

**Minutes of the 2nd Meeting of the
Energy Conservation Projects Vetting Subcommittee
held on 16 May 2011 at 3:00 p.m.**

Present

Mr. Edward Leung	(Chairman)
Mr. Man Mo-leung	
Ms Wong Wai-ching	
Dr. Chan Fuk-cheung	
Mr. Cheung Yan-hong	
Mr. Alan Chow	
Mr. Bryan Pallop Gaw	
Dr. Cynthia Lam	
Mr. Kendrew Leung	
Mr. Wong Kin-wai	
Dr. Yau Wing-kwong	
Ms Betty Cheung	EPD
Miss Katharine Choi	ENB
Mr. Kent Fung	ENB
Mr. WS Szeto	EMSTF
Mr. Raymond Tong	EMSTF
Mr. Ming Chan	EMSTF
Ms Vivien Mok	(Secretary)

Absent with Apologies

Mr. Alfred Lee
Mr. Wong Kam-sing

Welcoming Remarks

The Chairman welcomed all members to the second 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 19 January 2011 were sent to Members on 16 March 2011. The minutes were endorsed without amendments.

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

3. In response to a suggestion from Mr. Man Mo-leung about provision of a reference price list to applicants to lessen the Secretariat's workload in vetting applications, Mr. WS Szeto explained that as the reference prices were mainly drawn from the market and would vary from time to time, the list would be more appropriate for internal reference only. If the applicants found difficulty in obtaining the lowest bid at the approved prices, they could submit their request for price variation for the Electrical and Mechanical Services Trading Funding (EMSTF)'s consideration. Dr. Chan Fuk-cheung commented that as prices would vary due to different environmental factors, the standard prices would be more suitable for

reference only. Given the limited number of price variation proposals received, Members agreed that the current practice would remain unchanged.

4. Miss Katharine Choi reported that a post-approval visit to Hong Yat Court, applicant organization of projects EEP0083 and EEP0084 under the Buildings Energy Efficiency Funding Schemes (BEEFS), had been arranged after the 3rd meeting scheduled to be held in August/September 2011. Members would be informed of the details in due course.

Agenda Item 3: New Applications

I) Applications under BEEFS (ECPVSC Paper 1/2011-12)

5. Mr. WS Szeto briefed Members on Paper 1/2011-12 which aimed to seek their agreement to approve 23 funding applications for Energy Efficiency Projects (EEP) under the BEEFS costing under \$2 million; and to reject a total of nine applications due to ineligible applicant, inadequate information and commencement of work before approval. Since the circulation of ECPVSC Paper 26/2010-11 on 16 March 2011, six applications were withdrawn by the applicants of their own accord.

6. Dr. Chan Fuk-cheung asked if the applicant organization of the rejected application EEP0993 would be informed of the reason. Miss Katharine Choi replied that as the proposed project had commenced works before obtaining the approval from the ECPVSC which failed to comply with the requirements in the Guide to Application, the assessment of this application was unable to proceed further. A reject letter would be issued to the applicant after the meeting.

7. Concerning the cases which the applicant organizations intended to grant the contract of non-energy saving parts to a supplier before obtaining the approval from the ECPVSC, advice from the Independent Commission Against Corruption had been sought. To avoid the possibility of shifting the cost of non-energy saving items to subsidized energy-saving items, it was suggested that in the tender document, recipient organizations should require the supplier to list out the unit cost and number of unit of each item, in particular for lift and escalator installation, for the EMSTF's assessment. If marking scheme had to be used in assessing tenders, the assessment criteria should be clearly stated in the tender document. The ECPVSC also reserved the right to accept the tender method as proposed by the recipient organizations. A note reminding of the above requirements would be issued to all recipient organizations of the BEEFS projects. Ms Wong Wai-ching agreed that this clear-cut procedure should be imposed to avoid misuse of public fund. Miss Katharine Choi supplemented that provided that the proposed work had not commenced, applicant organizations of the above cases could separate the energy and non-energy saving items in their applications and resubmit them for approval.

