

Future Development of the Electricity Market in Hong Kong Stage I Consultation

Purpose

This paper informs Members of the consultation on future development of the electricity market after expiry of the current Scheme of Control Agreements (SCAs) in 2008 that is currently in progress.

Background

2. The existing SCAs, which the Government signed separately with the two power companies, will expire in 2008. The Government has conducted a review of the electricity market with a view to drawing up a broad framework for the development of the electricity market after 2008. We will consult the public in two stages. Annexed is the Stage I consultation document.

Review of the Electricity Market

3. The electricity market review entails detailed studies on a range of complex subjects, including technical, legal, business, environmental and regulatory issues. Our primary objective is to ensure that consumers continue to enjoy reliable and safe supply of electricity at reasonable prices.

4. In the course of the review, we have consulted the Energy Advisory Committee (EnAC) and studied the market reforms in overseas electricity markets.

Stage I Consultation

5. We will consult the public and the stakeholders, including the two power companies, in two stages. The Stage I consultation document at **Annex** identifies issues that should be considered and proposes possible options for the post-2008 electricity market.

6. We invite views on the issues raised in the consultation document to be forwarded to us on or before 30 April 2005. Working documents considered by the EnAC during the electricity market review have also been uploaded onto the EDLB website for information and reference.

Stage II Consultation

7. We will consider the views received during the Stage I consultation and map out a broad framework for the development of the future electricity market before we commence the Stage II consultation, which we plan to conduct in the second half of 2005.

Advice Sought

8. We welcome comments and views from Members on the consultation document.

**Economic Development and Labour Bureau
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