



23 September 2008

## **CLP Cuts Electricity Tariff**

CLP Power announced today that its electricity tariff will be reduced by 3% for all its customers in Hong Kong, starting 1 October 2008 when the new Scheme of Control (SOC) takes effect.

The 3% total tariff reduction, which will be realised in customers' electricity bills, is a result of a reduction of 10% in its net basic tariff, moderated by the effect of fuel clause charge increases.

CLP's tariff is made up of two major components. Basic Tariff is a cost of service to customers for investments and operating costs necessary to keep the supply of power running to meet customers demand. The fuel clause charge, however, reflects the cost of fuel used for generating electricity and is directly passed through to customers – CLP makes no profit on fuel.

"At a time when energy prices have been surging up across the world, CLP has been working hard to control the effects on our customers. Despite fuel price increases of about 200% in the past few years, the increase in fuel charges passed on to our customers has been limited to a level that is more than offset by a cut of 10% of the net basic tariff – a result of the reduction in returns which CLP's shareholders accepted as part of the new SOC," said Mrs Betty Yuen, Managing Director, CLP Power Hong Kong Limited.

CLP has managed its tariff responsibly to keep it stable and affordable to its customers over the years. The company has frozen its Basic Tariff and offered over \$4 billion in rebates to customers since 1998.

Today, CLP's tariff remains highly competitive and is staying at the level similar to that 10 years ago, which is in stark contrast with the 40–60% increases experienced by other major cities, such as London, New York and Singapore, all of which have been hit by fuel cost increases in recent years.

"Rising fuel prices have hit the world hard in recent times, including Hong Kong, which has no fuel resources of its own. We are pleased to be able to, through determined efforts, manage the impact of fuel cost increases in order to reduce the tariff for the benefit of all our customers," said Mrs Yuen.

During this period, CLP's customers not only enjoyed the lowest tariff in Hong Kong and one of the lowest amongst major cities across the world, but also a world-class

standard of power supply reliability with an unplanned power interruptions as low as 3.6 minutes per year, as compared with 17 – 43 minutes per year experienced by electricity users in New York, Sydney, Paris and London and average interruptions of 120 – 500 minutes per year in major cities in the Mainland such as Guangzhou, Shanghai and Beijing.

"With the new tariff level, CLP's Fuel Clause Recovery Account is projected to accumulate a deficit of more than \$1 billion. We expect that the energy markets will remain volatile and challenging in the years ahead. Hong Kong does not have its own fuel resources and we cannot control global energy forces. We will continue to do all we can to minimise the effects of fuel cost increases on our customers' electricity bills; but unless markets see a sustained downward price correction, we may have to adjust the fuel clause charge sometime next year," said Mrs Yuen.

