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26 March 2025

Mr Poon Kwok Ying, JP
Director of Electrical and Mechanical Services
Electrical and Mechanical Services Department
3 Kai Shing Street, Kowloon
Hong Kong

Dear Mr Poon,

Re: Consultation Exercise on Proposed Amendments to District Cooling Services Ordinance (Cap.624)

The Chamber appreciates the opportunity to express its views on the EMSD's amendments to the District Cooling Services Ordinance (DCSO).

We acknowledge the efforts by the Government in striving towards carbon neutrality and energy conservation in its development blueprint for Hong Kong to benefit society and businesses and boost the overall competitiveness of the city, with the implementation of the District Cooling Services (DCS) mechanism beginning in Kai Tak Development since 2013[1], and its proposed scope expansion to cover the Kwu Tung North New Development Area (KTN NDA) and Tung Chung New Town Extension (East) (TCNTE(E)), as well as additional new areas within the Kai Tak DCS.

As to practical implementation, we suggest that a detailed assessment of the needs and demands of consumers and businesses and the commercial viability for the proposed expansions should be considered to maximize its efficacy, and put forward our general comments as follows:

Proposal Design:

- If the DCS is introduced to Kwu Tung North NDA and Tung Chung East, we suggest that consideration be given to subdividing the large DCS areas into smaller area to maintain higher flexibility for the implementation of the mechanism.

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[1] CP Chapter 1, para. 4.

- The provision of area cooling is, in effect, a public utility and most public utilities in Hong Kong are provided by the private sector. At a time when the Government is seeking to reduce public expenditure, private sector partnerships could be explored to meet the same objectives.

User Implications:

- Whilst the current DCSO aims to discourage consumers of buildings from deliberately under-estimating their contract cooling capacity[2], consideration should be given to providing support or reasonable buffer for the estimation of the maximum cooling capacity for non-domestic property users, in case of overestimation, leading to overpayment of the Capacity Charge.

- At the same time, non-domestic property users would usually commit to a smaller contract cooling capacity and pay lower Capacity Charges and Consumption Charges when their properties are not fully utilised/occupied in the initial stages of occupancy, so as to minimise costs and chilled water wastage. We recommend that the extra 10% Capacity Overrun Charge should not be applied when users later request higher cooling capacity to support occupancy rate changes.

- Due to changes in market conditions, the actual completion date and occupancy rate of non-domestic properties in the DCS area may not align with the scheduled completion date and occupancy rate as originally planned. Could the DCS be adjusted to accommodate potential delays in non-domestic projects, and would this have an impact on the energy-saving target of the DCS? Would there be a difference in the Capacity Charges and Consumption Charges of earlier and later users of the DCS?

- There are views that the DCS mechanism's capacity to serve specialised non-domestic property users, particularly hospitals and data centres, is limited. Such users have specific operational requirements relating to such aspects as the temperature of chilled water (inflow and outflow), cooling capacity, and redundancy setup. As a result, some users need to build their own cooling systems in their facilities as backup, in the case of emergency.

- Under the current DCS, office and shopping mall users in the Kai Tak DCS are paying higher air conditioning charges as compared to those in Kowloon East, thereby potentially increasing the operating costs for commercial users.

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[2] CP Chapter 2, para.2 (C).

Cost Recovery Considerations:

- The actual number and area of non-domestic property users within the DCS area could be less than initially planned. In such cases, the provision of a strategic plan for capital cost recovery by the Capacity Charge mechanism within the target period of 30 years, and possible remedial actions if this target is not met, should be considered.

- Under the current DCS mechanism, underground water pipes for the DCS will be built for non-domestic properties before the sites are sold to developers. Based on the experience with the Kai Tak DCS, some sites originally planned for non-domestic usage (such as offices or hotels) have since been rezoned for domestic usage to cater for changes in market demand, rendering the underground water pipes built for these sites obsolete. We would appreciate further clarification on the plan for recovery of capital costs for these water pipes.

We hope you will give our comments your due consideration.

Yours sincerely,

Patrick Yeung
CEO