

For Information

Legislative Council Panel on Economic Services CLP Power Hong Kong Limited's Generating Capacity

INTRODUCTION

This paper sets out for Members' information the background and considerations leading to the deferral of two generating units of CLP Power Hong Kong Limited (CLP) at Black Point Power Station until 2005 and 2006, and the disposal of 442 MW of CLP's diesel-fired turbines at Tsing Yi and Castle Peak.

BACKGROUND

2. In 1994 and 1995, CLP lowered their forecasts of growth in demand in electricity. In order to reduce the anticipated excess capacity and safeguard the interest of CLP's customers, Government pressed CLP for deferral of units to be installed. Specifically, Government requested CLP to exercise contractual deferral options and to seek additional deferral options from the supplier. The following measures were taken as a result -

- (a) in 1995, CLP exercised the contractual options to defer installation of generating Units 6 to 8 at Black Point Power Station by up to two years;
- (b) Government requested CLP in 1996 to submit a detailed proposal for deferral of Black Point Units 5 to 8, each for five years. Subsequently, recognising the advance state of construction of Units 5 and 6 and after consulting the Energy Advisory Committee, Government agreed with CLP in 1997

that Units 7 and 8 should be deferred initially for three years (to 2003 and 2004 respectively), subject to a special review in the last quarter of 1999 of possible further deferral of up to two years;

(c) in 1997, CLP decommissioned 442 MW of diesel-fired turbines which were written off the books so that CLP would not earn further permitted return on them. Disposal of these turbines is to be reviewed in the 1999 review; and

(d) to safeguard against excess capacity in future, Government agreed with CLP (and for that matter Hongkong Electric Co Ltd as well) during the 1997/98 interim review of the Scheme of Control Agreements a new mechanism for dealing with excess capacity that might arise as a result of new generating capacity approved in future.

3. The Panel on Economic Services has been kept informed of the above developments.

THE 1999 SPECIAL REVIEW

4. The Government has completed the special review with CLP with the assistance of independent consultants. All practicable options have been considered with a view to identifying the one of most benefit to consumers given various contractual and practical constraints. The outcome, detailed arguments and considerations are set out in the attached Legislative Council Brief.