



September 23, 2005

**To:** LegCo Environmental Panel

**Subject:** *Hong Kong Government consultation of Regulation of the Energy Industry*

## Which way is the wind blowing?

Our two coal fired power plants. Castle Peak majority owned by the US multi national Exxon/Mobile, on the left near the airport. Lamma Island on the right near Hong Kong Island whose parent company is Cheung Kong.





## Executive Summary:

1. **The need to prevent the sickness and premature death of the people of Hong Kong from air pollution and its associated costs are not mentioned in this document.** “The environment” is not just good visibility to satisfy an emotional need. It is clean, healthy air for the people to breathe. University of Science and Technology has put a price on the sickness and premature death from air pollution and these costs must be included in this document.
2. **Prevent pollution by reducing energy use. There is no discussion of a financial model for the power companies to profit from REDUCING power usage.** You can spend money to build a new plant, or spend it to reduce usage. It is the responsibility of the Government to provide the leadership and framework with regard to industry profits on this key element of saving energy in reducing the ill health and premature death caused by air pollution.
3. **The security of the Hong Kong SAR is at risk if we do not have a fully integrated power grid both locally and with the mainland in order to protect us from unexpected disasters.** Nor is the ability to maximize the cleanest technology by using the most efficient assets (gas turbines) by allowing a customer to choose. Many will pay more for cleaner fuel but they are not given the option. This is yet another value of integrating the grid. This has not been addressed.
4. **Capping emissions is a tool for a rapidly growing market like the Pearl River Delta, not a mature market like Hong Kong.** A progressive reduction, 10% per year based on the previous year’s total, in allowed emissions and a phased approach of not more than 10 years would be an example of steadily reducing emissions. There must be financial penalties for failure.
5. **The Government’s executive summary contains an excessive amount of non-neutral phrases,** unsubstantiated supposition, and suggests that a significant amount of research is being deliberately withheld because the public is considered to be incapable of understanding it. All studies related to the preparation of this consultation must be made available to the public, not just summaries created by Government officials.
6. **Stop outsourcing Governance to the polluters.** We must have our own regulatory body to protect us, not Exxon Mobil or Cheung Kong. Never forget ENRON.

Annelise Connell  
Vice Chairman  
Clear the Air

September 23, 2005



<b>Government consultation document</b>	<b>Clear the Air response</b>
<p>1 -CHAPTER 1 INTRODUCTION</p> <p>Policy Objective 1.1</p> <p>Reliable electricity supply is vital to the economic development of Hong Kong and the livelihood of its people. In this respect, Government's policy objective is to ensure that consumers receive</p> <ol style="list-style-type: none"> <li>1. reliable,</li> <li>2. safe and</li> <li>3. efficient electricity supply at</li> <li>4. reasonable prices while</li> <li>5. minimising environmental impact caused by the generation and use of electricity.</li> </ol>	<p>No documents on the environmental impact or cost of pollution are included in these consultation documents.</p> <p>No documents on the health effects and health cost of power generation have been included.</p> <p><b>As important as the environment is, the health of the people is even more important.</b></p> <p>We therefore propose that “<i>environment</i>” be changed to “<i>environmental and health</i>” throughout this document. The primary concern is not about the emotional value of improved visibility and seeing blue sky, but about reducing sickness and death from air pollution.</p> <p>The phrase “minimizing environmental impact” is not sufficient. The cost of sickness and death influenced by air-pollution would be more accurate and we can measure it.</p>
<p>Both power companies are investor-owned and vertically integrated, i.e. they own and operate the entire electricity supply chain, including generation plants, transmission and distribution networks, and supply directly to customers within their respective service areas.</p>	<p>The words “geographic exclusivity” should be used to convey the correct economic connotation – namely the Government approved geographically monopoly – in the absence of any other power suppliers.</p>
<p>CLP/ ExxonMobile HKE/ Cheung Kong Infrastructure</p>	<p><b>Shareholder “rights” are often held up reasons for Governmental decisions.</b> As such, all the large shareholders should be listed very clearly so that we know who controls this critical asset and profits from the sickness and death caused by the air pollution.</p>



