

**Buildings Energy Efficiency Funding Schemes  
under the Environment and Conservation Fund**

**Purpose**

This paper seeks members' view on the appeal case from the Incorporated Owners of Ting Nga Court (the applicant) about the decision made by ECPVSC by way of circulation of ECPVSC Paper 16/2014-15 (**copy at Appendix A**) to terminate funding for the approved Energy Efficiency Project (EEP) (Project No. EEP-0268 – Ting Nga Court).

**Background**

2. The Electrical and Mechanical Services Trading Fund (EMSTF) recommended in the paper of 9 January 2015 at Appendix A the termination of funding according to Clause 5.10 of the Guide to Application for the approved EEP application as the applicant failed to comply with the requirement to complete the project by 31 January 2013. Extension of completion date of the approved project is not recommended having considered the applicant's management capability and the lack of works progress.

3. The recommendation of termination of funding was endorsed by the ECPVSC on 17 February 2015 and the applicant was notified of the decision on 2 March 2015.

4. The applicant submitted a letter to the Chairman of ECPVSC on 27 March 2015 (**Appendix B**) appealing against the decision to terminate funding. The applicant also applied for extension of project completion date to May 2016 if the lift replacement work could commence in April 2015.

**Assessment of the Case**

5. The EEP application was approved on 31 January 2011 and the approved completion date was 31 January 2013.

6. The applicant issued a letter dated 24 December 2011 to EMSTF

**(Appendix C)** which was however only received by the EMSTF on 15 March 2012. The applicant applied for approval to extend the project commencement date by six months on the ground that the building was undergoing other major renovation works. The applicant also reported that the preparation of tender document was in progress. On the premise that the preparation of tender had commenced, the EMSTF replied the applicant on 16 March 2012 **(Appendix D)** that the requirement to commence project by 31 January 2012 was considered fulfilled, and reminded the applicant of the need to complete the project by 31 January 2013. But site inspection conducted by the EMSTF on 20 April 2012 revealed that no site work was commenced at that time, and the EMSTF staff verbally reminded the applicant to consider applying for extension of project completion if needed.

7. The applicant replied the EMSTF on 18 December 2012 **(Appendix E)** saying that the tender invitations for the approved replacement of lighting and air-conditioning installations were issued on 18 December 2012, and the tender for replacement of lift installation was being prepared. The applicant also requested extension of commencement date of all approved items. No target completion date for the work was provided in the letter.

8. The EMSTF advised the applicant on 21 January 2013 **(Appendix F)** to provide explanation of the delay, supporting document, tentative programme and the estimated completion date for assessment of project extension.

9. On 26 March 2013, the applicant submitted in an email with a proposed programme for the lift replacement work **(Appendix G)**, which indicated that the lift replacement tender was scheduled for selection in July 2013. No tentative completion date for the lift replacement works and no information of the approved replacement of lighting and air-conditioning installations works were provided. The EMSTF acknowledged the receipt of the email and there was no further written correspondences between the EMSTF and the applicant until October 2014.

10. The applicant submitted a letter dated 24 October 2014 **(Appendix H)** advising that two tendering exercises for lift replacement works had been conducted in May 2013 and July 2013 respectively. In the tender of May 2013,

the applicant made eleven invitations with one tender returned. In the second tender of July 2013, three tenders were received out of eleven invitations. The applicant also advised they decided to re-tender the lift replacement works again due to insufficient tender returns and non-compliance to the specified requirements of the returned tenders. They also advised the termination of their original QSP service and the tentative completion of the project by January 2016, and made a request for the deferral of project completion.

11. The EMSTF advised the applicant on 29 October 2014 (**Appendix I**) that as they failed to complete the works in 24 months in accordance with the Guide to Application, the application was likely to be terminated and the case would be put forward for consideration by the ECPVSC.

12. The applicant advised in their letter dated 6 November 2014 (**Appendix J**) that the tender of the lift replacement works was invited on 6 November 2014 and requested extending the project completion for thirty-six months, i.e. from 31 January 2013 to December 2015.

13. The EMSTF made an e-mail enquiry to the applicant on 25 November 2014 (**Appendix K**) about the progress of the lighting installation and air-conditioning replacement works, and the applicant's representative verbally advised the EMSTF that they decided not to carry out the replacement works of these items. The applicant provided on 4 December 2014 a copy of their Owner's Meeting record dated 18 September 2012 (**Appendix L**) indicating their decision of not pursuing the lighting installation and air-conditioning replacement works.

14. The applicant submitted a letter dated 24 December 2014 (**Appendix M**), informing the EMSTF of the following:

- Re-tendering of the lift replacement work had been arranged with two returned tenders.
- The applicant intended to award the tender to the lowest offer and requested the ECPVSC to approve the tender selection due to insufficient tender returns.
- The applicant requested to increase the funding of the lift replacement work from \$899,400 to \$1,115,000.

The letter did not provide the tentative work commencement date and project completion date. At that stage, there was no awarded tender by the applicant. The information in this letter has not been deliberated in the ECPVSC Paper 16/2014-15 circulated on 9 January 2015.

15. The EMSTF recommended to the ECPVSC in ECPVSC Paper 16/2014-15 that funding termination for the approved EEP application be determined in view of the applicant's management capability and the lack of work progress. The recommendation was endorsed by ECPVSC on 17 February 2015.

16. Following the notification of termination of funding to the applicant on 2 March 2015, the applicant submitted a letter dated 27 March 2015 appealing against the decision and requested an extension of project completion date to May 2016 if the lift replacement works could commence in April 2015.

### **Recommendations**

17. The project was approved on 31 January 2011 and the applicant is unable to commence work four years and three months after the project approval date, which is against the requirement in Clause 2.3 of the Guide to Application. Despite the fact that the applicant had been repeatedly reminded of the need to complete works before the deadline of 31 January 2013, the applicant had not made any significant progress in the past four years and three months. In consideration of the lack of work progress, our recommendation of termination of funding remains unchanged.

### **Advice sought**

18. Members are invited to consider the recommendation as detailed in paragraph 17.

19. The case has revealed the fact that there might be some cases that have not been followed up closely by the applicants as well as the EMSTF. This is not satisfactory as the applicants may wrongly assume that the lack of progress is acceptable and will automatically be approved. It may also lead to inefficient deployment of the resources if the funds earmarked for such projects are left idle.

**ECPVSC Paper 7/2015-16  
For Discussion**

That being the case, the EMSTF has conducted a screening exercise to identify some 120 long outstanding cases with no positive response from the applicants. The EMSTF has been following up such cases by actively making enquiries with the applicants to check progress. Enquiries have been triggered for more than 40 cases. We expect to go through all such problematic cases by December 2015.

**The Electrical and Mechanical Services Trading Fund  
April 2015**