

Message

Reliable supplies of energy are an essential ingredient for economic prosperity. We will continue to rely on the proven expertise of the private sector in meeting our energy requirements, while monitoring the sector closely to ensure that consumers are receiving reliable and efficient supplies of energy at reasonable prices. In 1999, we will focus on the role of natural gas as a fuel for power generation and other purposes and the feasibility of promoting greater competition within the energy sector.

A handwritten signature in black ink, appearing to read "Stephen Ip". The signature is fluid and cursive, with a large initial "S" and a stylized "Ip" at the end.

(Stephen Ip)

Secretary for Economic Services

Energy

Our Policy Objective is to ensure the provision of sufficient, reliable and reasonably priced supplies of energy for Hong Kong and to promote the economical and safe use of energy.

Our target in pursuing this Policy Objective is that reliability of electricity and gas supply should exceed 99.8%.

Key Result Areas (KRAs)

To ensure that this Policy Objective can be achieved, we must deliver results in a number of key areas, that is, we must –

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The following sections of this booklet explain the importance of these KRAs, describe the broad thrust of our efforts, and outline the indicators which we are using to assess progress. Each section lists the new key initiatives being taken to achieve our objectives and pinpoints the agency accountable for each initiative and the specific targets which we intend to meet.

I

Identify energy supply needs and resources

The Government relies on the private sector to supply energy to meet market requirements. As all of Hong Kong's energy supplies originate from external sources, it is important that our sources of fuel and energy are well diversified and that arrangements are in place to tide us over short term disruptions to supply.

The Government will promote the use of natural gas as a fuel for power generation and other uses, where feasible and economically viable. Natural gas is an environmentally cleaner fuel than coal or oil.

Indicators

The indicators we will use to measure progress in this area are –

- the ability of the private sector to maintain both continuous supplies of fuel and energy to satisfy market requirements and adequate reserves of essential fuels
- the ability to secure diverse sources of supply
- the availability of infrastructure required to maintain secure energy supply

Initiatives

Targets

To consider Hongkong Electric's proposal for additional generating capacity

*(Economic Services Bureau (ESB))**

To decide whether to approve the proposal in 1999

To review the deferral programme for Units 7 & 8 at Black Point Power Station

(ESB)

To complete the review in end 1999

* the brackets denote the agency with lead responsibility for the initiative

II

Administer energy regulatory arrangements

The Government has Scheme of Control Agreements with the power companies which limit their rates of return and provide for monitoring of their electricity-related financial affairs, to protect the interests of the consumer.

The Government also has an Information and Consultation Agreement with the sole supplier of towngas to increase the transparency of the company's operations and its justification for tariff increases. The agreed arrangements include disclosure of additional corporate information and briefing of the Energy Advisory Committee and the legislature.

These agreements enable the Government to monitor the performance of the power and towngas companies to ensure that they operate efficiently and that their tariffs are reasonable.

Indicators

The indicators we will use to measure progress in this area are –

- the timely completion of tariff, audit and other reviews conducted in accordance with the terms of the Scheme of Control Agreements
- the timely compliance of the towngas supplier with the Information and Consultation Agreement

Initiative	Target
To implement modifications to the Scheme of Control Agreements which may be agreed with the power companies during the interim reviews, to safeguard the interests of consumers and streamline administrative arrangements <i>(Economic Services Bureau)</i>	To implement agreed modifications in 1999



Ensure energy needs are met efficiently and safely

Proposals by energy suppliers to build major new facilities are examined by the Government with a view to ensuring that they are justified by forecast demand, will meet various regulatory requirements and function efficiently. The performance of the power and town gas companies is monitored to ensure that they operate efficiently.

Safety standards in the energy sector are enforced through the Electricity Ordinance and the Gas Safety Ordinance. Among other things, the ordinances cover the registration of production facilities, electrical workers and contractors and gas installation contractors, wiring and tubing standards and safe distribution and use of electricity and gas.

Indicators

The indicators we will use to measure progress in this area are –

- the timely assessment of the extent to which any proposed new facilities meet economic, financial and technical requirements
- the timely approval of any additional plant that may be justified
- the extent to which the energy sector complies with statutory safety requirements for the operation and maintenance of energy-related facilities and equipment

Initiatives	Targets
<p>To follow up the feasibility study of introducing a common carrier system for gas supply in Hong Kong by establishing an accounting framework for identification of the gas transportation costs of the sole town gas supplier</p> <p><i>(Economic Services Bureau (ESB))</i></p>	<p>To establish the accounting framework in mid-1999</p>
<p>To follow up the study of interconnection and competition in the electricity supply sector</p> <p><i>(ESB)</i></p>	<p>To publish a policy statement in 1999</p>
<p>To step up inspection of electrical installations in buildings to ensure compliance with the relevant safety requirements</p> <p><i>(Electrical and Mechanical Services Department)</i></p>	<p>To serve warning letters on owners of buildings who have not complied with the safety requirements, and inspect some 4 000 buildings by end 1999</p>

IV

Promote demand side management

The efficient use and conservation of energy is promoted through demand side management programmes covering lighting, appliances and electrical plant in buildings. The objective is to reduce longer term growth in demand for electricity.

Indicator

The indicator we will use to measure progress in this area is the amount of savings achieved through demand side management by power companies.

Initiative

To institute monitoring of power companies' implementation of demand side management programmes

(Economic Services Bureau)

Target

Power companies to achieve agreed savings of generating capacity by the end of their first set of demand side management programmes in 2001