

Consumer Council
Submission to Panel on Economic Services
on Environmental Regulation in the Future Electricity Market
(25 September 2006)

Introduction

1. The Consumer Council (CC) welcomes the opportunity to provide its comments on this important issue facing Hong Kong consumers.
2. CC has always supported green consumption and sustainable development and advocates consumers' right to a healthy and sustainable environment. As such, CC welcomes the Government's proposal to promote the use of RE.
3. As a matter of principle, CC considers that any proposals in this respect should:
 - (a) ensure that reliable, safe and efficient electricity supply will continue to be delivered to consumers at reasonable prices;
 - (b) address major criticisms and perceived shortcomings of the current regulatory regime; and
 - (c) have regard to environmental concerns.

Encouraging the use of renewable energy (RE)

4. CC is concerned that the Government's current proposal and target of using RE to 1% -2% of energy consumption by 2012 may limit the scale of market development. There is RE expert opinion that there is economic benefit in using RE such as solar energy as a main supply at the household level, and that the technology for widespread use would be widely available in the near future.
5. The market might well be able to benefit from a much higher level of technology advancement in future. CC is therefore of the view that the 1% -2% RE power generation target may be too low to achieve better environmental standards and should only be regarded as a minimum standard for power suppliers to achieve.
6. The overall environmental performance could be achieved not only by power companies, but also by designers and developers of buildings to install RE facilities to meet part of their in-house power demand. It is noted that the current Scheme of Control on the power companies may not have provided the necessary incentive to encourage the use of solar panels and alternate energy source in households and property development projects. The Government could consider providing incentives or making regulations to mandate the provision of rooftop solar energy panels or other building design features that could contribute to promoting the use of RE.
7. An alternative could be to encourage competitive performance on RE and environmental measures between the power suppliers, as a form of self motivation towards achieving goals.
8. With respect to financial incentive, the Government proposes to encourage power companies to enable grid connection/access for individual RE systems and the use of assets as a base for calculating returns. CC agrees that the Government should

implement measures to facilitate access by RE users and generating facilities employing RE in order to foster competition in the energy sector and ultimately give consumers more choices. There should also be provisions requiring the incumbents to allow access to other RE power suppliers to use their distribution channels to reach customers.

9. CC is however concerned that in order to satisfy mounting public expectation for emissions reduction, the power suppliers may be induced to haphazardly invest in technologies that are neither proven nor efficient; whilst at the same time increasing their asset base. The government should therefore ensure that there is strict scrutiny on the type of technology employed by the power suppliers.

10. Since the application of the fuel cost pass through mechanism does not work in principle as a means of encouraging the power suppliers to utilize low cost generation or RE, the Government may need to consider what disciplines could be applied on the fuel cost pass through mechanism to ensure that low cost fuel options are adopted.

Mandatory Energy Efficiency Labelling Schemes

11. The opportunity is taken to discuss a related issue which concerns consumption of energy. CC believes that mandatory energy efficiency labelling schemes (EELS) should enable consumers to reduce energy consumption and contribute to sustainable development in the long term. For that reason, CC is of the view that largely homogeneous performance rating as a result of lax grading criteria offers very little assistance to consumers in making purchase decisions. Therefore CC considers that more stringent grading thresholds should be applied under the mandatory EELS if the schemes are to help consumers differentiate between products of different energy efficiency and make the best choice.

12. Rapid evolution in technology raises the need for regular updating and reviewing of the FEL standards or version of test standards adopted for the schemes should be conducted to reflect advances and to induce improvement efforts.

13. Moreover, since the test reports accepted by EMSD for registration purpose will be based on performance of test samples provided or selected by the manufacturers, there are concerns on whether the products being sold in the market will have similar energy efficiency performance as the test samples. It is suggested that the government should conduct regular check tests on samples acquired direct from the market to ensure that the actual energy performance of products matches the claims.

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