立法會
Legislative Council

LC Paper No. CB(1)2077/99-00
(These minutes have been by the Administration and cleared with the Chairman)

Ref: CB1/PL/ES/1

Legislative Council
Panel on Economic Services

Minutes of meeting held on
Friday, 9 June 2000, at 10:45 am
in the Chamber of the Legislative Council Building

Members present	**:**	Hon James TIEN Pei-chun, JP (Chairman) Hon Fred LI Wah-ming, JP (Deputy Chairman) Hon Kenneth TING Woo-shou, JP Hon LEE Wing-tat Hon Eric LI Ka-cheung, JP Hon MA Fung-kwok Hon HUI Cheung-ching Hon Christine LOH Hon CHAN Kam-lam Dr Hon Philip WONG Yu-hong Hon Howard YOUNG, JP Hon LAU Chin-shek, JP Hon Mrs Miriam LAU Kin-yee, JP
Non-Panel members attending	**:**	Hon Mrs Sophie LEUNG LAU Yau-fun, JP Hon Andrew WONG Wang-fat, JP Dr Hon YEUNG Sum
Members absent	**:**	Hon David CHU Yu-lin Dr Hon David LI Kwok-po, JP Dr Hon LUI Ming-wah, JP Hon CHEUNG Man-kwong Hon SIN Chung-kai Hon WONG Yung-kan Hon FUNG Chi-kin

Public officers Attending : **Agenda Item II**

Economic Services Bureau

Ms Maria KWAN, JP
Acting Secretary for Economic Services

Mr K T LI
Principal Assistant Secretary for Economic Services

Miss Rachel CHAN
Principal Assistant Secretary for Economic Services (C)

Agenda Item III

Economic Services Bureau

Ms Maria KWAN, JP
Acting Secretary for Economic Services

Mr Howard LEE
Principal Assistant Secretary for Economic Services (B)

Mr K T LI
Principal Assistant Secretary for Economic Services

Electrical and Mechanical Services Department

Mr Roger LAI
Deputy Director (Regulatory Services)/EMSD

Mr L T LEE
Assistant Director (Energy Efficiency)/EMSD

Attendance by invitation : **Agenda Item II**

Caltex Oil Hong Kong Ltd.

Mr Albert KWOK
General Manager - Retail Business Unit

Mr Daniel HWANG
Manager - HK/S. China LPG Business

Shell Hong Kong Ltd.

Mr Robert YOUNG
Director

Mr Daniel LAU
Gas (LPG) Manager - HK/Macau

Mr Daniel NG
General Manager - Retail

China Resources Petrochems (Group) Co. Ltd.

Mr ZHU Dan
Director, Vice President

Consumer Council

Mr Ron CAMERON
Principal Trade Practices Officer

Mr Alfred FUNG
Chief Trade Practices Officer

Agenda Item III

CLP Power Hong Kong Ltd

Mr Michael PRICE
Managing Director

Mrs Betty YUEN
Director-Finance & Planning

Mr Charles WONG
General Manager - Generation

Mr Paul POON
Chief Engineer - Asset Mgt

Mr Norman KREUTTER
Director, Castle Peak Power Co Ltd

The Hong Kong Electric Co Ltd

Mr K S TSO
Managing Director

Mr F LEE
Director & General Manager (Engineering)

Mrs M LI
General Manager (HR & PA)

Mr G CHANG
General Manager (D & P)

Mr S NG
Deputy Chief Accountant

Clerk in attendance : Mr Andy LAU
Chief Assistant Secretary (1)2

Staff in attendance : Miss Irene MAN
Senior Assistant Secretary (1)9

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I Information papers issued since last meeting

(LC Paper No. CB(1)1765/99-00 -	Tables and graphs showing the import and retail prices of major oil products from May 1998 to April 2000;
LC Paper CB(1)1804/99-00(01) -	Information paper and Legislative Council Brief on The Hongkong Electric Company Limited Proposals for Additional Generation Facilities and Financial Plan for 1999 to 2004; and
LC Paper CB(1)1804/99-00(02) -	Information paper and Legislative Council Brief on CLP Power Hong Kong Limited's Financial Plan for 1999 to 2004)

Members noted the information papers issued since last meeting.