8. In response to Mr. Byran Pallop Gaw's question on cost effectiveness of EEP, Mr. WS Szeto said that qualified service providers (QSP) were required to verify the figures on energy saved in completion reports. Dr Chan Fuk-cheung viewed that despite that the energy saved for a lift project was less than a lighting project but with a higher cost, both projects were good to the environment and should be promoted. Mr. Man Mo-leung also added that our projects which served a demonstration purpose could catalyze the general

public to follow.

9. After discussion, Member approved 23 EEP applications with a total cost of \$10,339,634.5 and rejected nine applications as set out in the Paper.

II) Energy Conservation Projects for Non-government Organizations (NGOs) (ECPVSC Paper 2/2011-12)

10. Mr. Alan Chow declared that he was a member of the board of directors of the Association for Engineering and Medical Volunteer Services, applicant organization of projects ECP0172 and ECP0173; and Dr. Yau Wing-kwong, who was the Chief Executive Officer of the Tai Po Environmental Association Ltd, also declared that his Association was a co-organizer of project ECP0134 submitted from the Sai Kung Tseung Kwan O Environmental Association.

11. Ms Vivien Mok briefed Members on Paper 2/2011-12 which aimed to seek their agreement to reject one funding application due to no reply received from the applicant organization on or before the deadline set; and to consider 26 applications for the energy conservation projects for NGOs including one for energy-cum-carbon audit, two for energy conservation education programmes and 23 for energy improvement works. She highlighted that four separate funding requests were received from Chai Wan Area Kai-Fong Welfare Association Limited for its four offices at Siu Sai Wan Estate, Yue Wan Estate, Hing Wah II Estate and Wan Tsui Estate (i.e. ECP0161-164); and the Association for Engineering and Medical Volunteer Services, applicant organization of ECP0172 and ECP0173, applied for both energy-cum-carbon audit and energy improvement work at the same time.

12. She also drew Members' attention to an energy improvement project submitted from Ho Shek Tsing She (i.e. ECP0167) for installation of solar film in which QSP fee was recommended to be reduced to \$3,000 due to simple nature of work. Two education programmes were recommended for Members' consideration including (i) ECP0134 submitted from the Sai Kung Tseung Kwan O Environmental Association with a recommended project cost of \$1,420,898 which aimed to promote energy saving by means of public education, energy and carbon assessment, formation of ambassador groups and record of data gathered in Tseung Kwan O; and (ii) ECP0184 submitted from the Hong Kong Federation of Youth Energy Limited with a recommended project cost of \$451,790 which aimed to assist owners' incorporated of single buildings in the Wan Chai District to apply for the BEEFS.

13. After deliberation, Members approved 23 applications for energy improvement works, two for environmental education programmes and one for energy-cum-carbon audit with a total project cost of \$4,982,435.5.

III) ECF Collaboration Scheme with District Councils (ECPVSC Paper 3/2011-12)

14. Dr. Yau Wing-kwong declared that he was the Chief Executive Officer of the Tai Po Environmental Association Ltd, applicant organization of projects DCP0007, DCP0008 and DCP0010. He was invited to withdraw from the meeting at this moment.

15. Ms Vivien Mok briefed Members on Paper 3/2011-12 which aimed to seek their approval for four funding applications for educational programmes with the support of District Councils (DC). She highlighted that (i) DCP0005 submitted from the Mission Healthy Greens Limited which was supported by the Wong Tai Sin DC aimed to promote energy saving by means of public education, energy and carbon assessment, formation of different volunteer groups and record of data gathered in the Wong Tai Sin District; (ii) DCP0007 submitted from the Tai Po Environmental Association which was supported by the North DC aimed to promote energy saving by means of public education and energy and carbon assessment in the North District; (iii) DCP0008 submitted from the Tai Po Environmental Association which was supported by the Tai Po DC was the phase II of the approved project DCP0004 with an aim to extend the current project to cover 40 village offices, small NGOs, nine housing estates and two villages in Tai Po; and (iv) DCP0010 submitted from the Tai Po Environmental Association which was supported by the Tai Po DC aimed to set up an E-wise Discovery Centre at an abandon school in Lam Tsuen to promote energy saving and green living to visitors.

