

**Legislative Council Panel on Economic Development**  
**SoC Interim Review in 2013 (25 February 2013)**

**CLP/CAPCO Written Submission**

1. CLP/CAPCO will work closely with the Government to conduct the 2013 Interim Review of the Scheme of Control Agreement (SoC) in accordance with the SoC.
2. The SoC between the Government and CLP/CAPCO is recognized as a balanced and effective regulatory regime that has been serving Hong Kong well. Over the years, CLP/CAPCO has fulfilled the Government's policy objectives reflected in the SoC obligations in supplying reliable quality electricity service at the highest international reliability standards at 99.999%, and at reasonable tariff levels comparable to other key metropolitan cities in the world. In 2013, our tariff for domestic customers at typical consumption\* in the CLP territory at \$1.03/kWh is competitive amongst international cities in particular for the high reliability and emissions reduction achieved. For example, Singapore charges \$1.8/kWh and Sydney at \$2.8/kWh. Our customer service levels meet those of any developed economy and in some instances, rank amongst the very best in the world — Hong Kong has been ranked number 4 out of 185 economies in the ease of getting electricity in the Doing Business 2013 rankings published by the World Bank.
3. In recent years, there has been an increasing quest for better air quality. We understand that there are emissions associated with electricity business operations and we have been making sustained efforts in reducing emissions through the use of low sulphur and ash coal, natural gas and nuclear, as well as emissions control technology. Despite the growth in electricity demand of 80% over the past twenty years, emissions have been reduced by 82% over the same period. We have also introduced a series of tools and programmes to assist both our domestic and commercial customers in energy efficiency and conservation. More programmes are in the pipeline not just to educate but also enable our customers to use energy smarter.
4. The SoC framework enables CLP/CAPCO to contribute to Hong Kong's long-term development as a world-class city, and to play a role in enhancing Hong Kong's competitiveness and sustainable growth.

---

\*Remarks:

Comparison based on average monthly domestic consumption of 275kWh Tariff and exchange rate as of 1 January 2013 (CLP excludes Rent & Rates Special Rebate). Source: web search

5. A regulatory framework for the power industry should take into consideration important factors related to the unique business nature of electricity supply. These include:
  - Sustainable electricity supply and emissions reductions will require long-term and capital-intensive infrastructural investments, which need to be supported by a clear, stable and long-term regulatory regime.
  - The global fuel market is volatile, and demand for cleaner fuel is also on the rise. These would inevitably have a bearing on tariff levels as evident in global market tariff trend.
6. Any proposed modifications to the SoC at the juncture of the Interim Review should ensure a holistic approach is pursued and stakeholders' needs are met and balanced. This is important for enabling continuous delivery of the same high level of safe, reliable, environmental and cost-effective electricity service, consistent with the government's stated objectives and to the very high standard that the Hong Kong community expects.
7. The SoC provides that parties to the agreement shall have the right, during the year ending 31 December 2013, to request modification of any part of the SoC in the middle of the ten-year contract term. Mutual agreement by all parties to the agreement is needed before any proposed modification to the SoC.
8. We have been serving the Hong Kong community for over a century and we remain committed to continuing our contribution to Hong Kong's long-term success. We welcome an informed discussion by stakeholders and the public. We shall be happy to provide background and information to facilitate understanding of the SoC.