<p>The latest electricity demand forecast indicates an annual growth rate of 2-3% over the next 10 years.</p>	<p>The source of this information is the power companies themselves. It is dubious considering that such tools such as the Business Environment Council's BEAM project can actually reduce consumption by existing individual non-residential customers. The government must promote savings and reduce consumption (fiscal incentives and legislation is needed , not just "education" and "hope" that people will reduce).</p>
<p>Electricity Consumption (by customer type) in 2003</p>	<p>Figure 2.3 does not show as a separate item the 10% of the coal generated power CLP/ExxonMobil sells to China – coal power that is not used in Hong Kong, yet causes sickness and death in Hong Kong. This is a serious oversight.</p>
<p>Figure 2.2 – Present Generation Fuel Mix in Hong Kong</p>	<p>Does not show the cleanest Fuel Mix currently available given the existing power generation equipment. Nor does it show the amount of pollution that is created unnecessarily by NOT using the cleanest fuel mix that is currently possible.</p>
<p>The power companies have made substantial, long-term investments to provide reliable and safe electricity supply that supported Hong Kong's economic development over the years.</p>	<p>This is a non neutral phrase. The neutral phrase would be           "In order to secure a reliable and safe electricity supply Government has required the power companies to make appropriate investments to support Hong Kong's economic development. In return they have been given a non-benchmarked 13.5-15% rate of return , they were not prevented from creating vertical monopolies, and they have control over the power grid which has, to date, prevented new entrants to the marketplace.</p>
<p>Page 9. - for the Government to monitor the power companies' financial affairs and technical performance. Key features of the SCAs which contribute to achieving our policy objective of providing reliable, safe and efficient electricity supply at</p>	<p>The "environment and health of the people" has been improperly left out of this statement.</p>



reasonable prices include:	
“The power companies have made”	Again a misleading statement. It should read “The power companies have fulfilled their legal obligation and have made” [i.e requirement to serve]
an obligation for the power companies to supply electricity at lowest possible cost. In general, the electricity bill accounts for less than 2% of the general household monthly expenditure (see Figure 2.3) for residential customers	<p>“Lowest possible cost” is not the same as “reasonable” cost. Which is the driving premise?</p> <p>There is no discussion of the value of these two statements or of what objective measures can be used to define these two terms</p> <p>20% of the CLP/ ExxonMobil coal pollution is caused because CLP sells 10% of the power generated to the Mainland.</p> <p>Government appears to have used “lowest possible” instead of “reasonable” cost in allowing this sale. The cost of the pollution must be factored into the actual cost to society not just the retail cost of electricity.</p> <p>CLP has noted that 80% of the profit from this pollution is used to lower Hong Kong power costs.</p> <p>One of the reasons HKE has been able to charge more than CLP is because CLP is using the pollution created and some of the profits from power sold to China to subsidize Hong Kong prices.</p>
We enjoy a high level of supply reliability that currently exceeds 99.99%, which is among the highest in the world, when compared to that ranges between 99.95% and 99.99% in some major cities such as San Francisco, London, Sydney, Seoul and Shanghai are the chosen cities.	<p>Tokyo, Singapore, New York figures should also be included.</p> <p>Number of hours of downtime is a better number because it is more understandable to the average person.</p> <p>The difference listed is less than one minute per day averaged over one year. To suggest that these other cities suffer because of the difference is ridiculous.</p>
It is, however, very difficult to compare non-residential tariffs in the different cities	75% of our energy use is non residential. Stating that the comparison is difficult suggests that Government



