

**Administration's Response to the Questions raised
by Hon SIN Chung-kai and Hon Fred LI Wah-ming**

Response to Question 1

The monthly utilization rates of the generation units of the two power companies concern their daily operation. We have relayed to the two power companies Members' request to obtain information thereon.

Response to Question 2

Institutional setup for regulating the electricity market should be formulated according to future market conditions and regulatory regime. In the next ten years, the Government will develop an appropriate regulatory regime in the light of possible changes in market conditions, including to work out the details for the establishment of a new regulatory authority and proceed with all the necessary preparations for the implementation of the new regime.

Based on the experience of overseas electricity markets, such as the British and Australian electricity markets, the main objective of a regulatory authority is to implement the energy policy in protection of the interests of the public. The actual scopes of functions depend on the relevant market conditions, and may include regulating charges and performance of the non-competitive segments of the market (such as network business), approving network development plans, monitoring

market operations, developing standards and codes and monitoring compliance therewith, issuing licences for market participants and enforcement of licensing conditions, and overseeing the operating and energy efficiency of the relevant companies, etc.

Response to Question 3

The two power companies have in place measures to implement demand side management and encourage the public to conserve energy currently. They include performing energy audits for their customers and organizing publicity programmes to increase public awareness of energy efficiency and conservation. CLP Power Hong Kong Limited has also offered lower tariff rates during off-peak hours for large customers in order to lower electricity demand during peak hours. In the Stage II Consultation Paper, we propose to provide economic incentives to the two power companies to improve their performance in energy efficiency and conservation. The indices of measurement will cover their work in demand side management, such as energy audits, promotion of energy conservation and the amount of energy conserved.

Response to Question 4

In processing electricity supply applications, the Government will consider a number of issues, including the supply reliability, safety and environmental performance of the relevant plan. We have to consider the planning criteria, design and operational aspect, etc, so as to ascertain whether the plan can deliver a similar standard of supply reliability as the

existing power system and its impact, if any, on the existing power system. Moreover, we have to ensure that the proposed power system will comply with the relevant electricity safety requirements, applicable environmental requirements and other relevant legislation. Various Government departments are conducting a detailed assessment of the plan and information submitted by the China Hong Kong Power Development Co., Ltd and are seeking further information and explanations from the company.

Response to Question 5

Interested investors whose power supply arrangements meet the relevant reliability, safety and environmental requirements are welcome to enter the electricity market of Hong Kong. On the issue of providing access to the power grids of the two power companies, it is necessary to take into account that the existing power grids are private properties of the two power companies and have been planned, developed and operated by them to match their own supply sources, modes of operation and the demand of their customers, and may not be immediately compatible with the operating condition of a third party. Therefore, we propose in the Stage II Consultation Paper to seek the agreement of the two power companies to provide connection/access to their grids for renewable energy (RE) users and generating facilities using RE. The Government will work with the two power companies, relevant parties and stakeholders to develop technical codes to ensure the reliability and safety of electricity supplies, and a set of fair and transparent guidelines for accounting and settlement of power transactions, demarcation of responsibility, accountability and liability, etc. Moreover, the

Government will offer assistance in the negotiation between RE users and owners of generating facilities using RE over grid connection/access, where necessary and when requested by either party. The Government will also make reference to overseas experience and decide on the approach and regulatory framework for making available grid access to other new supply sources.

Economic Development and Labour Bureau

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