16. Regarding the renovation cost requested for the establishment of the E-wise Discovery Centre i.e. \$200,000 for refurbishment work and other \$200,000 for purchase of exhibits and equipment, Members noted that although budget for renovation should normally not be supported in accordance with the Guide to Application, this cost constituted an essential part in this unique project. Given that the objective of this educational centre was to arouse people's awareness of energy saving and it was located at a popular place for visitors, Members supported this application and approved the renovation budget on condition that prior approval from the Secretariat on the detailed purchase list should be obtained.

17. After deliberation, Members approved the four education programmes under the ECF Collaboration Scheme with DCs with a total project cost of \$7,322,347.

Agenda Item 4 : Any Other Business

I) Variation to Approved Projects under NGO Scheme (ECPVSC Paper 5/2011-12)

18. Ms Vivien Mok briefed Members on Paper 5/2011-12 which aimed to seek Members' endorsement on a variation request submitted from the Tai Po Environmental Association for its approved project DCP0004 i.e. LOHAS Tai Po "an energy wise and carbon reduction district". In gist, the applicant organization requested to extend the project duration for two more months till end of June 2011 in order to organize (i) extra workshops requested from participating schools; (ii) seminars rescheduled to be held in May and June 2011 due to school examinations; and (iii) more Eco-Park tours for ambassadors. The extra manpower cost required for this extension would be covered by savings quoted from the project. The approved project cost would remain unchanged.

19. Members approved the proposed variation to DCP0004 as set out in the Paper 5/2011-12.

II) Variation to Approved Projects under BEEFS (ECPVSC Paper 4/2011-12)

20. Mr. WS Szeto briefed Members on Paper 4/2011-12 which aimed to seek Members' support to –

- (i) approve the proposed changes to the budget of three approved EEP funding applications i.e. EEP0188, EEP0194 and EEP0637; and
- (ii) reject the procurement of services to the supplier which was not the lowest bid submitted from recipient organizations of projects EEP0316, EEP0527, EEP0687 and EEP0808 as the explanations provided were not justifiable.

In accordance with the existing Guide to Application, prior approval had to be obtained from the ECPVSC should there be any major changes in the approved budget and non-compliance of the requirement to accept the lowest offer.

21. Ms Wong Wai-ching noted that the tender prices received for EEP0316 for replacement of lighting items varied and wondered if the applicant organization had issued the same tender document to all potential suppliers. Mr. WS Szeto said that apart from lack of justifiable reasons to substantiate the rejection of the first three lowest tenders, the applicant organization also failed to comply with the requirement in the Guide to Application and awarded the contract to the 4th lowest bid without the prior approval from the ECPVSC. The funding granted to this project i.e. \$111,400 was therefore proposed to be terminated.

22. Regarding three lift projects i.e. EEP0527, EEP0687 and EEP0808, the EMSTF considered that (i) EEP0527, in which the marking scheme was prepared after the tenders were returned and opened, constituted unfairness in the tender procedures; (ii) EEP0687, which stressed the importance of free replacing, prompt monitoring and repairing services as well as compatibility of lift parts offered by the 4th lowest bid in its tender assessment, did not state these additional services required in the tender documents in advance and lacked obvious evidence to support that unifying the brand of lift parts could substantially improve lift performance; and (iii) EEP0808, which stressed the importance of place of origin of the main wire rope and experience of suppliers in its tender assessment, could not substantiate their claim in technical analysis. As such, these three requests for not selecting the lowest bid were proposed to be rejected and re-tender was suggested.