<p>because of the variety of tariff schemes offered by different power companies to different non-residential customer groups in the commercial, industrial and agricultural sectors, which in turn are affected by the policies and economic considerations, etc., of the countries or cities for each economic sector.</p>	<p>has conducted a study that could be released to the public but it will not do so.</p> <p>Refusing to compare the tariffs and discuss that possible inclusion of any effective policies – and rate variations – suggests that Government is withholding information from the public because the power companies and non-residential users have already agreed to policies that will continue to pollute our air and make us sick rather than pay the real price for corporate electricity use and abuse.</p> <p>Who actually controls the energy agenda? The Government on behalf of the people or the power companies? As Enron has proven, it is a serious mistake to put energy decision in the hands of those for whom profit independent of the well being of the people, is the only consideration.</p>																		
<p>2.6 The table below shows Hong Kong's residential electricity tariffs and those in other major cities</p> <p>12. Residential Tariff of Major Cities (as at January 2005) City Tariff range (HK\$/kWh)</p> <table border="0"> <tr> <td>Tokyo (Tepco)</td> <td>1.41 – 1.73</td> </tr> <tr> <td>London (London Energy)</td> <td>1.17 – 1.68</td> </tr> <tr> <td>San Francisco (PG&amp;E)</td> <td>0.89 – 1.41</td> </tr> <tr> <td>Sydney (Energy Australia)</td> <td>0.75 – 1.23</td> </tr> <tr> <td>Hong Kong (HEC)</td> <td>0.82 – 1.18</td> </tr> <tr> <td>Brisbane (Energex)</td> <td>0.75 – 1.15</td> </tr> <tr> <td>Hong Kong (CLP Power)</td> <td>0.85 – 0.99</td> </tr> <tr> <td>Singapore (Singapore Power)</td> <td>0.8</td> </tr> <tr> <td>Taipei (Taipower)</td> <td>0.51 – 0.65</td> </tr> </table>	Tokyo (Tepco)	1.41 – 1.73	London (London Energy)	1.17 – 1.68	San Francisco (PG&E)	0.89 – 1.41	Sydney (Energy Australia)	0.75 – 1.23	Hong Kong (HEC)	0.82 – 1.18	Brisbane (Energex)	0.75 – 1.15	Hong Kong (CLP Power)	0.85 – 0.99	Singapore (Singapore Power)	0.8	Taipei (Taipower)	0.51 – 0.65	<p>Aside from perception of these cities as being “world class” there is no explanation of the climatic conditions, populations and public/private uses of energy to justify using these cities.</p> <p>Specifically, New York, which is similar to Hong Kong is not listed.</p> <p><i>e.g. San Francisco has less than 1 million people and most residences have no air conditioners as the weather is comfortable year round. Commercial Buildings use air-con sparingly. Furthermore, 100% of San Francisco fuel comes from clean sources and therefore the prices are considered high compared to many other US cities. In comparison - over half of Hong Kong power comes from dirty coal yet the prices are similar.</i></p> <p>The US cities of New York or Chicago would be better comparisons because of</p> <ul style="list-style-type: none"> <li>- heavy reliance on coal,</li> <li>- May-October temperature extremes</li> <li>- similar populations/densities.</li> </ul>
Tokyo (Tepco)	1.41 – 1.73																		
London (London Energy)	1.17 – 1.68																		
San Francisco (PG&E)	0.89 – 1.41																		
Sydney (Energy Australia)	0.75 – 1.23																		
Hong Kong (HEC)	0.82 – 1.18																		
Brisbane (Energex)	0.75 – 1.15																		
Hong Kong (CLP Power)	0.85 – 0.99																		
Singapore (Singapore Power)	0.8																		
Taipei (Taipower)	0.51 – 0.65																		



e.g. Chicago's Energy Plan focuses on building "virtual" power plants through smart energy management, utilizing modern technologies, employing economically meaningful efficiencies, and building both a local supply and demand for renewable power.

As Guangdong has proven, and has been true all over the world, old coal plants will never be shut down, and will be reopened if there is any profit at all in doing so – even if there is irresponsible energy use or significant ill health and death.

