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17 April 2012

By email

Mr Derek Lo
Clerk to Panel (Economic Development)
Legislative Council Secretariat
1 Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Lo,

Panel on Economic Development
Follow-up to Meeting on 26 March

I refer to item 13 in the List of Follow-up Actions regarding the letter of 19 March from Hon Fred Li to Panel Chairman expressing his concern about the change to shareholding of Castle Peak Power Company Limited (CAPCO), and provide our reply below.

CAPCO and its shareholders are parties to the Scheme of Control Agreement (SCA) signed with the Government for electricity supply to certain parts of Hong Kong. The SCA has clearly set out the rights and obligations of all signing parties, which will remain intact irrespective of the change to the shareholding of any signing party. The Government will ensure that any change to the shareholding of CAPCO will not affect the operation of the SCA (including the tariff review mechanism) and CAPCO's electricity supply service to the public.

As far as we understand, discussion on the change to the shareholding of CAPCO is underway and there is yet any agreement. When details of any deal are available, we will determine the necessary arrangements to be put in place under the SCA in the light of specific circumstances. We will continue to perform gate-keeping duties with a view to ensuring the supply of safe and reliable electricity at reasonable prices while minimizing the environmental impact in the production and use of energy. In considering the future development of electricity market and its regulatory framework, we will adhere to the above policy objectives and discuss with the power companies before 2016 in accordance with the SCA.

Yours sincerely,

(Ms Vyora Yau)
for Secretary for the Environment