II Retail and wholesale prices of major fuels

(LC Paper No.CB(1) 1780/99-00(01)- Supplementary information on Industrial Diesel provided by the Administration; and

LC Paper No. CB(1) 1780/99-00(02)- Information paper provided by the Administration)

2. The speaking note of Mr Robert YOUNG of Shell Hong Kong Ltd. was tabled at the meeting.

(*Post-meeting note*: The speaking note was circulated to members vide LC Paper No. CB(1)1816/99-00(01) for retention.)

3. At the invitation of the Chairman, the Principal Assistant Secretary for Economic Services (PAS/ES) briefed members on the salient points of the paper which set out the findings from analysis of the 1999 cost and profitability data of oil companies on the retail of unleaded petrol, automotive diesel and wholesale of cylinder liquefied petroleum gas (LPG). He advised that different oil companies had different cost structures and a certain level of competition existed among them. According to the information submitted by the three oil companies, the weighted average rates of return on average capital employed were 6% in 1999 and 11% in 1998 respectively. On the Chairman's enquiry about the rates of return before 1998, PAS/ES advised that there was no such information though he expected that the return in 1998 would be lower than that in 1997 according to the analysis of the unit cost/profit done in 1999.

4. Mr Fred LI pointed out that the Administration should have conducted the analysis in a more comprehensive manner by collecting information from all the five oil companies in Hong Kong. He was worried that the findings of the analysis would be distorted given that some of the oil companies' figures were excluded from the study. On the other hand, he also queried why the retail prices for LPG, unleaded petrol and automotive diesel would be kept at the same level given that different oil companies had different cost structures.

5. The Acting Secretary for Economic Services (SES/Atg) explained that for the current analysis, the Administration had already requested the five oil companies to provide cost and profit data for 1999. Four of them had provided the data to the Administration. She advised that the 1999 database should be more representative of the general situation of the industry than the 1998. As regards the identical retail prices, SES/Atg advised that the oil companies mainly competed through varying their discounts and promotional costs whilst tracking each other closely on the retail prices for unleaded petrol and automotive diesel. Discounts varied considerably among the oil companies.

6. Mr Fred LI remarked that even though information was provided by the oil companies, the data structure and physical contents varied from companies to

companies. He expressed concern about the reliability of the analysis. He opined that a uniform basis should be adopted at the outset.

7. In response, SES/Atg said that the observations drawn by the Administration in paragraph 37 of LC Paper No. CB(1) 1780/99-00(02) were based on the numerical data gathered and were intended to increase the transparency of the operations of oil companies. After conducting the first round of pricing analysis in 1998, the Administration had prepared to conduct it on a periodical basis. Regarding the rates of return provided by the oil companies, she explained that whilst different oil companies might adopt different accounting procedures, the Administration would continue to work on the subject matter with a view to narrowing down the differences amongst different oil companies.

8. Upon the Chairman's request for the release of the name of the oil companies which had not provided the information, SES/Atg advised that since the oil companies provided data to the Administration on a confidential basis, the release of the information requested by the Chairman would imply that the names of the companies providing information to the Administration would also be disclosed. As a matter of courtesy, the Administration considered it appropriate to consult the companies concerned before giving a substantial reply to the Panel.

(*Post meeting note* : The information was circulated to members vide LC Paper No. CB(1) 1911/99-00)

9. Mr CHAN Kam-lam said that the high retail prices of oil products might largely attribute to Government tax which contributed to 60% of the average retail price of unleaded petrol in 1999. He enquired whether the Administration had taken any actions to minimize the operating costs of oil companies with a view to lowering the retail prices.