23. Mr. Man Mo-leung viewed that the requirement of not allowing applicants to top up the difference between the lowest tender and the selected tender deviated from the commercial practice and negative noise from applicants was therefore expected. Exceptional consideration might be given especially to projects with higher safety concern. The Chairman also commented that if re-tender was required, the tender price of subsidized projects would likely be increased. Mr. Cheung Yan-hong remarked that if safety concern could not be addressed properly, it would pose a negative image on the ECF and would become a political issue when accidents happened. Mr. Bryan Pallop Gaw opined that all suppliers invited for tender should have been qualified for the work and Mr. Alan Chow considered that the EMSTF should have offered their professional judgment when considering these cases.

24. After detailed deliberation, a consensus was reached that for all projects, prior approval from the ECPVSC still had to be obtained for the selected supplier who did not submit the lowest bid. As regard lift and escalator projects which had greatest concern over

safety, if applicant organizations in the owners' meeting opted to select a supplier not offering the lowest bid for a reason that the EMSTF considered not justifiable, they would be allowed to top-up the price difference but the funding granted for these projects would be either the approved project cost or the lowest tender price on energy saving items, whichever was the less. Therefore, Members agreed to accept the proposed budget variation for EEP0188, EEP0194 and EEP0637; reject the request for not accepting the lowest bid for EEP0316 and EEP0527; and allow EEP0687 and EEP0808 to top-up the price difference for selecting the supplier which was not the lowest bid or to arrange re-tender.

III) Assessment of Disbursement Applications under BEEFS (ECPVSC Paper 6/2011-12)

25. Miss Katharine Choi briefed Members on Paper 6/2011-12 which aimed to seek Members' endorsement on the principle in assessing applications which contained insufficient and/or inaccurate information from the applicant's contract. In gist, only energy saving items would be funded under EEP. However, it was not uncommon that a contract contained other non-energy saving items especially for lift projects and a lump sum price instead of breakdown on individual cost was received. To prevent undue overpayment by the Government as well as to discourage similar practices, it was proposed that the EMSTF should use the market price as reference to assess disbursement applications in which their price schedule contained no breakdown on energy saving items or cost of energy saving items were unreasonably high.

26. Members agreed to this proposal.

IV) Completion Report of Project under NGO Scheme (ECPVSC Paper 7/2011-12)

27. Ms Vivien Mok briefed Members on Paper 7/2011-12 about a completion report received from Ma On Shan Community Services Association, applicant organization of DCP0002, for its project "Energy Saving Lamp Programme". The project commenced in November 2009 and ended in October 2010 for a period of 12 months. Given that the project had been completed satisfactorily, the Secretariat proposed releasing the actual project cost of \$455,011.68 to the applicant organization.

28. Members agreed to this proposal.

V) BEEFS Progress Report (ECPVSC Paper 8/2011-12)

29. Miss Katharine Choi briefed Members on the progress report of the BEEFS as at 5 May 2011. In sum, 1,358 applications had been received including 214 energy-cum-carbon audits and 1,144 EEP. Total funding approved was \$275.7 million. The estimated savings in electricity per annum were 129.79 GWh and the estimated reduction in carbon dioxide emissions per annum was 90,850 tonnes.

VI) NGO Scheme Progress Report (ECPVSC Paper 9/2011-12)

30. Ms Vivien Mok briefed Members on the progress report of the NGO scheme as at 6 May 2011. In sum, 205 applications had been received including 15 energy-cum-carbon audits, 162 energy improvement projects and 28 education programmes. Total funding approved was \$37.62 million. The estimated savings in electricity per annum were 5 million kWh and the estimated reduction in carbon dioxide emissions per annum was 3,541 tonnes.

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 6:00 p.m.

**Secretariat, ECF Energy Conservation Projects Vetting Sub-committee
July 2011**