

(Translation)

Annex

(Letterhead of the Secretariat of Legislative Councillors of the Democratic Party)

17 December 2004

Hon James TIEN Pei-chun, GBS, JP
Chairman
Panel on Economic Services

Dear Mr TIEN,

I hope the Government can provide the following information at the next meeting:

1. The average tariff increase by The Hongkong Electric Company Limited (HEC) is 6.5%, representing an average tariff of \$1.1 per unit, whilst the tariff of The China Light and Power Company Limited (CLP) will be frozen at an average of \$0.875 per unit, thus, there is a difference of \$0.225 between the two. What are the respective differences between the average tariffs of residential and non-residential customers of the two power companies? What are the detailed reasons for the differences?
2. In 2003, HEC had total electricity sales of \$11.25 billion and a net return of \$6.05 billion, representing a return rate of 53.7%. According to the Scheme of Control Financial Statistics of CLP, it had total electricity sales of \$25.67 billion last year and a net return of \$8.35 billion, representing a return rate of 32.5%. The ratios of return on equity (ROEs) of the two power companies were 50% and 30% respectively. Has the Government studied the approximate range of the ROEs of the power companies in other advanced countries and regions? How do these ratios compare with those of the two power companies?
3. Did the respective forecast consumption levels of the two power companies during the past three years in line match the actual consumption levels? What are the forecast consumption levels of the two power companies for the next three years?
4. What are the respective electricity reserves of the two power companies at present? What are the respective forecast reserves of the two power companies for the next three years?

5. HEC has around \$1.15 billion “debit balance in the Fuel Clause Account”, which is not covered by the tariff increase of 6.5% next year. Does HEC expect to recover the debit balance before 2008? Will HEC increase electricity tariff next year as a result?

Yours sincerely,

(signed)

(Hon Fred LI Wah-ming, JP)
Member of Panel on Economic Services