

For information

**Legislative Council Panel on Economic Services**  
**Implementation of Demand Side Management Programmes**

**Introduction**

This paper updates members on the implementation of the Demand Side Management (DSM) programmes by the two power companies.

**Background**

2. Members of the Legislative Council Panel on Economic Services were consulted on 24 May and 20 December 1999 on the arrangements for the DSM programmes. At the Panel meeting on 20 December 1999, Members noted that the revised arrangements had incorporated improvements over the original proposals, and some members remained concerned about the impact of the DSM Charge on residential customers.

3. After taking Members' views into account, the Administration finalized the implementation arrangements with the power companies and separately signed an Agreement with each power company to implement the DSM programmes on 31 May 2000. The full texts of the DSM Agreements between the Government and the power companies are also available at the web-site of the Economic Services Bureau<sup>1</sup>. The three-year DSM programmes including the rebate schemes for non-residential customers were launched on 1 July 2000.

**The DSM programmes**

4. The DSM programmes, as revised, include –

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<sup>1</sup> <http://www.info.gov.hk/esb/refer/index.htm>.

- (i) rebate schemes to encourage non-residential customers to install energy efficient lighting and air-conditioning equipment; and
- (ii) non-rebate schemes including publicity arrangements with targeted promotional plans, general education on energy efficiency and conservation, and market researches.

5. In accordance with the DSM Agreements, the two power companies drew up DSM Resource Plans and budgets to implement their respective DSM schemes. The total budget allocated by the power companies for their DSM programmes was \$175.1 million (CLP - \$114.8 million; HEC - \$60.3 million), of which \$152.6 million was for the rebate schemes (CLP - \$104.9 million; HEC - \$47.7 million) and \$22.5 million for the non-rebate schemes (CLP - \$9.9 million; HEC - \$12.6 million).

6. To make up for the cut in the advertising budget of the power companies to reduce the overall programme cost, the Government produced a set of Announcements of Public Interest (APIs) to promote the concept and benefits of DSM for release during air time allotted to the Government. The APIs are also available at the web-sites of the Information Services Department<sup>2</sup> and the Electrical and Mechanical Services Department (EMSD)<sup>3</sup> for public access.

## **Progress to date**

### *(I) Rebate schemes for lighting equipment - non-residential*

7. The rebate schemes for lighting equipment have been very well received since their introduction in July 2000. The budget allocated for the rebate schemes, intended to be spent over three years, was exhausted within one year. As a result, CLP and HEC stopped accepting applications for these schemes as from 1 July 2001 and 1 August 2001 respectively.

8. A total of 4 259 applications has been received (CLP - 2 978; HEC - 1 281), 4 185 or 98% of which have been approved as at end December 2001. The total expected capacity saving of 34MW for the approved applications slightly exceeds the target saving of 33MW.

<sup>2</sup> <http://www.info.gov.hk/isd/tvapi/demand/index.htm>

<sup>3</sup> <http://www.emsd.gov.hk/emsd/nf-eng/pee/dsm.htm>

Information to hand shows that 7% of the approved applications are from the Government, 71% from small and medium enterprise (SME) customers<sup>4</sup> and 22% from large customers<sup>5</sup>, an indication that the DSM rebate schemes have been widely accepted by SME which are thus the main beneficiaries.

9. While the allocated budgets for the lighting rebate schemes have been exhausted, the power companies have undertaken to resume processing the outstanding applications once additional budgets become available, such as when there are downward adjustments to the approved rebate amount on subsequent verification, or when surplus arises from the budgets provided for the air conditioning rebate schemes. The capacity savings achieved eventually could therefore be higher than that presently envisaged.

*(II) Rebate schemes for air-conditioning equipment - non-residential*

10. The power companies started to receive applications for rebates in respect of air-conditioning equipment as from June 2001. 20 formal applications have been received by end December 2001, although initial enquiries totalled 403.

*(III) Publicity arrangements*

11. In addition to APIs, EMSD and the power companies have been publicizing the DSM programmes through various channels, including the Internet, bill inserts and seminars. The power companies have also posted abridged versions of their DSM Resources Plans on their web-sites<sup>6</sup>.

12. To encourage customers to reduce their electricity consumption during the peak-load period and/or to shift their load off-peak, the power companies also offer time-of-use (TOU) tariffs to large non-residential electricity customers.

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<sup>4</sup> customers under Commercial and Miscellaneous tariff and Small Industrial tariff

<sup>5</sup> customers under bulk tariff

<sup>6</sup> <http://www.hec.com.hk/hec/dsm/index.htm> and <http://www.clpgroup.com/dsm>.

**Next step**

13. As part of the Programme, the power companies will levy DSM Charges on their non-residential customers to finance the rebate schemes and related promotional plans. The level of the Charges, as considered in the context of the 2002 tariff review, is 0.2 cent per unit (kWh).

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