10. As regards the operating costs of oil companies, SES/Atg advised that the Administration had been advised by individual companies that a series of measures had already been implemented to improve cost effectiveness. Mr Albert KWOK, General Manager/Retail Business Unit of Caltex Oil Hong Kong Ltd. (Caltex) advised that in order to maintain competitiveness in the market, the company had been making tremendous effort in controlling cost. For example, a large-scale re-structuring exercise had been conducted in 1998 and, as a result, a number of supporting services were contracted out. Regarding fixed costs such as land premium and rent for filling stations, they were bound by the land lease. However, the company was ready to discuss with the Administration on any possible cost cut.

11. Mr CHAN Kam-lam enquired whether filling stations were operated by oil companies. Mr Albert KWOK of Caltex advised that the 50 Caltex filling stations were operated by retailers who had been earning a fixed percentage of commission per litre of petrol sold and employees' salary constituted the largest part of their operating expenditures.

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12. Noting from the paper that Shell Hong Kong Ltd. had adopted a mechanism for adjusting its LPG prices at half-yearly intervals, Mr HUI Cheung-ching expressed concern about the possible price manipulation. SES/Atg advised that the arrangement was made in January 1999 with a view to enhancing transparency of the wholesale pricing of LPG. Essentially, the company would not make any gain/loss from any change in import price of LPG and would pass on any such changes to consumers through making an adjustment to their wholesale price. Mr Robert YOUNG, Director of Shell Hong Kong Ltd. supplemented that in July 1999, Shell conducted the half-yearly review of its wholesale price in accordance with its pricing adjustment mechanism. Shell raised its wholesale price but offered a special discount of $0.95/kg for their domestic customers on the revised rate at the same time, effectively freezing its wholesale price at the January 1999 level. The company had been maintaining high degree of transparency of its mechanism and was ready to review it as and when necessary. Addressing the Chairman's concern about the actions taken to increase the transparency of other oil companies, SES/Atg advised that the Administration had been encouraging oil companies to increase their transparency of operation. In that particular case cited by Mr YOUNG, although the oil companies were using different mechanisms, they followed Shell's example in adjusting the prices.

13. Referring to Annex 1 of LC Paper No. CB(1) 1780/99-00(02), Mr CHAN Kam-lam enquired about the percentage of the advertising costs out of the total promotional costs per year. Mr Robert YOUNG advised that advertising and promotional giveaways were not the largest portion of the total promotional costs; the highest costs came from other discounts offered to customers. In other words, a large portion of the promotional costs was in fact redirected to customers in the form of cash.

14. The Chairman thanked representatives of the oil companies and the Administration for attending the meeting.

III Study of interconnection and competition in the electricity supply sector in Hong Kong

(LC Paper No. CB(1)1780/99-00(03) - Information paper provided by the Administration; and

LC Paper No. CB(1)1780/99-00(04) - Submission from the Conservancy Association (English version only))

15. Two drawings showing the electricity demand generated by population growth and infrastructural development in Hong Kong prepared by CLP Power Hong Kong Ltd. (CLP) were tabled at the meeting.

(*Post-meeting note*: The drawings were circulated to members vide LC Paper No. CB(1)1816/99-00(02) for retention.)

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16. In view of the recent Government's approval of CLP's financial plan for 1999-2004 and the Hongkong Electric Company Limited (HEC's) proposals for additional generation facilities and financial plan for 1999-2004, the Chairman suggested and members agreed to discuss the subject matters together with the item on the study of interconnection and competition in the electricity supply sector in Hong Kong which were interrelated.

Interconnection between HEC and CLP

17. With reference to overseas experience, members highlighted a number of economic benefits that could be derived from increasing HEC-CLP interconnection capacity such as increasing the overall generation and transmission reliability, sharing reserve plant capacity, saving the need for further capital investment on generating plants and, hence, the subsequent tariff revisions. Given that increasing HEC-CLP interconnection capacity was considered technically feasible, they queried the basis for approving HEC's proposal to extend the Lamma Power Station (the Lamma Extension), thereby necessitating consumers to pay a higher tariff in the end.