*It is a myth that old plants will be permanently closed down. Therefore, all existing coal-fired power plants should be required to meet the same emissions standards as new coal-fired plants.*

How much energy can be saved in Government buildings? What does the Business Environment Council evaluation program - BEAM - say about the energy efficiency of our Government buildings.

Ideas from Chicago, USA:

**OPPORTUNITY #1:  
Improving Installation and Maintenance Practices for Residential Air Conditioners**

Residential air conditioners are frequently not properly installed and maintained. This means inflated bills and excess energy use, especially during summer peaks. Studies estimate that correcting routine problems could reduce air conditioning peak demand by 14 percent in existing homes, and 25 percent in new construction.

Power companies can help support technician training programs and help customers hire the right contractor. California utilities, for example, created the Residential Energy-Efficiency Contractor Program, which pays consumers US\$75 for checking and correcting refrigerant and airflow, US\$75 for testing for duct leaks, and US\$200 for sealing ducts if tests find significant leaks. The program also includes a contractor training and monitoring component. More than 1,000 homes have been through the program and participation is increasing.

**OPPORTUNITY #2:  
Commissioning of Existing Commercial Buildings**

Commercial buildings account for a larger portion of peak demand in most regions than any other sector. But very few of



	<p>the complex cooling, electrical and distribution systems in these facilities are properly tuned. That's why so many workspaces are either too hot or too cold. Often, systems were installed improperly; other times, they have fallen out of synch as building uses change.</p> <p>Commissioning such buildings - optimizing their energy-using systems - can significantly cut energy use. A recent Commonwealth Edison pilot project in Chicago commissioned 11 buildings, reducing peak demand by about 2 megawatts. Total annual savings were more than 6 million kilowatt-hours and nearly half a million dollars. Another study found average energy savings of nearly 20 percent in 44 commissionings. Most paid for themselves in less than a year.</p> <p>One impediment is the limited number of qualified commissioning engineers. And building owners are often unaware of the services they can provide. Both problems can readily be addressed. For example, Oregon's Portland General Electric is paying half the cost of commissioning services for local buildings, along with part of the costs to implement the recommendations.</p>
<ul style="list-style-type: none"> <li>the permitted return, based on fixed assets, is perceived to have encouraged over-investment;</li> </ul>	<p>“perceived” is a non neutral term. The neutral phrase would be “has resulted in a current overcapacity of 40%”</p>
<p>The main drivers for market reform in other economies included privatisation of government-owned assets and improving supply reliability</p>	<p>Public and Governmental unwillingness to build new nuclear or fossil fuel plants has also been a policy driver and must be researched and the results presented to the public.</p> <p><b>Case study: California 2001 Energy Crisis</b></p> <p>How did California reverse its supply crunch so quickly? The answer, to a large degree, is conservation. In the midst of the crisis, state legislators and Gov. Gray Davis scrambled to assemble a far-reaching, \$730 million statewide conservation campaign that included a blitz of "kill-a-watt" TV and radio ads, tougher efficiency standards for new homes and office buildings, and financial incentives for curbing electricity use, such as utility bill rebates. At the same time, the state expanded programs shielding low-income residents from higher electric rates, while utilities beefed up their own efforts to encourage energy efficiency.</p> <p>Together, these actions spurred Californians to embrace conservation in ways both large and small, from buying more efficient refrigerators to turning off idle computers.</p>





