

For discussion
on 20 December 1999

Legislative Council Panel on Environmental Affairs

Amendments to the Sewage Services Ordinance and the Sewage Services (Trade Effluent Surcharge) Regulation

Purpose

This paper seeks Members' advice on a proposal to amend the Sewage Services Ordinance and the Sewage Services (Trade Effluent Surcharge) Regulation. The proposed amendment aims at introducing improvements to the Trade Effluent Surcharge scheme and to rectify certain inconsistencies in the existing legislation.

Background

The Charging Scheme

2. To meet the cost of providing sewage services, a sewage charge was introduced in April 1995. At the same time, a trade effluent surcharge was also introduced. The legal provisions are contained in the Sewage Services Ordinance, the Sewage Services (Sewage Charge) Regulation (the SC Regulation), the Sewage Services (Trade Effluent Surcharge) Regulation (the TES Regulation) and the Technical Memorandum made under the Sewage Services Ordinance.

3. Under section 3 of the Sewage Services Ordinance, a water consumer whose premises are connected to a public sewer has to pay a sewage charge on the basis of the volume of water supplied to his premises (other than water supplied specifically for flushing purposes). In addition to a sewage charge, a trade effluent surcharge (TES) is levied upon 30 trades and industries which discharge effluent at a strength higher than that of domestic sewage. TES rates are calculated according to the volume and strength of wastewater discharged, which in turn are determined by the following factors-

- (a) The strength of wastewater discharged is measured by the Chemical Oxygen Demand (COD) values of wastewater, which include COD_{settled} and the difference between COD_{total} and COD_{settled} . The higher the COD values, the higher the treatment cost and hence the higher the TES rate. For simplicity, generic COD values as specified

in Schedule 2 to the TES Regulation are assigned to each of the 30 designated trades to represent the strength of wastewater discharged by them; and

- (b) The volume of wastewater discharged is determined on the basis of the volume of water supplied to the premises (other than water supplied specifically for flushing purposes). Eight designated trades enjoy a discharge factor of 80% in determining the volume of wastewater discharged for the calculation of TES since part of the water supplied may be used in products or lost to the atmosphere via evaporation.

The actual TES rates for different level of COD values per cubic meter of wastewater discharged are determined on the basis of the matrix in Schedule 4 of the TES Regulation.

4. Under section 4 of the TES Regulation, a consumer who believes that the COD values of his trade effluent are lower than the generic values can have his trade effluent tested by an approved laboratory at his own cost and submit the results to the Drainage Authority¹. Where the Drainage Authority is satisfied that the COD values of the trade effluent are less than the generic values as specified in the TES Regulation, the TES rate of the said consumer will be varied as appropriate.

The TES Review

5. In 1996, Government commissioned a consultancy to review the structure and operation of the TES scheme. The review report has endorsed the basic features of the current TES scheme but recommended various amendments to the existing operation of the scheme. Having consulted the Advisory Committee on the Environment and the then Provisional Legislative Council, the Administration has accepted the recommendations proposed by the consultant which are concerned with the methods and procedures for assessing the COD values.

6. The Administration's considerations and recommendations were further presented to the Legislative Council Panel on Environmental Affairs on 30 July 1998. Taking into account the views expressed by Members, the Administration undertook to introduce necessary amendments to the Sewage

¹ The Drainage Authority means the Director of Drainage Services, or his authorised representative, under the Sewage Services Ordinance.

Services Ordinance, the TES Regulation and the relevant Technical Memorandum (TM) in order to implement these recommendations.

Proposal

Revised Procedures for Reassessment of COD values

7. As pointed out in paragraph 4 above, a consumer can, at his own expense, have his trade effluent tested by an approved laboratory and submit the results to the Drainage Authority for variation of his TES rate. The existing TM stipulates that the laboratory must use the “flow-proportional composite sampling” method in collecting samples of his trade effluent.

8. We **propose** to adopt a new sampling method, known as the “grab sampling” method. Compared with the “flow-proportional composite sampling” method, this is simpler and less costly. However, it will be easier for consumers to tamper with the sampling results by adopting temporary measures if the “grab sampling” method is used instead of the “flow-proportional composite sampling” method. We therefore **propose** that the Drainage Authority should be entrusted with the responsibility of carrying out the sample-taking and testing work instead of private laboratories.

9. A consumer who believes that the COD values of his trade effluent are lower than the generic values can file an application to the Drainage Authority for a reassessment of the COD values of his trade effluent. The applicant shall pay the Drainage Authority a prescribed charge in respect of the application for testing of trade effluent and such charge shall include the administrative, sampling and analysis costs. It is estimated that through the use of the new method, a consumer can save about 30% in applying for a reassessment compared with the existing arrangements.

Extension of Validity Period of Reassessed COD values

10. To further reduce the cost, time and effort of consumers in applying for reassessment of COD values, it is **proposed** that the validity period of the COD values determined upon reassessment be extended from the existing one year to three years. Together with the aforementioned proposal to adopt the “grab sampling” method, the overall cost for a consumer to apply for a reassessment within a three-year period will ultimately be reduced by up to 80%. We also **propose** that consumers, as well as the Drainage Authority, should be allowed to initiate reassessments any time within the three-year period.

To Allow for Charging a Consumer Having “Mixed Accounts”

11. A “mixed account” is a water supply account whereby water is supplied through one water meter for use by different TES payable trades, businesses or manufactures operating at the same premises. We **propose** amending the existing legislation to allow for the Drainage Authority to charge consumers with “mixed accounts” TES on the basis of the estimated amount of water consumed by each of the TES payable trade, business or manufacture.

To require a consumer to notify the Drainage Authority if he changes his business to a TES chargeable trade

12. The existing legislation already requires consumers to inform the Drainage Authority when he changes from one TES payable trade, business or manufacture to another one. It is **proposed** that consumers who begin a TES payable trade, business or manufacture or change from a non-TES payable entity to a TES payable one should similarly be required to inform the Drainage Authority.

To allow “group reassessment”

13. At present, a consumer running a chain group has to submit separate reassessment applications in respect of each and every premises of his business if he wishes to have his TES rate varied. We **propose** to allow “chain group reassessment” such that a consumer having a “chain group business” run at different premises may make a single application for reassessment of his COD values in respect of all the premises, instead of separate applications in respect of each of the premises. The Drainage Authority will take samples from each of the premises under the chain group and the average COD values of all the premises will be used for reassessment.

14. To reduce the cost for chain group business to initiate reassessment, the number of samples to be taken from each premises within the chain group will be less than that required under individual applications. However, any subsequent changes in respect of the “chain group business”, such as changes in the number of premises within the group or a change in ownership, may render the assigned COD values for that chain group consumer invalid.

To enable the Drainage Authority to initiate refund of sewage charge or TES to consumers

15. At present, there are inconsistencies as regards the procedures and time limit for consumers to apply for a refund, reduction or waiver of sewage charge and TES. We **propose** to align the arrangements by requiring consumers to apply for a refund, reduction or waiver of sewage charge and/or TES within one month from the date of issue of the demand note that is the subject of dispute. The time limit will not apply if the application is made on the ground that the premises are not connected to public sewers.

Legislative Timetable

16. The Sewage Services (Amendment) Bill, the Sewage Services (Trade Effluent Surcharge) (Amendment) Regulation and the revised TM under the said Bill are being prepared. Our intention is to submit them to LegCo for scrutiny within this session.

Advice Sought

17. Members are invited to advise whether the proposed changes outlined in paragraphs 8, 10, 11, 12, 13 and 15 should be supported.

**Planning, Environment and Lands Bureau
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