

(Translation)

**Motion on
“Creating a sustainable and open electricity market”
moved by Hon Audrey EU
at the Council meeting of 18 January 2012**

Motion as amended by Hon Fred LI and Hon Starry LEE

That at present, there are only CLP Power Hong Kong Limited and The Hongkong Electric Company Limited supplying power in Hong Kong; given that the Government’s signing of the 10-year Scheme of Control Agreements (‘SCAs’) with the two power companies in 2008 is marked by inadequacies, thus extending the monopolization of the electricity market by the two power companies and sowing the seed of misfortune that the two power companies can persistently and significantly increase tariffs to ‘maximize profits’ regardless of public sentiments, for the well-being of the public, this Council urges the Government to:

- (a) establish an energy management authority to explore Hong Kong’s long-term energy demand, formulate and execute an energy policy, as well as monitor power companies, gas companies, liquefied petroleum gas companies and fuel supply companies;
- (b) review the permitted returns of the two power companies;
- (c) raise the transparency of the processes for the formulation of SCAs and tariff adjustments, so as to facilitate public monitoring and ensure fair and reasonable tariff adjustment rates;
- (d) consult the Legislative Council first when approving the annual tariff adjustments and before revising the respective five-year Development Plans of the two power companies in the future;
- (e) require the two power companies to exhaust all room for tariff reduction, so as to lower the rates of tariff increase this year to the lowest levels;
- (f) immediately activate the mechanism for interim reviews, and make public the relevant information and accounts, so as to facilitate public participation;
- (g) launch a review of the two power companies’ development plans in accordance with the provisions of SCAs, increase the transparency of

the development plans, and require the two power companies to revise their investment plans, revalue their assets, compress costs and rationalize their accounts;

- (h) expeditiously materialize the interconnection between the networks of the two power companies and segregation of the generation sector from the network sector, and introduce third parties to bid for the supply of electricity grids;
- (i) encourage the development of distributed renewable energy power generation facilities and networks, and provide technical support and concessions for connection to electricity grids; and
- (j) adopt all measures to create a low-carbon electricity market which promotes sustainable development and operates with greater competition, openness and fairness, so as to break new grounds in the electricity market; and
- (k) study the computation mode based on linking permitted returns to fixed assets.