

**Minutes of the 7th Meeting of the
Energy Conservation Projects Vetting Subcommittee
held on 24 August 2010 at 3:00 p.m.**

Present

Mr. Man Mo-leung	(Chairman)
Mr. Reuben Chu	(Vice-chairman)
Mr. Chua Hoi-wai	
Mr. Edward Leung	
Mr. Cheung Yan-hong	
Mr. Alan Chow	
Ms Christine Fong	
Mr. Alfred Lee	
Mr. Kendrew Leung	
Ms Betty Cheung	EPD
Miss Eunice Chan	EPD
Miss Katharine Choi	ENB
Mr. Kent Fung	ENB
Mr. WS Szeto	EMSTF
Mr. Michael Wong	EMSTF
Mr. Ming Chan	EMSTF
Ms Vivien Mok	(Secretary)

Absent with Apologies

Prof. Chan Chak-keung
Mr. Wong Kam-sing
Dr. Yau Wing-kwong

Welcoming Remarks

The Chairman welcomed all Members to the seventh meeting of the Energy Conservation Fund (ECF) Energy Conservation Projects Vetting Subcommittee (ECPVSC).

Agenda Item 1: Confirmation of the Minutes of the Last Meeting

2. The draft minutes of the last meeting held on 3 May 2010 were sent to Members on 17 June 2010. The minutes were endorsed without amendments.

Agenda Item 2: Matters Arising from the Minutes of the Last Meeting

3. There was no matter arising from the minutes of the last meeting.

Agenda Item 3: New Applications

**I) Applications under Buildings Energy Efficiency Funding Schemes (BEEFS)
(ECPVSC Paper 8/2010-11)**

4. Mr. WS Szeto briefed Members on Paper 8/2010-11 which aimed to seek their agreement to approve 96 funding applications under the BEEFS including 5 applications for energy-cum-carbon audit (ECA) and 91 for energy efficiency project (EEP) costing under \$2 million and to recommend 5 applications for EEP exceeding \$2 million for ECF Committee's

approval. Since the circulation of ECPVSC Paper 4/2010-11 on 10 June 2010, 39 funding applications were recommended not to be accepted due to inadequate information received for assessment, three were not eligible applications which had been rejected while 12 were withdrawn by the applicants of their own accord.

5. With reference to the withdrawn case EEP0361, the Chairman asked if applicant organizations would be required to withdraw the application for any changes in proposed items. Mr. Michael Wong replied that applicant organizations would be encouraged to revise the application submitted instead of withdrawing the case for any subsequent amendments in order not to lengthen the processing time. Since the applicant organization concerned claimed that an owners' meeting needed to be held to endorse the proposed changes, they preferred withdrawing the application for the time being.

6. Ms Christine Fong enquired whether it was permissible not to accept the lowest tender due to concerns over quality or in the event that the applicant organizations agreed to top up the difference of the lowest tender price. Miss Katharine Choi said that in accordance with the current guideline, recipient organizations should select the supplier that had submitted the lowest bid for the approved items. If the lowest bid was not selected for any reasons, applicant organization should provide full justifications for the Subcommittee's approval. Mr. Kent Fung supplemented that if only the lowest tender was accepted, this practice could help prevent recipient organizations from procuring approved items from companies which had relationship. Mr. Edward Leung supported to continue the existing procedures to accept the lowest bid as it would be difficult to demarcate a clear line for different reasons. In response to the question from the Chairman on whether a mechanism had been set up to monitor abnormal prices, Mr. Michael Wong said that on the advice of the Independent Commission Against Corruption, the EMSTF had compiled a price list with reference to the actual costs of various items sourced from the market for processing applications to ensure that the approved items were within the reasonable price range.

7. The Chairman concluded that if applicant organization had genuine reasons not to accept the lowest tender, the cases should be brought up for Members' discussion at the meeting. Members then approved 91 EEP applications and 5 ECA applications costing under \$2 million and supported 5 EEP applications exceeding \$2 million for ECF Committee's approval.

II) Energy Conservation Projects for Non-government Organizations (NGOs) (ECPVSC Paper 9/2010-11)

8. Mr. Chua Hoi-wai declared that he was a Business Director of the Hong Kong Council of Social Service and Mr. Alfred Lee had declared that he might have potential conflict of interest on applications from Po Leung Kuk since the last meeting.

