

Legislative Council Panel on Financial Affairs

Electricity Charges Subsidy

PURPOSE

To alleviate the economic pressure of the public caused by the economic downturn and the epidemic, the Financial Secretary announced in the 2021-22 Budget a series of counter-cyclical measures, which included the provision of an electricity charge subsidy of \$1,000 to each eligible residential electricity account¹ (the “new subsidy scheme”). This paper informs Members of the key implementation features of the new subsidy scheme.

IMPLEMENTATION FEATURES

2. Under the new subsidy scheme, a subsidy of \$1,000 will be injected into each eligible residential electricity account with CLP Power Hong Kong Ltd. or The Hongkong Electric Co., Ltd. in 12 instalments. Specifically, we will credit \$80 to each residential electricity account on the first day² of each month for 11 consecutive months and \$120 in the 12th month. Subject to the passage of the Appropriation Bill 2021, the first instalment is expected to be injected in June 2021. The credits can only be used for the purpose of offsetting billed charges for electricity consumed under the same account up to the expiry date of 31 December 2023 or the close of the account³, whichever is earlier. This will allow the new subsidy scheme to be valid for around two and a half years from the first credit.

¹ A “residential electricity account” refers to an account to which domestic tariff applies. In determining the applicable tariff, the electricity companies will consider the nature of occupancy. The companies will process the opening and termination of accounts as well as other account-related matters in accordance with their established mechanisms.

² Where a change of account holder occurs on the first day of the month, the customer taking up the account will be entitled to the credit. In respect of any one electricity meter, only one account will be eligible for the subsidy in a month.

³ Residential electricity account holders living in (i) public rental housing (“PRH”) units of the Hong Kong Housing Authority (“HA”) or the Hong Kong Housing Society (“HS”); and (ii) squatters, who will be moved to PRH units of HA/HS owing to redevelopment and major repairs/improvement works and the Government’s development clearance exercises respectively, will be allowed to carry forward their unused credits to their new electricity accounts on removal up to 31 December 2023. For (i), this will be provided for under the existing commitment of Item 835 Supplementary electricity charges subsidy for eligible public housing tenants affected by redevelopment, major repair or improvement works under Head 147 Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch) Subhead 700 General non-recurrent. For (ii), this will be provided by a separate commitment item to be created under delegated authority.

3. As with the established practice, any unused credit in a month can be carried forward to cover billed electricity charges under the same account. For alignment with the new subsidy scheme, the expiry date of the existing subsidy schemes⁴ will be extended from 31 December 2022 to 31 December 2023 so that both the unused credits under the existing subsidy schemes (if any) and the freshly injected credits under the new subsidy scheme can be used to cover billed electricity charges until the same expiry date. The need to further extend the expiry date will be reviewed as and when necessary.

4. Apart from the existing subsidy schemes, under the Electricity Charges Relief Scheme the Government credits \$50 to each eligible residential electricity account on the first day of each month for 60 consecutive months from 1 January 2019 to 31 December 2023. Credits from the new subsidy scheme will be utilised only after both the unused credits under the existing subsidy schemes and the relief amounts under the Electricity Charges Relief Scheme are exhausted or have expired.

FINANCIAL IMPLICATIONS

5. In 2008, 2011, 2012, 2013 and 2019, the Government provided several rounds of electricity charges subsidy, bringing the total approved commitment in Item 881 Electricity charges subsidy for eligible residential accounts under Head 147 Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch) Subhead 700 General non-recurrent to \$27.9 billion⁵. As the two electricity companies maintain over 2.7 million residential electricity accounts, the total sum to be granted under the new subsidy scheme is estimated at around \$2.8 billion. Accordingly, subject to the passage of the Appropriation Bill 2021, the existing commitment will be increased by \$2.8 billion from \$27.9 billion to \$30.7 billion.

6. As the Government will pay the electricity companies as and when the billed charges become due, the payment to the companies will spread over the years. On the assumption that the first instalment under the new subsidy scheme will be injected on 1 June 2021, the estimated cash flow⁶ of the increased commitment is as follows:

⁴ The existing subsidy schemes refer to the electricity charges subsidy schemes implemented in 2008, 2011, 2012, 2013 and 2019.

⁵ Not including the approved commitment of \$9 million in Item 835 (Supplementary electricity charges subsidy for eligible public housing tenants affected by redevelopment, major repair or improvement works) under Head 147 Subhead 700 (refer to Footnote 3).

⁶ The actual cash flow for each year and the final requirement will depend on factors including the number of eligible residential electricity accounts and their electricity consumption.

Financial year	\$ billion
Amount spent up to 31 March 2020	22.5
2020-21	4.1
2021-22	2.2
2022-23	1.7
2023-24	0.2
Total	30.7

CONTROL MECHANISM

7. We will set out in documentation any updates in the operating parameters of the subsidy and the obligation of parties involved for compliance by the electricity companies. As part of the control mechanism, we will continue to require the companies to provide the Government with monthly reports on the number of accounts eligible for the subsidy, the amount of credits used in the month and the amount of unused credits carried forward. In addition, they will be required to provide confirmation from external auditors that the Government has been charged according to the terms of the relevant schemes.

BACKGROUND

8. Following the implementation of electricity charges subsidy schemes in 2008, 2011, 2012, 2013 and 2019 by the Government, the Financial Secretary proposed in the 2021-22 Budget to grant each eligible residential electricity account a subsidy of \$1,000 to alleviate the impact of the economic downturn and the epidemic on the public.

ADVICE SOUGHT

9. Members are invited to note this paper.

Financial Services and the Treasury Bureau
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