18. SES/Atg clarified that the decision to approve the Lamma Extension did not mean that the Administration had rejected the idea of increasing interconnection. On the contrary, it saw increased interconnection, not just between the two power companies but also with Mainland China, as the logical way forward for the longer term. This was also in line with the international trend. The Administration was firmly committed to pursuing it earnestly. She pointed out that increasing HEC-CLP interconnection capacity was considered technically feasible but there were a number of engineering and planning issues which had implications for the level of certainty in meeting projected demand with sufficient reliability. She explained that the consultancy study on interconnection and competition in the electricity supply sector completed at the end of 1999 was only a preliminary feasibility study. It did not include detailed, full-scope engineering analysis nor in-depth planning and design. The consultant had noted several issues that might impact on the commissioning time of the new interconnectors. These included the logistics for laying submarine cables across the busy Victoria Harbour, the need to avoid impinging on existing infrastructure in the seabed, the difficulty in identifying cable landing points amidst the proposed reclamation works in the Central-Wanchai area, and the potential difficulties in constructing cables in the busy Central and Wanchai districts. Given the uncertainties and in order to ensure timely provision of sufficient and reliable supplies of electricity for the interest of consumers, the Administration approved HEC's proposal to commission the first 300 megawatts (MW) combined cycle unit (L9) at the Lamma Extension in 2004 subject to review and adjustment of the year of commissioning, if necessary, in the light of HEC's updated demand forecasts before firm contractual commitment was made for procurement of the unit.

19. On the time required for building additional interconnectors between CLP and HEC, SES/Atg advised that it would be necessary to carry out site survey and engineering studies on the routing of the interconnection cables taking into account the

practical constraints before the programme time could be determined with more certainty. The Administration had made preparation for further detailed studies. These further studies would start in a few months' time and, if everything went according to plan, the Administration expected them to be completed in the latter half of 2001.

20. SES/Atg emphasized that since interconnection could not replace generation facilities in the long term, increased interconnection between HEC and CLP could not address the problems on a permanent basis. However it was a pre-requisite to facilitate the introduction of competition in the electricity supply industry which many people felt would bring long term benefit to consumers. In this regard, electricity supply from the Southern China network might be a potential source of economic electricity supply taking into account the generation costs and the availability of renewable energy resources there. The Administration was liaising with the Mainland authorities regarding market and regulatory reforms in the Mainland with a view to exploring the possibility and the scope for the supply of electricity from the Mainland to Hong Kong. The Administration saw the importance of coming to an early view on the post 2008 regime when the Scheme of Control Agreement (SCA) expired. The Administration hoped to map out the broad direction for the future development of Hong Kong's electricity sector taking into account the market restructuring of other places before the next interim review of the SCA scheduled for 2003.

21. Members were not convinced of the Administration's reply. They took the view that interconnection between power companies had proved to be technically feasible and could help increase the stability of power supply and lower the tariffs. They cast doubt on the Administration's decision to defer increasing the interconnection between CLP and HEC, pending a detailed examination. But on the other hand, it approved the Lamma Extension which would have implications on future tariffs. Mr Fred LI pointed out that the underlying reason behind the slow progress in the implementation of increased interconnection between HEC and CLP was due to the objection from HEC as highlighted in the paragraph 19 of the LegCo Brief issued by the Administration under File Ref. ESBCR 6/4576/98. The company would like to enlarge its capital investments for a higher rate of return.

22. Regarding the interconnection between CLP and HEC, SES/Atg advised that the Administration had considered whether the forecast in demand in HEC's supply area could be met through other means. As set out in the paper, there were technical constraints in enhancing the capability of the existing interconnectors between CLP and HEC through the installation of a series reactor. There were also divergent views on the time required for building additional interconnectors between HEC and CLP. It would also be necessary to review the planning criteria for Hong Kong's electric systems under an increased interconnection scenario. Mrs Betty YUEN, Director, Finance and Planning of CLP advised that CLP took the view that the existing interconnectors were able to carry a firm power transfer of 350 MW. Mr KS TSO, Managing Director of HEC however held a different view and considered it not a feasible option. HEC was concerned about the possibility of disconnection of existing interconnectors due to dynamic stability problem in the form of oscillation.

