

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

ENB063

Question Serial No.

5062

Head: 42 Electrical and Mechanical Services Department
Subhead (No. & title):

Programme: (1) Energy Supply; Electrical, Gas and Nuclear Safety

Controlling Officer: Director of Electrical and Mechanical Services

Director of Bureau: Secretary for the Environment

Question:

For monitoring on power companies, please advise this committee on the following:

- (a) Under the Scheme of Control Agreements, has the Government provided to the power companies any forms of premium or subsidy. If yes, please advise the details and amount;
- (b) In the interests of all citizens, what are the measures taken and resources allocated by the Government for stringent monitoring of the power companies on their excess reserve generating capacity, while increasing the tariff incessantly;
- (c) For the assessment of the development plans (DP) regularly submitted by electricity utilities, please advise the details of the work and the manpower and expenditure involved. Please also advise the principle and form of assessing the DP as well as what is done to avoid high capital cost which will lead to the problems of tariff increase and inefficiency.

Asked by: Hon. TANG Ka-piu

Reply:

- (a) The returns of the power companies are strictly governed by the terms in the Scheme of Control Agreements (SCAs). There is no premium or subsidy provided under the Agreements.
- (b) The SCAs provide for a mechanism for treatment of excess generating capacity of the power companies. Accordingly, each additional generating unit shall be subject to tests for excess capacity. If it fails the tests, a relevant portion of the capital cost of the generating unit will be excluded from earning the permitted return. The Electrical and Mechanical Services Department (EMSD) will provide technical support to the Environment Bureau (ENB) in this respect.
- (c) EMSD will provide technical support to ENB to conduct assessment of DP submitted by the power companies with a team of engineers within the existing resources. Their responsibilities cover a wide range of areas in addition to vetting and processing the DP submissions. We do not have a breakdown of the expenditures involved only in the work of DP assessment. The DP will be scrutinised and amended as appropriate with due consideration on the need, timing and cost of the project proposals to ensure that the capital expenditure of the power companies is in line with the development needs of Hong Kong.

Name in block letters: CHAN Fan

Post Title: Director of Electrical and
Mechanical Services

Date: 28.3.2013