9. Ms Vivien Mok briefed Members on Paper 9/2010-11 which aimed to seek their agreement to reject one funding application due to insufficient proof on energy efficiency, and to consider 27 applications for the energy conservation projects for NGOs, including two for energy-cum-carbon audits, four for energy conservation education programmes and 21 for energy improvement works. Amongst these applications, one was submitted from a selected organization of the Pilot Tripartite Scheme on Energy Saving, and two were from the Po Leung Kuk under the "Po Leung Kuk's Evolving into a Green NGO" approved by the ECF Committee including an energy improvement work in a newly allocated premises in Kwai Chung as well as seven from the Heaven of Hope Christian Service for their 26 centres with a

total project sum of \$1,611,590. She also drew Members' attention to two education programmes including (a) one submitted from the Life Leading Association, which was a Ma Wan based NGO, for carrying out light bulbs replacement campaign for the elderly in the Kwai Tsing District; and (b) another submitted from the Multi-Storey Building Owners Association of Central District (Hong Kong) for assisting single buildings' owners to apply for the BEEFS in which the manpower cost for the project was over 50% of the total funding requested due to labour intensive nature of the project.

10. Given about 4000 elderly families living in various public estates in Kwai Chung and Tsing Yi would be served in the project, the Chairman opined that the project proponent of ECP0097 should provide more information on its supporting partners and co-organizing parties to demonstrate their management capability on implementing such a large-scale project in the District for further consideration.

11. As regards application ECP0091, Mr. Alan Chow asked if new premises or buildings were eligible for the funding scheme. Miss Eunice Chan said that the Secretariat had made reference to the precedent cases approved by other ECF Subcommittees when processing this case. In view that the project proponent confirmed that there was no alternative source of fund for the installation of the proposed six sets of energy saving heat pumps and the proposed work would be more cost effective to be implemented at this beginning stage, the Secretariat considered that the project was worth recommending for Members' consideration.

12. After deliberation, Members approved 21 applications for energy improvement works, two for energy-cum-carbon audits and three for environmental education programmes with a total project cost of \$7,938,927.6. Regarding ECP0097, Members agreed that the applicant organization should provide additional information to support their claim.

Agenda Item 4 : Any Other Business

I) Changes to the Budget and Person-in-charge of Approved Projects under BEEFS (ECPVSC Paper 10/2010-11)

13. Mr. WS Szeto briefed Members on Paper 10/2010-11 which aimed to seek Members' endorsement on the proposed increases to the budget of three approved EEP funding applications and on the proposed changes to the person-in-charge of 12 approved EEP funding applications. In accordance with the existing guide to application, prior approval had to be obtained from the Subcommittee should there be any major changes including revision of the budget to the project in the approved budget and changes of the person-in-charge.

14. In response to the enquiry from Mr. Alfred Lee about the major causes for the proposed budget increase of application EEP0123, Mr. Michael Wong said that the original approved scope of this project was to replace lighting systems and adaptors. After on-site inspections, the Qualified Service Provider suggested that lighting racks should also be replaced in this project to enhance efficiency. The EMSTF considered the additional request reasonable and therefore recommended additional funding be granted to the project.

15. After deliberation, Members approved the proposed changes as set out in the Paper 10/2010-11.

II) Procurement of services and Extension of Project Commencement Date of Approved Projects under BEEFS

(ECPVSC Paper 11/2010-11)