It would thus seriously hamper the stability of HEC's system and, in turn, affect the reliable supply of power to its customers.

23. The Deputy Director of Electrical and Mechanical Services added that the original arrangement for the interconnection between the two power companies was for emergency purpose only. According to past experience, serious oscillations had been detected in the course of electricity transmission which affected the stability of the power supply in general. Thus, it would be risky to use the existing interconnectors to perform permanent transmission tasks. According to the consultancy study, additional interconnectors would be required to ensure stable supply of electricity between the two systems. However, this would be a complicated task necessitating further examination.

24. On the time required for building additional interconnectors, SES/Atg said that both the Works Bureau and the Electrical and Mechanical Services Department indicated that it would take about five years, taking into account the experience in the past.

25. Miss Christine LOH commented that the deferral in the implementation of interconnection between CLP and HEC was due to the negligence on the part of the Administration. She pointed out that the forthcoming detailed study on the routing and timing for construction of the new interconnectors should have been covered in the previous Study on Interconnection and Competition in the Hong Kong Electricity Supply Sector. She also enquired whether the Administration had conducted a risk analysis on the suspension of electricity supply should there be a timing mismatch between the provision of additional interconnectors and the growth in demand.

26. SES/Atg denied that there was negligence on the part of the Administration. She briefed members on the main objectives of the Consultancy Study of Interconnection and Competition in the Electricity Supply Sector in Hong Kong which was to establish whether additional interconnection between Hong Kong’s two electricity supply companies and encouragement of competition in the electricity supply sector would be in the interests of consumers. The Study was an important first step by Government in charting the future development of the electricity supply market in Hong Kong. The consultants had made it clear that the study was an initial feasibility study and had recommended further detailed studies in a number of areas. The Administration was now actively working on the subject matter.

27. Regarding risk analysis, SES/Atg explained that reliability of electricity supply was vital to Hong Kong’s interests, and that due consideration had to be given to the maintenance of reliable electricity supply at all times. Presently, the reliability rate of electricity supply was 99.99%. Any lowering of the reliability level of electricity supply would not be accepted by the general public even for a short while. As such, the Administration had to ensure that adequate generating capacity would be in place to tie in with the forecast demand in accordance with the planning standard agreed between the Administration and the power companies.

28. Miss Christine LOH was not convinced of the Administration's reply. She maintained her view that the study on the related engineering and planning issues should have been started earlier so as to facilitate the early introduction of enhanced interconnection between CLP and HEC, thereby saving the need for building additional generating facilities on Lamma Island.

29. SES/Atg reiterated that the study was an initial feasibility study. Detailed planning and works issues could only be looked into further upon determination of several technical issues, such as the appropriate location of the interconnector, the landing points, etc.

30. Given that the Administration had just approved HEC's proposal to build additional generating facilities, Mr HUI Cheung-ching enquired whether this would have any implications on the Administration's plan to increase interconnection capacity between the power companies. Mr Howard YOUNG also enquired whether an alternative proposal could be worked out to the agreement of the parties concerned.

31. SES/Atg considered reliable supply of electricity vital. In the delivery process, it would be necessary to review the planning criteria for Hong Kong's electric systems under an increased interconnection scenario. Such criteria had important bearing on the level of reliability to be built into the system of HEC and CLP, and thus the timing for the companies to install additional generation capacity given a set of demand forecast. If the increased interconnection necessitated more stringent planning criteria, the potential benefits of the increased interconnection in deferring new generation capacity could be reduced. However, considering the merits of increased interconnection and the fact that it was a pre-requisite to facilitating competition in the electricity supply sector, the Administration would continue to actively pursue this option for the longer term. It would also explore the feasibility of increasing interconnection between power companies in Hong Kong and in the Mainland so that more competition and alternative forms of renewable energy could be introduced into the local electricity supply market.

