

Subject: Deputation to LegCo ED Panel on Power Market

Hon James Tien Pei-chun, GBS, JP
Chairman, Panel on Economic Development
Rm 819, Legislative Council Complex
Central
Hong Kong

Dear Mr Tien,

I am writing to put forth my views on the interim review of the Scheme of Control (SOC), future fuel choices and the Post-2018 power market. Hong Kong is an international financial and tourist centre, in which a safe and reliable supply of electricity is a sine qua non for its smooth operation. Think about what happens to the banks, the stock market and other financial institutions when power is cut for, say, 20 minutes. The losses and damages will be unbearable. Further, the vast majority of our citizens live and work in high-rise buildings, when power supply is interrupted, people get trapped in the lifts and life comes to a halt. On top of that, even though in the world as a whole, oil plays an overwhelming role in the transportation sector, yet in our city, the electrified modes like the MTR, the railway, the light rail and the tram are also instrumental in moving people around, signifying that any power loss will also strand the passengers on the routes. It is clear that a safe and secure supply of power must be maintained in Hong Kong : That should be the paramount consideration in any energy policy.

The SOC has served Hong Kong very well since its inception in 1964. It has given us an extremely reliable supply of power at reasonable prices ---lower than many other places/cities with comparable levels of income and economic development--- in the past years. In fact the Hong Kong government promoted Hong Kong to the foreign investors in the 1960s to 1980s, saying that we have very good infrastructure, one of which is a safe and reliable supply of power. Our supply reliability still stands out among all the power systems in the world.

Of course improvements could always be made to any system. The Government is right to review the SOC to see what improvements could be implemented to benefit the Hong Kong community. But the citizens should realize that the power sector involves medium and long term planning; the laying of the transmission network and new power plants entail long lead times, implying that the power companies make plans on a relatively long time horizon. Hence, any major revision to a ten-year agreement might cause difficulties, e.g. the presence of the SOC has enabled the power companies to procure fuels on better terms than those companies without a secure market for their power output.

Moreover, the SOC is a legal agreement between both parties; any major revisions require the consent of both parties. Should the Government force revisions not acceptable to the power company, such as a downward revision to the permitted rate of return in an effort to placate populist demand (which is not always rational), this could be quite detrimental to the business environment and the rule of law in Hong Kong.

Many, many people think that opening the power market and introducing competition to it will bring lower prices without affecting supply stability. This is sheer wishful thinking. The SAR Government should study very carefully the experiences of those countries that have opened up in the past years before taking any concrete step or making any firm decision to open up our market. The issue is more complex and contentious than most people realize.

Many thanks for your attention to my submission.

Respectfully submitted
by

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