16. Mr. WS Szeto briefed Members on Paper 11/2010-11 which aimed to seek Members' agreement to –

- (i) extend the commencement date of application EEP0110 submitted from the Incorporated Owners of Tze Oi Court (Phase 1 and 2) for EEP due to time taken to collect information and discussion after the approval of grant and the requirement for seeking the resolution in the annual general meeting which was scheduled to be held in December 2010 for a project with total sum over \$1M ;
- (ii) accept applications EEP0047, EEP0048 and EEP0641 submitted from Incorporated Owners of Heng On Estate (Heng Kong House, Heng Shan House, Heng Fung House and Heng Hoi House), Incorporated Owners of Heng On Estate (Heng Yat House, Heng Yuet House and Heng Sing House) and Incorporated Owners of Allway Garden to procure goods or services with the number of tender obtained from the supplier less than the requirement for EEP on lift improvement works due to complexity in the maintenance responsibilities and concerns over the violation of existing maintenance arrangement;
- (iii) not to accept application EEP0050 submitted from the Incorporated Owners of Nobel Hill to procure goods or services from the supplier which was not the lowest for EEP on lighting improvement works as the applicant had selected tenderers from an inappropriate contractor list for the tender invitation;
- (iv) to accept application EEP0654 submitted from the Incorporated Owners of Carrie Court to procure goods or services from the supplier which was not the lowest for EEP on lift improvement works as the applicant organization had used the formula approach to assess the five tenderers (50% on past performance record and 50% on financial bid); and
- (v) to accept application EEP0108 submitted from the Incorporated Owners of Dragon Court A, B and C to procure goods or service with the number of tender obtained from the suppliers less than the requirement and was not the lowest bid for the EEP on lift improvement works as the applicant organization claimed to encounter difficulties in obtaining sufficient tenders due to complexity in the maintenance responsibilities and concerns over the violation of existing maintenance arrangement as well as the lowest bid supplier was disqualified due to his changing the payment terms in the tender submission.

17. Mr. Cheung Yan-hong asked if the tender prices in those cases for lift improvement works with insufficient number of required tenders were still within the reasonable price range. Mr. Michael Wong said that EMSTF had checked against the prices and confirmed that they were reasonable.

18. Regarding EEP0110, Mr. Alan Chow noted that the applicant organization would organize the next Annual General Meeting (AGM) in December 2010. Since the project was approved by the Subcommittee last October, he queried why the project was not discussed at the AGM held in December 2009. Ms Christine Fong viewed that as the total cost of this improvement project might exceed 20% of the total expenditure of the buildings, there was possibility that endorsement of the new AGM was required. The Chairman suggested that the EMSTF could obtain more information from the applicant organization for clarifying this point and report the information to Members in due course.

19. After further deliberation, Members approved the proposed variations of EEP0110,

EEP0047, EEP0048, EEP0641, EEP0654 and EEP0108 as stipulated in the Paper. For EEP0050, in view that the applicant organization had selected an inappropriate contractor list for the tender invitation, Members disapproved their request for acceptance of procurement of services with the number of tenders obtained from suppliers less than the requirement for a lighting improvement project.

III) Delegation of Approval Authority on Major Changes in Approved Projects (ECPVSC Paper 12/2010-11)

20. Miss Katharine Choi briefed Members on Paper 12/2010-11 which aimed to seek their agreement to delegate the approval authority to ENB and EMSTF for the following-

- (i) less than five tenders obtained for procurement of services of lift improvement works, of which the aggregate value exceeded \$200,000; and
- (ii) any change in person-in-charge after the approval of the project.

She said that a number of applicants for lift improvement works experienced difficulties in obtaining the required number of tenders. Apart from the complexity of the maintenance responsibilities as well as the possible violation to the existing maintenance arrangement, it was also reckoned that tenderers might not be interested to submit tenders for such projects as tenderers who were not the original supplier might have competitive disadvantage over the original supplier in terms of pricing. Besides, it was not uncommon that the person-in-charge of the approved projects was changed due to various reasons such as change of chairman or a member of the applicant organization and a representative of the property management company, etc. To streamline the approving process and to avoid undue delay to project commencement or progress, the above recommendations were submitted for Members' consideration.

21. The Chairman suggested that for consistency sake, the delegated authority for accepting inadequate number of required tenders for lift improvement works should also be extended to projects with approved project cost not exceeding \$200,000.

22. After discussion, Members agreed to delegate the approval authority to ENB and EMSTF for proposed change of the person-in-charge in approved ECA or EEP and for the procurement of lift improvement projects in which tenders from at least two suppliers could still be obtained irrespective of the aggregate approved project cost.

