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Competition in the Electricity Markets
Discussion Forum co-organised by the Competition Commission
and the Consumer Council

Jointly organised by the Competition Commission (the Commission) and the Consumer Council (the Council), which have submitted their respective views in response to the Government's Public Consultation on the Future Development of the Electricity Market, the discussion forum held today attracted an assembly of some 100 legislators, business leaders, professionals, technical experts and academia to deliberate and share views on the introduction of competition to the electricity sector.

Bringing with them insights and genuine experiences in electricity regulatory reforms in Singapore, the European Union (EU) and the United States (US), the invited international experts outlined a number of crucial conditions for competition to be introduced to achieve reliable supply of sustainable energy without compromising fair prices, including ratepayer funded energy efficiency programmes, and fair and transparent access to the market for new entrants.

Singapore has many public policy objectives and geographic characteristics in common with Hong Kong. There is limited space for renewables and both markets depend on imported fossil fuels to meet energy demands. Efforts made to liberalise the generation market in Singapore in the past 20 years have succeeded in providing consumers relatively stable electricity price despite surges in international oil prices in the same period. Currently around 84% of electricity generated is already sold competitively and consideration is being given to extending retail competition further. Singapore is also renowned for a highly reliable electricity grid, even more so than Hong

Kong. In future, Singapore plans to diversify its sources of energy from global sourcing of natural gas, directly importing more electricity and using more renewables.

Over the last several decades, there have been major shift from the traditional utility service paradigm in meeting electricity demand from construction of new power plants to the adoption of energy efficiency programmes, distributed generation and renewable resources as substitute measures. However, experience from the US and EU concluded that generation market liberalisation cannot be realised without a level playing field for the new and incumbent players to compete. Structure of existing market usually prevents those low-cost technologies from spontaneous adaptation. In the experts' opinion, regulatory the adoption of an integrated resource planning approach is needed to evaluate all demand-side options and supply side options, including small scale electricity generation and traditional fossil fuels, on an equal basis. This has to be ensured in any package of electricity market reforms.

For example, in leading US states the regulator obliges utilities to deliver energy efficiency savings of up to 2.5% of demand off setting the need for investment in generation, and the transmission and distribution networks. Proven evidence in bringing environmental benefits was also observed. In China, more promising developments were found recently in embracing energy efficiency as part of its strategies in energy management.

As distributed generation model and energy efficiency programmes gains its momentum worldwide, the on-going voice of consumers and their participation in the detailed decision making around energy matters are crucial for effective implementation of the energy policies. Energy regulators in other countries have been involving consumers actively, while increasing transparency in information disclosure to the public.

In this regard, both the Commission and the Council shares the same view

that serious consideration be given to establishing an independent regulatory body with a new regulatory framework for the electricity market in Hong Kong. A dedicated sector regulator to administer the framework for fair network access is a common feature in many countries including Singapore, the United Kingdom, Germany, Australia, and many U.S. states and Canadian provinces.

The Commission and the Council call on the Government, in its review of the electricity market in Hong Kong, to take note of these insightful cases around the world and take the necessary steps to introduce competition in the electricity sector in Hong Kong

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