Safeguards for consumers

32. Mr CHAN Kam-lam opined that in order to assess whether there was a genuine need for building additional generation facilities, the Administration should provide more information regarding the forecast demand and excess generating capacity of the power companies. SES/Atg advised that as projected reserve margins could be used to work out the demand forecasts, and the latter as well as the projected electricity tariffs were commercially sensitive information closely related to forecasts of the power companies' business and profits, the power companies had all along considered it inappropriate to make public such data.

33. Mr CHAN Kam-lam was dissatisfied with the Administration's reply. He opined that in the absence of such data, it was difficult to judge whether it was justified

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for CLP and HEC to construct additional generation facilities, bearing in mind the existence of excess generating capacity and the implications on tariffs due to the additional investments by the power companies. SES/Atg explained that whilst increased interconnection would facilitate competition particularly where there were multiple suppliers, there was still a need to provide sufficient facilities to meet present and future demand of the consuming public in a timely manner. In approving the applications from the power companies for building additional generating units, the Administration was mindful of the need to put in place sufficient safeguards to protect the interest of consumers. The Administration was satisfied that there was a genuine need for HEC and CLP to build additional generation/transmission and distribution facilities to meet forecast demand.

34. Members expressed grave concern about the accuracy of forecast demand as excess generating capacity would have implications on tariffs. SES/Atg said that forecasts could only be done on the basis of best information available at the time. To safeguard consumers' interest, three forecasts were now prepared by different parties and they had access to each others' forecast with a view to improving their own forecasts where appropriate. The Managing Director of HKE (MD/HKE) supplemented that the demand forecast of HKE was quite accurate and there was only about 2.5% of discrepancy in the past.

35. SES/Atg advised that the Administration had made every effort to protect the interest of consumers. Over the years, a number of improvements measures had been introduced. For instance, in assessing the forecast demand for electricity, the power companies, the Government’s consultants and the Economic Analysis Division of the Administration would carry out independent study and share information with each other. They would conduct audit checks to enhance the accuracy of their forecasts. Agreement had also been reached with HEC that the capital expenditure on site formation works should in effect only start to be captured in the SCA accounts three years prior to commissioning of L9 based on actual demand. This would ensure that shareholders would not obtain permitted return on site formation works prematurely. To minimize the chance of installing excess capacity in the first instance, the proposals for capacity addition had been examined and approved on an in-principle and unit-by-unit basis rather than as a series of units. HEC would only enter into contracts for procurement and installation of the new generating unit after a review of the latest demand forecast in consultation with the Government around three years before the expected commissioning date of the generating unit. Furthermore, if there was excess capacity after commissioning of the units, a proportion of the new unit’s costs would not provide a return to shareholders as long as the excess capacity situation continued.

Tariff levels

36. Members expressed grave concern about possible rise in tariffs as a result of investment by the power companies. They could not accept the Administration's explanation regarding the reasons for not increasing the capability of the existing

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interconnectors between CLP and HEC as an alternative for the Lamma Extension.

37. SES/Atg advised that the Administration was equally concerned about the tariff levels of CLP and HEC. It had maintained regular dialogue with the companies with a view to improving its cost effectiveness. In practice, in accordance with the provisions of SCA, the actual basic tariff to be charged to consumers would only be determined in the preceding year following discussion between Government and the companies during the Annual Tariff Review.

38. Mr LAU Chin-shek and Dr YEUNG Sum sought further clarification from the Administration on whether the tariffs of HEC would be increased in the coming years. SES/Atg advised that electricity tariffs were affected by a number of factors. Whether to extend the power station and the amount of investment involved were just some of them. The Administration was mindful of the need to explore the possibility of bringing down tariffs for consumers as far as possible.

