

Legislative Council Panel on Economic Services

**PROPOSAL BY THE
HONGKONG ELECTRIC COMPANY LIMITED
TO BUILD ADDITIONAL ELECTRICITY GENERATING CAPACITY**

Introduction

This paper provides Members with a progress report on the proposal by the Hongkong Electric Company Limited (HEC) to build additional electricity generating capacity at Lamma Power Station.

Background

2. HEC advised the Government in 1995 that, based on their forecast of maximum demand in their service area and taking into account implementation of demand side management programmes, the approved development of Lamma Power Station would provide sufficient generating capacity to meet forecast demand up to the year 2002 and that additional generating capacity would be required as from 2003. Following further studies, including a careful and thorough site search exercise, HEC proposed an extension to Lamma Power Station, with the first additional generating unit coming into operation from 2003, fuelled by natural gas from a proposed liquefied natural gas plant in Shenzhen. Gas would be delivered through a pipeline running from Mirs Bay east and south of Hong Kong to Lamma Island.

Decision by the Executive Council in March 1998

3. At the meeting of the Executive Council on 31 March 1998, the Council advised and the Chief Executive ordered that the Hongkong Electric Company Limited should be invited, without any commitment on the part of Government, to proceed with detailed site investigation and environmental impact assessment studies of an extension to Lamma Power Station for the possible construction of additional electricity generating facilities, with natural gas as the preferred fuel option. This decision was publicised on 1 April. It does not commit the Government to future approval of any of the company's proposals for additional generating capacity.

Submission of a Financial Plan by HEC

4. In May 1998, HEC submitted to the Government for approval a proposed Financial Plan for the period 1998 - 2003. HEC have recently reviewed their forecast of maximum demand and their generation development proposals in the light of the current economic circumstances. While still concluding that additional generating capacity will be needed in 2003, HEC have scaled down the proposed unit addition in 2003 from 600MW to 300 MW.

Present position

5. The present position is that -

- (a) HEC's generation development proposals and their proposed Financing Plan for 1998 - 2003 are being studied in detail by the Government's consultants, who are expected to complete their study in November 1998;
- (b) the environmental impact assessment study on the proposed extension to Lamma Power Station is being conducted by HEC's consultants and is due to be submitted to the Environmental Protection Department in November 1998;
- (c) the site investigation studies for the proposed extension to Lamma Power Station will commence only after there is a decision in principle to build additional generating capacity and relevant procedures under the Town Planning Ordinance and the Foreshore and Sea-bed (Reclamations) Ordinance have been undertaken; and
- (d) a firm proposal from HEC on a supply of natural gas is awaited. HEC have advised that a possible source is a proposed liquefied natural gas terminal project in Guangdong and that a project proposal was submitted by the project proponents to the development and planning authorities in Beijing in May 1998.

6. Any decision on HEC building new generating capacity will be taken only after a careful review of the growth in demand for electricity, the possibilities for meeting part of the demand through energy-saving programmes and the relevant economic, engineering and environmental aspects.

Economic Services Bureau
October 1998