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27 December 2019

Panel on Economic Development of the Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn: Ms Shirley CHAN)
(Fax No.: 2840 0269)

Dear Ms Chan,

Panel on Economic Development
Letter from Hon SHIU Ka-Chun dated 9 December 2019

Thank you for your letter dated 11 December 2019, relaying Hon Shiu's questions. I have been authorised to reply as follows.

In accordance with Government's policy requirements, the two power companies will increase the use of more environmentally friendly but more expensive natural gas for power generation and make related investments in 2020, thus facing huge pressures for tariff increase.

In conducting the 2020 Tariff Review, Government has urged the two power companies to minimise the impact of tariff adjustments on customers to the extent practicable. The two power companies have already factored in hefty transfers of resources from their Tariff Stabilisation Fund and Fuel Clause Recovery Account to ameliorate the tariff increase. In fact, CLP Power will see a deficit in its Fuel Clause Recovery Account.

The capital expenditure of the two power companies are captured in their fixed asset accounts in accordance with the accounting policies (following the generally accepted accounting principles in Hong Kong) under the Scheme of Control Agreements. As for fuel costs, according to the Scheme of Control Agreements, fuel costs are borne by consumers. If the actual fuel price/cost differs from the original estimates when setting the Fuel Clause Charge, the relevant changes will be reflected in the monthly Fuel

Clause Charge through the frequent fuel cost adjustment mechanism. Hence, lowering the fuel cost projections will not reduce the actual electricity expenditure.

The letter also asks whether the Electricity Charges Relief Scheme and Electricity Charges Subsidy Scheme would cover tenants of subdivided units (SDUs) which have no individual electricity meters. Since Government and the two power companies neither maintain a complete record of these tenants, nor do they know the rental arrangements between them and their landlords, they have no means to effectively verify the tenants' identity and calculate the appropriate amount of relief or subsidies for them, hence will have difficulty including them in the schemes.

Notwithstanding the above, tenants of SDUs who are in need can benefit from the two power companies' programmes to support the disadvantaged groups, which are implemented using their respective Community Energy Saving Funds. For example, the two power companies will subsidise landlords of SDUs for rewiring works and the installation of individual electricity meters. The companies will also provide cash subsidy of \$500 (Hongkong Electric) or \$600 (CLP Power) to each eligible tenants of SDUs to reduce their electricity charges. Moreover, the two power companies will donate, or subsidise the underprivileged to purchase, electrical appliances with enhanced energy efficiency.

Yours sincerely,



(Ms Esther WANG)
for Secretary for the Environment