Policy Objectives

39. Mr Eric LI criticized that apart from the stability and reliability of power supply, the Administration should have taken such factors as value for money, environmental implications and wastage of resources in drawing up the policy objectives for energy supply. He believed that increased interconnection could always be a viable alternative to meeting forecast increase in demand in HEC’s supply area if the Administration was committed to doing this as was demonstrated in the development of the Cyberport or the Hong Kong Disneyland. In case the demand forecast turned out to be inaccurate, he asked who would be responsible for the fault.

40. In response, SES/Atg clarified that the policy objective was to ensure the provision of sufficient, reliable and reasonably priced supply of electricity for Hong Kong and to promote the economical and safe use of energy. In the delivery process, the Administration would have due regard to the related environmental implications.

Breakdown of capital expenditures

41. Given that the expenditures under the financial plans of the two power companies involved substantial investments of about $57 billion and would lead to increases of tariffs in future, Mr Fred LI felt dissatisfied that the Administration had not provided the related breakdown to members’ for consideration. He also queried why there was a need to carry out the site formation works for the Lamma Extension in one go, given that only one unit was planned for commissioning in 2004 and the remaining five in stages. The effect was that unnecessary investment would be included in the calculation of tariff at the outset.

42. Mr TSO of HKE explained that the area of land to be occupied by the power plant extension was only 22 hectares which was smaller than the standard size of 49-50 hectares for a power plant with six generation units. SES/Atg added that the

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Administration had asked HEC to examine whether there would be cost benefits if the site for the Lamma power plant extension was reclaimed in stages instead of at one go. Given safety and operational considerations, the necessity to reclaim about 65% of the site and incur over 80% of the cost in stage one to provide for ancillary facilities and the additional costs (20% more) required for temporary works under a two-stage programme, HEC had concluded that site formation at one go would be more efficient from an engineering /construction perspective and that the cost differential showed no overwhelming reason to go by stages. A two-stage reclamation programme would also cause more construction-stage environmental impact than a one-stage programme as construction works would need to recommence in a few years' time.

43. Mr Michael PRICE, Managing Director of CLP clarified that the $30 billion under CLP's financial plan included the total expenditures for the planned period from 2000 to 2004 while the amount spent on the refurbishment of the Castle Peak Power Station would be less than 5% of the total. It was a necessary expenditure item to ensure the continued efficiency of the generation units. He advised that under CLP's financial plan, 70% of the expenditures would be on the development of the transmission and distribution systems. Along with the rapid developments in the New Territories, the major infrastructure projects required large amount of power supply. The balance of 30% would cover enhancement to customer services and other generation developments such as the Black Point Power Station.

44. Mr TSO of HKE advised that as far as the breakdown of the $27 billion expenditure under HEC's Financial Plan for 1999- 2004 was concerned, 36% of the investments would be on generation facilities, 49% on transmission and distribution systems, and 15% on finance costs and other minor items. The Chairman requested the Administration to provide detailed breakdown of the capital expenditures of the power companies under their respective financial plans.

Admin.

(*Post-meeting note*: The information was circulated to members vide LC Paper No. CB(1)1938/99-00.)

Environmental Implications

45. Dr YEUNG Sum expressed concern about the environmental impact associated with HEC's proposed generation development plan on Lamma Island. SES/Atg advised that the whole project was subject to detailed environmental impact assessment (EIA) study. The report had gone through public consultation and endorsed by the Advisory Council on the Environment and approved by the Director of Environmental Protection. According to the EIA, when the 1,800 MW Lamma Extension was fully commissioned, the total annual emissions would be reduced when compared to the situation prior to its operation although the total electricity generation would increase by 43%.

46. The Chairman thanked the two power companies for attending the meeting. He advised that a special meeting would be scheduled to discuss the item on the

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revision of Government fees and charges.

47. There being no other business, the meeting ended at 1:00 p.m.

Legislative Council Secretariat
27 September 2000