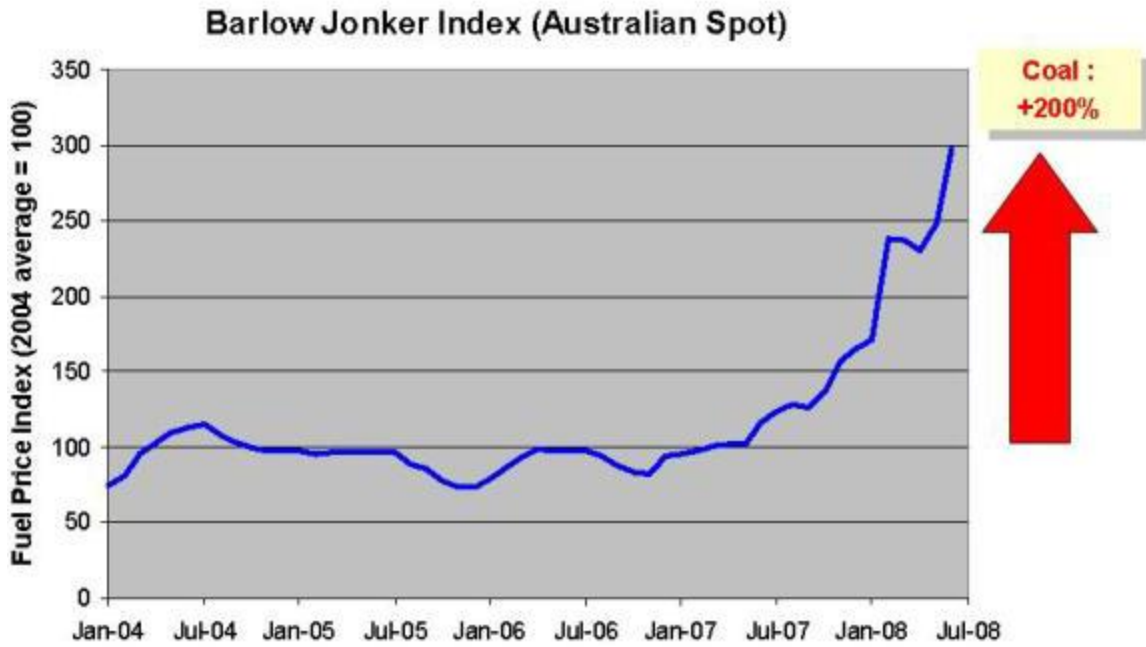
Meanwhile, the company also welcomed Executive Council's approval of the Development Plan for the years covering the period from October 2008 to December 2013. The Plan projects a capital expenditure of \$39.9 billion, for the extension and maintenance of the company's power systems to meet future growth, support Government infrastructure projects and enhance supply reliability and environmental performance.

Details of the new tariff package are as follows:

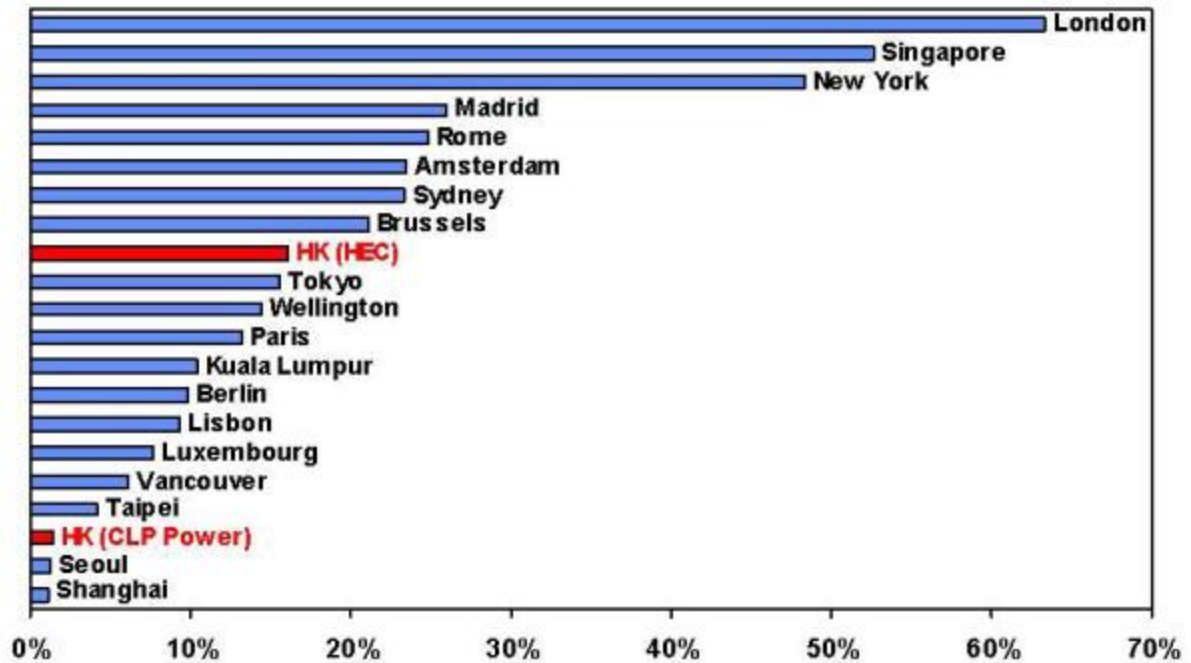
Components (cents per unit)	Current	Changes	Effective 1 October 2008
Average Basic Tariff	88.1	-10.7	77.4 (-12.1%)
Special Rebate	-2.1	+2.1	0.0
<b>Net basic tariff</b>	<b>86.0</b>	<b>-8.6</b>	<b>77.4 (-10.0%)</b>
SoC Rebate	-0.8	--	-0.8
Fuel clause charge	5.9	+5.9	11.8
<b>Total Tariff</b>	<b>91.1</b>	<b>-2.7</b>	<b>88.4 (-3.0%)</b>

