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17 May 2019

Ms Doris Lo
Clerk to the Public Works Subcommittee
Public Works Subcommittee
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Doris,

Paper No. PWSC(2019-20)1
50CG – Provision of an Additional District Cooling System
at the Kai Tak Development

At the meeting of the Public Works Subcommittee on 14 May 2019 at which Public Works Programme (PWP) Item No.50CG – Provision of an Additional District Cooling System at the Kai Tak Development was discussed, a member requested the Government to provide supplementary information on the recurrent costs and charges of the existing system. Our response is set out below.

Recurrent Cost

The estimated recurrent costs of PWP Item No. 45CG – District Cooling System at the Kai Tak Development (i.e. the existing system) that were projected when funding was sought from the Legislative Council and the actual recurrent costs from commencement of operation to 2018-19 are as follows –

Year	Estimated Recurrent Costs (\$million) (in MOD prices)	Actual Recurrent Costs (\$million)
2012 – 13	16.9	5.9
2013 – 14	46.8	39.2
2014 – 15	56.7	47.4
2015 – 16	70.4	51
2016 – 17	65.2	38.9
2017 – 18	68.7	34.7
2018 – 19	61.2	25.4

The District Cooling Services Ordinance (Cap. 624) stipulates that the charges and fees received for the provision of district cooling services are used to settle the operation and maintenance fees as well as utility costs for operating the district cooling system. Therefore, the cost shown in the table above is the amount after deducting the operating expenses by the charges and fees received for the provision of district cooling services of that particular financial year. We estimate that starting from 2021-22, the charges and fees received would be sufficient to settle the relevant operating expenses.

Charges for Provision of District Cooling Services

The District Cooling Services Ordinance came into force in March 2015, requiring all public and private non-domestic developments that use district cooling services at the Kai Tak Development to pay charges to the Government.

The Capacity Charge rate is adjusted annually based on the Composite Consumer Price Index while the Consumption Charge rate is adjusted annually to take into account the change to the electricity tariff rate. The Capacity Charge rates and Consumption Charge rates since 2012-13, as well as the relevant average net electricity tariff rates, are at **Annex**.

Yours sincerely,



(Desmond Cheng)

for Secretary for the Environment

c.c. Secretary for Financial Services and the Treasury (Attn: Mr Denny HO)
 Director of Electrical and Mechanical Services (Attn: Mr VY Ek Chin)

**Capacity Charge Rate and Consumption Charge Rate
of the District Cooling System at the Kai Tak Development**

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Capacity Charge Rate (\$/kW _r)	102.96	107.8	112.11	116.03	118.93	121.67	123.74	126.96
Consumption Charge Rate (\$/kW _{rh})	0.17	0.18	0.19	0.1959	0.1941	0.1941	0.1978	0.2018

Note:

- 1 Adjustment based on the change to the Composite Consumer Price Index (after removing effects of all one-off relief measures of the Government).
- 2 Adjustment based on the change to the average net electricity tariff rate of the China Light and Power Company Ltd (CLP).

CLP Average Net Electricity Tariff Rate

	2012	2013	2014	2015	2016	2017	2018
Average Net Tariff Rate (\$/kWh)	0.987	1.045	1.108	1.142	1.132	1.132	1.154*
							1.177#

Note:

* Average net tariff rate from 1 January to 30 September 2018.

Average net tariff rate from 1 October to 31 December 2018 (the new Scheme of Control Agreement took effect on 1 October 2018)