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Bottom line is missing in fuel debate

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Government sources say there were too many unknowns to make even a rough forecast on costs in its electricity consultation paper

The new energy consultation paper raises more questions than answers, disappointing many who had expected officials to explain the impacts of the two proposed options put forward for the future of the city's power supply.

The first option involves sourcing 30 per cent of our electricity needs by 2023 from the China Southern Power Grid, while the second requires boosting the use of natural gas at the city's power plants so that it accounts for 60 per cent of energy production by 2020.

Officials said the costs of generating power would double in both options, but what these costs are and how they will affect household bills are not known. Sources close to the government said there were simply too many unknowns to make even a rough but responsible forecast.



With the document now open to public consultation until June 18, the lack of detail makes it harder for people to reach any conclusions and easier for the debate to descend to a case of "local" versus "mainland".

A key factor determining the tariff levels of the local option will be the number of new gas-fired generation units required.

Dr Tso Che-wah, former general manager at Hongkong Electric, estimated three to four extra gas generation units would be required to meet the 60 per cent target, estimating the total cost to be HK\$12 billion, without pricing in extra operational costs.

How much of these investments will be apportioned to the end user is another uncertainty. What further complicates the matter is the expiry of the power firms' regulatory regime in 2018, which currently allows them to base profit levels on assets.

New gas sources would also have to be secured. Its pricing might be influenced as the scale of availability of shale gas unfolds in both China and the US.

The import option seems to have even more uncertainties. Apart from fluctuating prices of the raw materials, predicting the fuel mix of the mainland grid in a decade's time would

appear to require a crystal ball. The best reference available is Macau, where nearly 90 per cent of power is imported from the mainland. In 2012, the average price was 85 cents per kilowatt-hour - around 20 per cent less than the import price in 2008.

For Hong Kong, it is not yet known how the two grids would hook up and whether the government or power firms would pay for this. Officials admitted that it might involve a costly operation to lay undersea cables.

And would the mainland grid be connected to both CLP Power and Hongkong Electric, the city's two electricity suppliers?

With 50 per cent of energy needs coming via the mainland through China Southern Power Grid and nuclear power, Hong Kong would still need back-up facilities in case the cross-border transfer was disrupted. Again, any detail on how this would be achieved is nowhere to be seen in the consultation document.

The document also mentions an extra cost involved in this option: the peak adjustment fee. But officials have yet to spell out what this means.

They did hint that the import option might be the logical approach should Hong Kong prefer to head towards the liberalisation of the electricity market and a separation between the grid and power generation.

Prentice Koo Wai-muk, of Greenpeace, backed the import option. "We believe an open market will create more opportunity to import cleaner power from the mainland," he said.

Dr William Chung Siu-wai, an energy researcher at City University, believed the debate would boil down to concern over energy security - "whether we can readily have access to the power we need at any time without restrictions, rather than which option is cheaper and cleaner".

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