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27 March 2012

By Email

Mr Derek LO
Clerk to Panel on Economic Development
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Mr LO,

**Panel on Economic Development
Follow up to meeting on 25 February 2013**

I refer to item 15 of the List of Follow-up Actions (position as at 26 February 2013) of the Panel on Economic Development, and would like to provide Members with the following information.

The current Scheme of Control Agreements (SCAs) with the two power companies will expire in 2018, with an option exercisable by the Government to extend the agreements for five more years until 2023. The SCAs stipulate that the Government and the two power companies shall have the right during 2013 to request modification of any part of the current SCAs, and mutual agreement is required before implementing any proposed modification. We will conduct the mid-term review with the two power companies in the coming few months. In proceeding with the review, we will take into account the comments and suggestions received from stakeholders and will brief the Legislative Council and the public on the results of the review at an appropriate time.

The mid-term review in 2013 would provide a useful platform for us to listen to different views of the community, and help our work in the long-term planning of electricity market development after 2018. As

stipulated in the current SCAs, before implementing any changes to the regulatory regime, the Government will take into account all relevant factors and discuss with the power companies market readiness and potential future changes to the electricity supply regulatory framework and transition issues before 2016. We are also starting to conduct preparatory work for the electricity market review, including studying and analysing possible models for market liberalization and requisite changes to the regulatory framework, and would consult the public at appropriate stages.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Philip Har', with a stylized flourish at the end.

(Philip Har)

for Secretary for the Environment