	<p>The result: an unprecedented drop in power demand.</p> <p>Electricity use fell 6 percent in the first nine months of 2001 compared with the same period the year before. The reduction in peak use was even more dramatic; <i>in June alone peak demand dropped 12 percent -- the equivalent of 4,800 megawatts, or the output of 10 giant power plants.</i></p> <p>Over the past two decades, for instance, California diverted a small fraction of every electricity bill to utility-run conservation programs, which, collectively, eliminated the need for nine 500-megawatt power plants</p> <p>From June through September, nearly one-third- of households served by Pacific Gas &amp; Electric slashed their monthly electricity use 20 percent or more. Even more impressive, this group's total electricity use over the summer months plunged 40 percent, compared to a year earlier.</p> <p>At the urging of the governor's office, hundreds of companies promised to trim power use by at least 20 percent, a goal many of them met by dimming unneeded lights, controlling building temperatures and asking employees to switch off equipment not in use. Unions representing janitors in California pitched in, too, by encouraging members to turn off lights once they were finished cleaning a particular office or floor, and by arranging to have buildings cleaned earlier in the day, when fewer lights would be needed.</p> <p>Changes to the state's building code, for example, will boost the energy efficiency of all new residential and commercial structures by 10 to 15 percent. Over a five-year period, the tougher standards are expected to save about 1,000 megawatts of electricity -- roughly the equivalent of peak output from two large power plants.</p> <p>Obviously, conservation alone can't solve an energy crisis -- or guarantee clean, reliable and affordable power in the future. What's needed, too, are investments in energy-efficient technologies and new ways of tapping wind, solar power and other renewable resources. (Determined not to be caught flat-footed, California is leading the way in this as well, earmarking \$2 billion for such research over the next decade.) Yet as the state's experience shows, energy policies that ignore or fail to encourage conservation sell both citizens and businesses short, which is hardly a bright idea.</p> <p>Source: <a href="http://www.nrdc.org/air/energy/fcal2001.asp">http://www.nrdc.org/air/energy/fcal2001.asp</a></p>
<p>To achieve the required emission reduction targets, we will cap emissions from power generation in Hong</p>	<p>ExxonMobil is the largest oil company in the world. They do not need any corporate welfare. Capping emissions is a tool for a rapidly growing market, not a</p>



<p>Kong through specifying the maximum allowable emission quantities in future licences for power plants under the Air Pollution Control Ordinance.</p> <p>3.7 While imposing emission caps through licences will be an effective means to reducing emissions from power generation, measures taken to achieve the <b>“emission reduction can lead to substantial costs.”</b></p> <p>It is therefore necessary to explore means to optimise the costs involved, and we propose to work closely with the power companies to introduce measures and new technologies that aim at achieving emission reduction target, as well as ensuring sustainability, energy conservation and efficiency</p>	<p>mature market <i>The old coal plants must be decommissioned.</i></p> <p>A progressive reduction in allowed emissions and a phased approach of not more than 5 years is the tool used worldwide for a mature market.</p> <p><b>“substantial costs”</b> is a non neutral phrase. The actual number must be used and compared to the health costs currently paid for by the people of Hong Kong in terms of ill health and premature death.</p> <p>It is not the responsibility of Government to <b>“work with”</b> the power companies to reduce pollution. This is not the <b>“polluter pays principle”</b> Those who profit from pollution are 100% responsible for eliminating it. The Government’s role is to set a target that is technologically feasible and it is up to the power producer to meet the goal.</p> <p>This statement clearly is intended to suggest that the Government is going to give corporate welfare to power companies to reward them for refusing to install pollution reduction equipment using the exorbitant profits they have earned over the last few years.</p> <p>Rewarding polluters financially for polluting for any reason is immoral. It is they who must carry the cost and do so not by passing the cost to consumers, but by earning smaller profits if they fail to do so.</p> <p>Practicable is not an acceptable term to use as every pollution reduction mandated by Governments worldwide have been preceded by power producers claiming that is either “cannot be done” or is “not practicable”. These statements have all been false and the Government must not let the children of Hong Kong grow up with stunted lungs and bodies and respiratory problems because they cannot go outside to play because ExxonMobil and Cheung Kong Infrastructure will not reduce pollution using existing technology.</p> <p>Hong Kong does not have to use the lax “best endeavor” standard that has been offered to Guangdong. Also, the goals for Hong Kong are pitiful. We must, and can, cut our pollution from</p>
--	---



