新聞稿
Media Release

中華電力有限公司
CLP Power Hong Kong Ltd

16 December 2011

CLP Clarifies Customers' Tariff Related Concerns

In view of the extensive discussions over CLP's 2012 tariff in the past few days, CLP would like to make the following clarifications to facilitate the public's understanding of the issue.

The use of the Tariff Stabilization Fund and Fuel Clause Account to reduce the tariff increase

There is a general query about the willingness of CLP to make use of the Tariff Stabilization Fund (TSF) and Fuel Clause Account (FCA) balances to help reduce the tariff increase. These mechanisms are provided to help stabilise tariffs and have been used by CLP to maintain a very stable tariff for the past 15 years. However, our TSF balance has reached a low level of less than $700m this year and is projected to be at $300m by the end of 2012 even with the latest tariff adjustment, which is the lowest level it has been in 25 years, equal to only a few days sales revenue.

Our FCA has been in deficit for 5 consecutive years, with a further deficit forecast of over $800m by the end of 2012, even after the increase in the Fuel Clause Charge.

This exceptionally low level / big deficit of the two accounts means that they can no longer serve the purpose of stabilising tariff fluctuations.

Clarification on pre-mature investments

The comments that the inclusion of certain pre-mature investments have resulted in an unnecessary increase in our Basic Tariff are inaccurate. Part of the tariff increase is to pay for the full cost of the $9 billion Emissions Control Project at Castle Peak which helps bring down emissions to meet the Government's 2010 emissions targets. The project is included in the 2008 Development Plan approved by the Government. The full cost of this project alone is around 4.5 cents/ kWh out of the new Basic Tariff level of 85 cents/ kWh.

New capital investment is also needed on the infrastructure to bring new supplies of natural gas to Hong Kong by the second half of 2012. It is critical to have all gas infrastructure and plant modifications completed beforehand.

Also identified in the 2008 Development Plan is a feasibility study to explore options to meet electricity demand growth by later this decade. The demand forecast and the need to carry out the feasibility study have been reviewed in regular meetings with the Government since 2010.

Despite the significant investments to meet environmental requirements and maintain a reliable supply of electricity, **<u>CLP's 2012 Basic Tariff is still below the approved level in the 2008 Development Plan, and is lower than it was in 1997.</u>**

Clarification on Operating Expenditure

Concerns have been voiced over the 11.2% increase in CLP's 2012 operating cost compared to 2011. CLP's operating costs in 2011 are unusually low due to one-off items including insurance claim payments which have been used to lower our operating costs. Excluding these one-off items, the increase is forecast to be 6%. This increase also includes costs to operate and purchase materials (eg. limestone, urea) for the new Emissions Control Facilities at Castle Peak, which is needed to meet emissions caps.

Clarification on Rents and Rates

Regarding the discussions on the refund of the Government's Rents & Rates, CLP has an ongoing legal case which is still being considered through a judicial process.

If there is any refund of money from Government from this case, it will be used to help cut the overall operating costs/expenses, therefore reducing pressure for tariff adjustment.

A responsible approach in tariff management

As a responsible company and a public utility, CLP has provided excellent reliability in power supply at a competitive price and maintained environmental performance that fully meets government targets. CLP's tariff has been stable for over 15 years and is competitive when compared to metropolitan cities around the world.

CLP understands the tariff adjustment will inevitably bring cost pressure to its customers and has exercised its best efforts to minimise the impact through stringent cost control and enhancing operational efficiency. Tariff structure changes have been introduced to lessen the impact on customers who have lower than average electricity consumption and to encourage energy saving.

Our aim is to enable customers who save and consume less energy to see a lower impact:

- All 2 million residential customers of CLP will be offered a 2 cents reduction in their first 400 units of consumption. Among which, 35% (700,000 in number) of our residential customers who consume within this first block, will only need to pay an additional $4 or less per month.
- 50% of our residential customers with a bi-monthly consumption of 540 units or below will experience a monthly increase of only $10 or less; while
- 50% of our business customers with monthly consumption of 540 units or below will only experience a monthly increase of $50 or less.

About CLP Power Hong Kong Limited

CLP Power Hong Kong Limited ("CLP Power") is the Hong Kong utility subsidiary wholly owned by CLP Holdings Limited, a company listed on the Hong Kong Stock Exchange and one of the largest investor-owned power businesses in Asia. CLP Power operates a vertically integrated electricity supply business in Hong Kong, and provides a highly reliable supply of electricity and excellent customer services to 5.7 million people in its supply area.

- Ends -

For media enquiries, please contact:
Ms Grace Sek
Public Affairs Manager – Regulatory Affairs
CLP Power Hong Kong Limited
Tel : 2678 8940
Pager : 7116 3131 A/C 8436
Email:gracesek@clp.com.hk