

LCQ14:Mechanisms for setting fuel surcharges

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Following is a question by the Hon Howard Young and a written reply by the Secretary for Economic Development and Labour, Mr Stephen Ip, in the Legislative Council today (June 1):

Question:

Will the Government inform this Council:

- (a) how public utilities such as power and gas companies currently formulate the mechanisms for setting fuel surcharges, and whether they follow a set of criteria or indicators in calculating such surcharges;
- (b) of the respective adjustments of fuel surcharges by various public utilities over the past five years, and how the authorities monitor such adjustments in order to ensure that the increment rates are reasonable; and
- (c) whether it will consider enhancing the transparency of the existing fee-setting mechanisms of various public utilities, as well as reviewing and improving the mechanisms concerned, so as to keep the operation of the mechanisms in line with fair and reasonable principles?

Reply:

Madam President,

- (a) Among the public utilities, electricity and Towngas supplies include fuel cost adjustment, the mechanisms for which are stipulated in the relevant agreement signed between the Government and the respective supplier company.

Pursuant to the Scheme of Control Agreements (SCAs) signed between the Government and the CLP Power Hong Kong Limited (CLP) and the Hongkong Electric Company Limited (HEC), fuel cost is borne by consumers and the Basic Tariff includes a standard fuel cost. Through the Fuel Clause Account mechanism, the difference between the standard and the actual fuel costs is returned to or recovered from the consumers each year by means of a Rebate or a Surcharge.

The Information and Consultation Agreement with the Hong Kong and China Gas Company Limited (HKCG) also adopts an arrangement whereby fuel cost is borne by consumers a standard fuel cost is included in the tariff and Fuel Cost Variation is determined each month, based on the difference between the standard and the actual fuel costs. Fuel Cost Variations are returned to or recovered from the consumers by means of a Rebate or a Surcharge in the immediate following month.

Thus, the fuel cost adjustment mechanisms ensure that fuel cost is borne by consumers and there should be no profit or loss to the companies with regard to the use of fuel.

(b) Adjustments in fuel cost surcharges by the two power companies and the HKCG in the past five years, from 2000 to 2004, are set out in the [Annex](#).

Pursuant to the SCA, the two power companies will, towards the end of each year, put forward tariff proposals, which include, inter alia, the proposed fuel cost adjustments, for the coming year. In deciding on the Fuel Clause Rebate or Surcharge, we take into account various factors, including the fuel cost differential, the balance in the Fuel Clause Account as well as the need to stabilise tariff.

In the case of towngas, we monitor and review the Fuel Cost Variation Charge/Rebate by HKCG against trend movements in the import prices of naphtha to ensure that the adjustments are in line with the latter.

(c) We have always encouraged the power and the gas companies to enhance transparency with regard to their tariff, including fuel charge variations. The two power companies as well as HKCG have since included details of the fuel cost adjustment mechanism in their websites and the tariff pamphlets distributed at their customer service centres; and separately itemized the fuel cost surcharge/rebate in their bills to customers.

Ends/Wednesday, June 1, 2005