	<p>power generation by 80% - using improved technology and demand-side energy management and cleaner fuels.</p> <p>The target must be set and adhered to or significant loss of profits by the power industry must result.</p> <p>The polluter is in the best position to know the technology to clean up and do not need corporate welfare to achieve their required goal. Loss of profit is all the motivation they need.</p>
<p>Adequate and a reasonable level of investment in relevant infrastructure is crucial to maintaining this level of supply reliability.</p>	<p>This statement is not neutral. It is complete doubletalk and a misdirection tactic in order to direct public and media attention away from the real questions that must be asked and answered.</p> <p>How to finance is not the issue. Whether to finance, and how much capacity is needed - must answered first.</p> <p>The investment regime and investment vehicles are irrelevant unless we know how much money we are talking about – and if that investment cannot be financed directly by the consumer by demand-management driven energy costs.</p> <p>The word “reasonable” is not defined and is therefore a license to gouge the consumer based on nothing at all.</p> <p>Supply reliability has not been proven to need additional investment if there is sufficient “excess” profit to meet investment goals.</p>
<p>Regulating Tariff</p> <p>3.23 Given the importance of electricity supply to our economic and social development, we intend to continue with economic regulation to ensure that electricity tariffs are reasonable and will take into account the prevailing economic conditions.</p>	<p>Again, there is no objective definition of “reasonable” especially as it relates to air pollution and the intangible benefit to society of energy conservation.</p> <p>The consultation must stop using this word and it invites an abuse of power by man, over the rule of law.</p> <p>Furthermore, there is no discussion in using the tariffs to effects environmental goals. The people have said time and time again that they are willing to pay more,</p>



	<p>if and only if it can be proven that the additional cost are actually going to reduce pollution.</p> <p>Proof that tariff rises actually result in cleaner air must be shown objectively.</p>
<p>3.29 (A) Increased Interconnection</p> <p>3.30 <b>“to provide this “full access” capability would be very costly and might not be economically viable.</b></p> <p>firstly, in order to allow all customers in one service area to have full access to supply sources in the other service area, the interconnection as well as the networks of the two power systems would have to be much enhanced.</p> <p>There would also be significant environmental and space requirement issues associated with the network enhancement; and•</p> <p>secondly, <b>the two power companies would need to develop substantial additional generation capacity to cater for supplying customers in both service areas.</b></p> <p>It means that the relevant transmission circuit should have large enough capacity to handle the highest possible level of electricity supply required to meet the demand of all customers.</p> <p>In short, a large amount of upfront cost would have to be borne by all consumers while</p>	<p>Non neutral phrases:</p> <p>“Full access” – who made these decisions and based on what numbers?</p> <p>“Much enhanced” is undefined. CLP is ready right now. Why the protectionism for HKE and Cheung Kong?.</p> <p>“Significant environmental and space requirements.” “Significant”. How much?</p> <p>“More capacity” is false. Each already has 40% overcapacity.</p> <p>Many of these statements are actually false and deliberate misrepresentations.</p> <p><b>Transmission circuit. This issue shows how critical it is to provide proper competition within Hong Kong by removing the power grid from the vertical monopolies of Exxon Mobil and Cheung Kong.</b></p> <p>Why is the Government stating outright lies regarding the need for increased capacity? This is indefensible.</p> <p>“Consumer cost” CLP is salivating to get the Hong Kong Island market. We support this because currently – based on the amount of pollution per unit of energy provided - CLP provides cleaner power than HKE.</p> <p><b>Emergency conditions:</b></p> <p>In case of a disaster, natural or otherwise, it is critical that Hong Kong be able to recover right away in case of one of the power suppliers becoming inoperable. It is critical to the security of Hong Kong that there be full interconnectedness between the power grids and the mainland grid.</p>