CLP Power will inform customers of the details of the tariff and other associated changes through print advertisements and on its website ([www.clpgroup.com](http://www.clpgroup.com)). CLP customers will receive detailed information in the coming few weeks. Customers are also encouraged to call our CLP Infoline at 2678 2678 for details.

# Rising Fuel Price

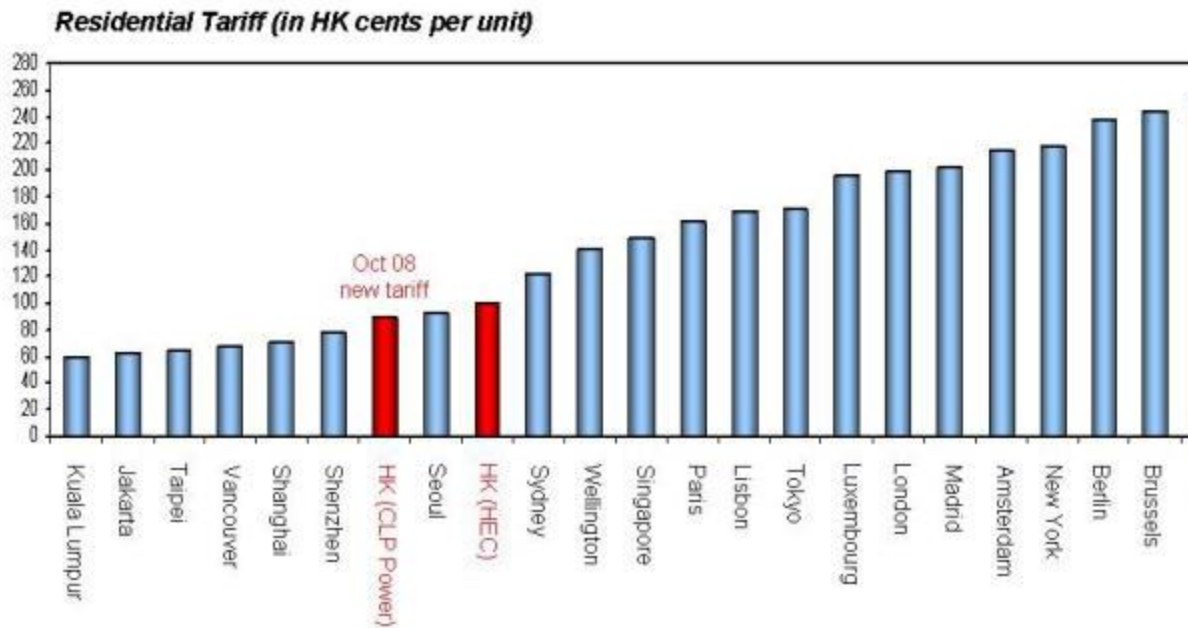


## Electricity tariffs have risen steeply in major cities since 2005



Note: Comparison based on annual residential customer consumption of 3,300 kWh

## CLP's electricity tariff is among the lowest in major metropolitan cities



Notes: Tariff and exchange rate are as of Sept 2008 for metropolitan cities.  
Comparison based on annual residential customer consumption of 3,300 kWh.

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