

Summary of Presentation

1. Both efficiency and stability in the supply of electricity are important. HK market may not be big enough to allow too many competitors to supply electricity for consumers in a parallel fashion. Efficiency and stability could suffer if too many suppliers compete in the same market.
2. Competition, however, should be allowed at the "bidding" stage. There is no presumption that any one firm should be given the right to supply electricity in HK. All potential bidders should be allowed to compete on the same basis for the right to supply power in the next 15 years after the expiry of the Scheme of Control.
3. Price regulation should be transparent and should refer to international benchmarks. Once the "how" of price regulation is clear, then the market will take care of "fairness" to investors. Competing companies can bid for the right to supply power based on the attractiveness given the regulations.
4. Successful bidders should pay for the undepreciated parts of the assets of the CLP and HKE, which should be paid to these respective companies. If CLP or HKE succeeds in the bids they "buy the undepreciated assets from themselves."
5. We should allow the possibility of CLP taking over HKE and vice versa. We should also allow the possibility of a third company taking over the entire power supply function.

Prof. Lok Sang HO
Director, Center for Public Policy Studies
Chair, Institute for Humanities and Social Sciences
Lingnan University Tuen Mun Hong Kong