2024-28 Development Plans of two power companies and 2023 Interim Review on Scheme of Control Agreements

The Chief Executive-in-Council (CE-in-Council) approved today (November 28) the Development Plans for the next five years and the 2024 Electricity Tariff Review of CLP Power Hong Kong Limited and Castle Peak Power Company Limited (collectively CLP) and The Hongkong Electric Company Limited (HKE). The CE-in-Council also took note of the consensus reached with the power companies under the interim review of the Scheme of Control Agreements (SCAs) undertaken in 2023 (2023 Interim Review). The Environment and Ecology Bureau will modify the SCAs with the power companies in accordance with the consensus. The modifications are expected to be completed and come into effect early next year.

2024-28 Development Plans and 2024 Electricity Tariff Adjustments

"The Government's energy policy objectives are to ensure that the public will enjoy reliable, safe and environmentally friendly electricity supply at reasonable costs. In reviewing the power companies" 2024-28 Development Plans, the Government only accepts only those capital project proposals which are considered absolutely necessary," said the Secretary for Environment and Ecology, Mr Tse Chin-wan.

The total estimated capital expenditures in the power companies' 2024-28 Development Plans are lower than those of the current 2018-23 Development Plans, with CLP at $52.9 billion and HKE at $22.0 billion. It is mainly due to less investment in generation projects, partly offset by higher investment in transmission and distribution (T&D) system. The generation investment will be reduced after the substantial investment in the current Development Plans for replacement of coal generation by cleaner energy. There is also a need to contain power companies' further investment in local generation for the time being when the Government is planning for more clean energy import through co-operation with the Mainland in future. The higher investment in T&D is for maintaining supply reliability and meeting the electricity demand of Hong Kong, in particular for the development of Northern Metropolis and new development areas.

The 2024 Electricity Tariff Review is approved as part of the two power companies' 2024-28 Development Plans. Owing to capital investment made and cost escalation, CLP and HKE will increase its 2024 Basic Tariff (on average by 3.1 per cent for CLP; whilst on average by 4.4 per cent for HKE). However, due to recent drop in international fuel prices, the power companies' Net Tariff in January 2024 will in fact be reduced on average by 7.4 per cent (CLP) and 16.0 per cent (HKE) respectively as compared with January 2023.

2025 to 2028 Projected Electricity Tariffs

The power companies' projected that the average annual increase in projected Basic Tariff from 2025 to 2028 of about 2 to 3 per cent is close to the projected trend of inflation. Assuming that fuel prices will remain stable, the average annual increase in Net Tariff will be no more than 2 per cent. The Basic Tariff during the entire 2024-28 Development Plan period is projected to increase at an average annual rate of 2.2 per cent for CLP and 3.1 per cent for HKE. The projected levels of Basic Tariff for 2025 to 2028 are only projections and the actual tariffs to be charged to consumers each year will be determined during the annual Tariff Review. The power companies can adjust the Fuel Clause Charges on a monthly basis with reference to actual fuel costs at that time.

To alleviate the impact of using greener fuel for electricity generation on electricity tariffs, the Government has been providing a monthly electricity charges relief of $50 since 2019 for each eligible residential electricity account, and will be providing a new round of monthly relief of $50 to each eligible residential electricity account during January 2024 to December 2025 (for 24 months).

Details of the 2024 electricity tariffs and the projected electricity tariffs from 2025 to 2028 are set out in Annex.

2023 Interim Review

As regards 2023 Interim Review, the Government proposed to the power companies the modifications to the SCAs on a number of areas. Upon rounds of negotiations, the two power companies have agreed to modifications in the following three areas: (a) new Special Tariff Relief Mechanism during energy crisis; (b) introducing a penalty scheme for large-scale electricity supply interruptions; and (c) enhancing transparency on information disclosure to public.

Through the 2024-28 Development Plans and 2024 Electricity Tariff Review, as well as 2023 Interim Review, the Government has achieved two aims, which are (a) advocating to the power companies for the provision of reasonably-priced, stable and reliable electricity to support high-quality development of Hong Kong; and (b) fostering the power companies to shoulder social responsibilities and ride out the difficulties together with the public in times of energy crisis.