<p>the perceived benefits would be uncertain and long incoming. Moreover, there would be transmission charges levied by the 'local' power company for transferring electricity supply obtained from the power company in another service area.</p>	
<p>3.34 Customer choice is a means rather than an end in itself</p>	<p>Choice is the Government position on public transportation. Either it is valid for both the public transportation and power sector, or neither. Government cannot apply the principles arbitrarily</p>
<p>objective of providing a reliable electricity supply at reasonable prices</p>	<p>Again, environmental and health costs have been removed from the argument</p>
<p>.Lessons from other economies have indicated that introducing more players into the electricity market to provide customer choice is not without risks, and lower supply reliability and price fluctuations could be the outcome</p>	<p>CLP can currently handle 100% of all the Hong Kong SAR's current power needs – risk free.</p> <p>Why is Government giving obviously false arguments? What “risks”? Are we already being threatened by Cheung Kong and ExxonMobile – putting the security of Hong Kong in the hands of multi-nationals instead of the Hong Kong Government?</p>
<ul style="list-style-type: none"> <li>• Would need significant up front costs that will have to be borne by the consumers through the tariff, while the associated benefits would likely take some years to realise.</li> <li>• Would not in itself provide customer choice and would not displace the need for new generation capacity to meet growth in demand</li> </ul>	<p>Both statements are false</p>
<p>3.37 Whether or not</p>	



<p>increased interconnection should be pursued would to a great extent depend on the net economic benefit it could provide.</p>	<p>Again, there is no discussion of net environmental benefit or the fundamental opening of the market which we in Hong Kong, as capitalists, claim to be the best economic model both for cost and efficiency.</p>
	<p>Hong Kong Electric / Cheung Kong Infrastructure is the most irresponsible power company in Hong Kong and should not be rewarded for their behavior.</p> <p>HKE burns 100% coal. (CLP is a little over 50% coal) In 2001 HKE built a filthy coal plant in Zhuhai after the Hong Kong EPD forbade them doing so in Hong Kong. Yet the pollution enters Hong Kong airspace.</p> <p>We have also been forced to pay for the “gold plated” HKE headquarters on Hong Kong Island on which they have received 13.5-15% profit by claiming it is “infrastructure”.</p> <p>Wresting control of the Hong Kong island power grid from this irresponsible power provider and forcing them to compete with ExxonMobil is in the best interest of Hong Kong people both financially and in cleaner air.</p> <p>If all the gas fired turbines at ExxonMobil were placed in operation, and we shut down the dirtiest of the HKE coal turbines - the public would benefit from less ill health.</p>
<p>3.42. Would involve complex technical, cost, legal, liability and interface issues.</p>	<p>These statements suggest the Government is incompetent to deal with these issues. This is not reassuring. If we do not have this expertise, it is crucial for our government to develop it.</p>
<p>Full interconnection with Guangdong</p>	<p>The key to the interconnection with Guangdong is not because we need more power – we have a 40% overcapacity and plan to introduce demand-side management to keep the power usage either steady or decreasing - but to encourage the renewable energy suppliers in China by giving them access to a large market that will pay a premium price for the energy and also for the security of Hong Kong.</p>



	<p>As an example, you can look at the city of Palo Alto, California where Stanford University is located, which has as a public policy to buy a certain amount of energy from renewable power producers guaranteeing a steady income for such providers. That same market power can be created by just a single housing complex in Hong Kong if they were to decide to “invest” in renewables and their children’s health instead of relying on coal.</p> <p>In tandem, our power suppliers should get far less profit from selling coal generated power in order to encourage them to use the more profitable cleaner fuels.</p> <p>With all the nuclear plants being build across the border, there is likely to be an energy glut in about 4 years. If we do not start connecting Hong Kong Island to CLP and their link to Guangdong now, then 1/3 of all Hong Kong consumers will be shut out of this potentially very cheap – low emission - energy market.</p>
<p>the Government's established policy of no government subsidy or cross-subsidisation of business endeavours.</p>	<p>We approve of this policy.</p> <p>However, we would like to highlight that there is a public utility that is directly subsidized by the Government – bus companies.</p> <p>They do not have to pay for the roads, the upkeep for the roads – and they do not pay fuel duty. The cost of their dirty diesel pollution is borne by the ill health of the people. This is a direct government subsidy which rewards polluters. Until this subsidy is removed and all vehicles are required to pay for the road they use and the amount of pollution they generate, the Government would be well advised to stop claiming that it follows this principle of no corporate welfare.</p> <p>Controlling the tariff collected by the power company by requiring them to allow access to the grid by small providers is a far cry from “government subsidy” of the renewable energy market.</p>
<p>• Would take longer time to implement and could be perceived as Government’s intrusion into property</p>	<p>CLP has intimidated at least one small player from the market already in terms of using recycled fuel to create electricity. CLP and HKE will not make a</p>