IV) Suspected Commencement of ECA Projects before Approval (ECPVSC Paper 13/2010-11)

23. Miss Katharine Choi briefed Members on Paper 13/2010-11 which aimed to seek their advice on two ECA projects i.e. ECA0077 and ECA0160 which were suspected to have commenced before application approvals were given. Both applicants submitted their ECA reports in April 2010 and both reports stated that their kick-off meetings were held in September 2009 and the detailed audits were conducted in October 2009. Regarding ECA0077 which was approved by the Subcommittee on 16 September 2009, the supplementary document provided by the person-in-charge indicated that the purchase order dated 25 May 2009 had been signed by the applicant on 28 May 2009 for sending to the QSP before the application was submitted to the BEEFS office on 29 May 2009. On the EMSTF's request, the person-in-charge further explained that there was a Letter of Acceptance stating that this agreement should only be valid upon receiving the formal approval of the ECA by the

ECF of the ENB, HKSAR Government, and confirmed by the Principal. For ECA0160 which was approved by the Subcommittee on 24 December 2009, the supplementary documents provided by the person-in-charge showed that the purchase order dated 21 July 2009 had been signed by the applicant on 24 July 2009 for sending to the QSP before the application was submitted to the BEEFS office on 29 July 2009. The person-in-charge also explained to the EMSTF that a Letter of Acceptance similar to ECA0077 had been signed. However, the working programme submitted by the person-in-charge showed that the audit commenced on 2 February 2010 which was not tally with the commencement date as listed in the ECA report previously submitted. The EMSTF requested the person-in-charge to verify the Letter of Acceptance by the applicant, their senior management and the QSP. The person-in-charge refused the request and expressed that the QSP had incorrectly interpreted the commenced date in the ECA report.

24. Mr. Edward Leung viewed that the owners of the buildings would be punished if funding could not be disbursed. Mr. Alfred Lee remarked that our reply letter should also be copied to the Incorporated Owners concerned to keep them posted of the decision. Mr. Chua Hoi-wai opined that as the Subcommittee had agreed to disapprove of all projects which commenced work before approval, the disbursement claim from ECA0160 which had breached this requirement should not be approved while due to benefit of doubt, the disbursement request from ECA0077 could be considered. However, the applicant organization should be reminded to strictly observe the guideline in future.

25. After deliberation, Members agreed to accept the disbursement claim from ECA0077 and not to accept the disbursement claim from ECA0160.

V) Proposed Budget Variation Approval Authority

26. Miss Katharine Choi reported that at the last meeting, Members supported the proposal to grant the Secretariat the approval authority for budget variation not exceeding 20% of the approved budget of an individual item and without changes to the total approved budget. It was suggested that this authority be extended to ENB and EMSTF for processing BEEFS applications. Members agreed to this proposal.

VI) BEEFS Progress Report

27. Miss Katharine Choi briefed Members on a progress report of BEEFS as at 13 August 2010. In sum, 1202 applications had been received including 206 ECA and 996 EEP. Total funding approved was \$143.34M. The estimated savings in electricity per annum were 78.46GWh and the estimated reduction in carbon dioxide emissions per annum was 54,925 tonnes.

28. In response to Ms Christine Fong's and Mr. Alfred Lee's questions on average processing time for a BEEFS application and the number of completed projects, Mr. Michael Wong said that the average processing time required was about four months and about eight projects had submitted completion reports.

VII) Variation to an Approved Project under NGO Scheme (ECPVSC Paper 14/2010-11)

29. Ms Vivien Mok briefed Members on Paper 14/2010-11 which aimed to seek Members' endorsement on the proposed changes to the approved items of DCP0003 submitted from the

Conservancy Association. In sum, after detailed on-site inspections, the project proponent proposed reducing the number of T5 tubes to be installed in the seven elderly centres from 1,610 sets to 1,259 sets, reducing the number of air-conditioning systems from 98 sets to 36 sets and cancelling the installation of water heater.

30. After deliberation, Members approved the proposed variations as set out in the Paper and agreed to delegate the approval authority to the Secretariat for variations in project scope and details that did not involve extra budget to enhance flexibility and shorten the processing time.

Agenda Item 5: Date of Next Meeting

31. Members noted that the next meeting would normally be held around three months from now. The Secretariat would inform Members of the date of the next meeting in due course.

32. The meeting was adjourned at 5:00 p.m.

**Secretariat, ECF Energy Conservation Projects Vetting Sub-committee
October 2010**