

**For discussion on  
10 December 2019**

**Legislative Council Panel on Economic Development  
Electricity Charges Subsidy for Non-residential Customers**

**PURPOSE**

To counter the increasingly challenging external and local economic environment, the Financial Secretary announced on 4 December 2019 a package of helping measures to support enterprises and safeguard jobs, including the provision of electricity charges subsidy (“the subsidy”) to eligible non-residential electricity accounts. This note sets out the details of this subsidy arrangement.

**PROPOSAL**

2. We propose to provide the subsidy to all non-residential electricity accounts<sup>1</sup> registered with the power companies as of 4 December 2019, to cover 75% of their billed electricity charges, subject to a cap of \$5,000 per month, in respect of their electricity consumption over a four-month period.

**JUSTIFICATION**

3. Small and medium enterprises (SMEs) account for over 98% of the enterprises and around 45% of the total employment in Hong Kong, and are the cornerstone of our economy. They have been hit hardest in the current economic downturn. Looking ahead, small businesses will still face immense pressure in the near term.

4. The proposed subsidy is one of Government’s measures to ease SMEs’ operating pressure and financial burden during this difficult time. Like other helping measures in the same package (such as the subsidies for water and sewage charges), the subsidy is pitched at 75% of the charges payable, and will last for four months.

5. For better financial control, the subsidy is capped at \$5,000 per

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<sup>1</sup> In this context, “non-residential electricity account” is as defined in the power companies’ tariff classification, meaning accounts to which “non-residential tariff” applies. It is to be distinguished from other non-household accounts with higher energy consumption, to which the “maximum demand tariff”, “bulk tariff” or “large power tariff” applies.

month, i.e. \$20,000 in total over four months. With this cap, customers who pay electricity charges up to \$6,700 a month can get a full 75% subsidy. This already covers close to 90% of the two power companies' non-residential account holders, who are mostly SMEs. For the other beneficiaries with a higher electricity consumption, the subsidy capped at \$5,000 will be less than 75% of the charges they pay.

## **IMPLEMENTATION**

6. Subject to funding approval by the Finance Committee, our plan is to start crediting the electricity subsidy to the eligible accounts from the following month. The power companies should be able to make the necessary technical adjustments to their billing systems in time. In case there is unforeseen delay in system adjustment, the implementation date and the eligibility period will be postponed correspondingly.

## **FINANCIAL IMPLICATIONS**

7. Based on the average monthly consumption of some existing 430 000 non-residential electricity accounts, we estimate that the total amount of subsidy involved will be around \$2,300 million. The estimated cash flow is as follows:

<b>Financial Year</b>	<b>\$ million</b>
2019-20	1,035
2020-21	1,265
Total	<u>2,300</u>

The actual cash flow for each year and the final funding requirement will depend on factors including the implementation date, number of eligible accounts and their electricity consumption during the 4-month period.

## **FINANCIAL CONTROL**

8. Similar to the existing electricity subsidy schemes for residential customers, we will set out in formal documentation the operating parameters of the subsidy and the obligation of parties involved, for compliance by the electricity companies. As part of the financial control mechanism, the companies will be required to provide the Government with reports on the number of accounts eligible for the subsidy and the amount of credits provided for the month. They will also be required to provide the Government with confirmation from external auditors that the Government has been charged according to the terms agreed.

## **BACKGROUND**

9. Since August 2019, the Financial Secretary has announced four packages of helping measures benefiting members of the public and enterprises in Hong Kong. These include the provision of a one-off electricity charge subsidy of \$2,000 to each eligible residential electricity account. The current proposal targets non-residential account holders, in particular SMEs.

## **WAY FORWARD**

10. Subject to Members' views, we intend to seek funding approval from the Finance Committee as soon as practicable for implementation of the proposal.

Environment Bureau  
December 2019