<p>ownership and private business operation.</p> <ul style="list-style-type: none"> <li>• Would involve increased Government’s commitment and resources to develop and implement regulatory framework, establish and maintain technical standards and codes, and monitor and ensure compliance.</li> <li>• While enabling customers to access alternative supply sources, existing power companies might no longer be held responsible for meeting demands of all customers within their service areas.</li> </ul>	<p>business decision that reduces their profits. This is why voluntary access should not be entertained because it assumes that a company would go against sound business practice of maximizing profits.</p> <p>“perceived” is a non neutral term. Public utilities have a unique position as the welfare of the entire society is at stake. Thus their position as a private company is not the same as, say, a wristwatch retailer.</p> <p>Once the grid is connected, the main power companies, as is fitting based on their high profits and current excess capacity, should still be held to their obligation to supply. But that obligation can change to be a percentage of the market rather than a geographical area. .</p>
<p>3.64 perception</p>	<p>Perception again. Are the energy and clean air needs of the people to be held hostage by US based multinational utilities which are required to work under similar regulatory environments all over the world?</p> <p>Why is the Government threatening us, the people with such intimidation tactics?</p>
<p>shorter agreement periods, say of 5 or 10 years duration, to provide flexibility for amendments as circumstances may so require. However, the uncertainties thus posed would deter continued or longer term investments by the power companies.</p>	<p>Once again the Government it trying to intimidate us into believing that a politically secure, guaranteed low operating cost highly invested energy network with 40% overcapacity will prevent the required investment.</p> <p>No description of the investment is provided, however.</p>
<p>4.1</p>	<p>Again the environment is eliminated from the language of the “priorities” set forth in the beginning of this document</p>
<p>4.6 Option 2 - Regulatory Framework Supported by Legislation</p>	<p>Not one of these statements labeled “con” is a negative.</p>





<ul style="list-style-type: none"> <li>• Would be perceived as Government's intrusion into private business operation.</li> <li>• Might entail a lengthy legislative process.</li> <li>• Would involve more bureaucracy and higher administrative costs.</li> <li>• Would mean complete overhaul of a regulatory framework that has generally operated satisfactorily for several decades.</li> </ul>	<p>Proper legislative support is crucial as they are the people's representatives and will be responsible for marketing the message to the people.</p> <p>LegCo is not the enemy – they represent the people. They are duly elected to monitor Governmental behavior.</p> <p>Again the threat of two companies holding the wellbeing of the public hostage to their greed.</p> <p>Laissez faire should not mean carte blanche. The air pollution problem facing us today – and its solution – will require proper Government administration and intervention as was done in California by their Government to solve that state's extreme pollution problems..</p> <p>California has no deaths from air pollution, based on the website cleartheair.org. HKUST has recently told us that 15,000 people die prematurely from air pollution in Hong Kong This is not "satisfactory". People are sick and dying and steps must be taken since the power industry is using filthy technology that is 20 years old.</p>
<p>Regulatory approach</p>	<p>Government must intervene in the power-for-profit model because it is causing severe sickness and death of the people and acid rain in Guangdong</p> <p>Until the responsibilities of the regulatory body is defined – e.g. reduce energy consumption by 20% by 2008 – there can be no substantive discussion on its form.</p>

END of response to consultation