ5: Discussion with power companies

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Following is a question by the Hon Frederick Fung and a reply by the Secretary for Economic Development and Labour, Mr Stephen Ip, in the Legislative Council today (January 24):

Question:

Early last year, the Government conducted the Stage II Consultation on the future development of the electricity market in Hong Kong after the expiry of the Scheme of Control Agreements in 2008. It has been reported that the two power companies consider the recommendations in the consultation paper unacceptable. Moreover, in reply to my related question in March last year, the Government stated that it would start discussion with the two power companies later in 2006. In this connection, will the Government inform this Council:

(a)of the latest progress of the discussions with the two power companies and the difficulties encountered; the consensus reached so far on the regulatory regime, permitted rate of return, tariff setting mechanism, emission reduction targets, the use of renewable energy to generate electricity, etc., and how they compare with the recommendations in the consultation paper;

(b)given that the Administration has no plan to conduct further extensive public consultation on the specific regulatory arrangements for the post-2008 electricity market, how it ensures that the agreements reached in the future with the two power companies have fully taken into account the interests of the public and will receive widespread public support; and

(c)whether it has drawn up contingency plans to cater for the various possible outcomes of the aforesaid discussions (including a breakdown of the negotiations leading to no new agreement); if it has, of the details of the plan, and whether the contingency plans include the control, takeover or acquisition of the electricity generation and supply systems of the two power companies; if it has not, the reasons for that?

Reply:

Madam President,

(a) In 2005 and 2006, the Government put forward a package of proposals on “Future Development of the Electricity Market in Hong Kong” for a two-stage public consultation. During the consultation period, we received views of organisations and individuals from different sectors of the community. The Legislative Council also conducted motion debates and other discussions on the subject. The Government has carefully studied the views received and reported them to the Legislative Council Panel on Economic Services. Since mid last year, we have been discussing with the two power companies the terms of the post-2008 Scheme of Control Agreements. Our target is to finalize the post-2008 regulatory arrangements this year.

In the course of our discussion, the Government and the power companies have already exchanged views in detail on the key issues mentioned in the question. Our views are more aligned in some areas such as the continued adoption of the Scheme of Control Agreements as the regulatory framework and facilitating renewable energy users to have access to the electricity grid, etc. But we expect more time is needed for discussion of other items. As the discussion between the Government and the two power companies is now underway, it is not appropriate to disclose the details of the negotiation. However, the Government understands clearly the views and expectations of the public through the public consultation exercise. We shall endeavour to ensure that the final regulatory package meets public expectations and is in the overall interests of Hong Kong.

(b) As I have just mentioned, the Government has conducted a two-stage public consultation on “Future Development of the Electricity Market in Hong Kong”, and received over 900 and 17000 written submissions from organisations and individuals representing different sectors of the community in the first stage and second stage respectively. We have also attended meetings, briefings and discussion forums held by the Legislative Council Panel on Economic Services, the Legislative Council Panel on Environmental Affairs, District Councils, the Consumer Council, green groups, as well as professional and academic institutions, to collect views of different stakeholders and different sectors of the community.

Through these channels, the public have clearly expressed their views on “Future Development of the Electricity Market in Hong Kong”. In formulating the final regulatory package, we shall take into account these public views.

(c)In conducting the review on “Future Development of the Electricity Market in Hong Kong”, the Government has considered different forms of regulatory models, including regulation by means of legislation and continued adoption of the Scheme of Control Agreements for economic regulation of the two power companies. At this stage, we consider the continued adoption of the Scheme of Control Agreements to be an appropriate arrangement. As regards the two power companies, they have made substantial investments in the electricity infrastructure of Hong Kong over the years. It is also their wish to reach an agreement with the Government so as to continue their electricity generation and supply business in a regulatory environment which has been working effectively. The Government, however, will not rule out introducing other regulatory arrangements if and when necessary. We are now making our best effort to negotiate an agreement with the two power companies. We shall keep under review the negotiation progress and if necessary, achieve our policy objectives of ensuring stable electricity supply at reasonable price through other arrangements.

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