

14 August 2014

## **CLP Confident of Lower-than-Projected Tariff Adjustment for 2015**

CLP Power Hong Kong Limited Vice Chairman Mrs Betty Yuen today said that CLP Power is aware of the public concern over tariff adjustment, in particular the impact of the substantial increase in gas consumption on tariff. CLP is confident that with the falling coal price and adoption of various mitigation measures, the 2015 tariff adjustment will be lower than the projected level in the 2014-18 Development Plan.

At the press conference of CLP Holdings Limited's 2014 interim results announcement today, Mrs Yuen said, "In the first half of 2014, the international coal price has recorded a notable drop. CLP Power also used more low emissions coal to reduce the use of the more expensive Second West-to-East Pipeline (WEPII) gas. These factors helped lower fuel expenses. However, the more stringent emissions cap in 2015 will require us to increase our gas consumption substantially, leading to higher fuel costs. To alleviate customers' tariff pressure, CLP Power is actively adopting the following mitigation measures: (1) seeking more gas supply from Yacheng gas field so as to defer or reduce the usage of the more expensive gas supplies from the WEPII; (2) enhancing the operational performance of our generation fleet; (3) implementing stringent cost control; (4) securing a temporary additional supply of a small amount of nuclear power from Daya Bay starting from the fourth quarter of 2014."

The above factors and measures have contributed to a positive balance of HK\$2 billion in our Fuel Clause Account (FCA) as at end-June 2014. The balance only reflects the status of the first half of this year, while the full-year balance will depend on the trend of future fuel prices. The FCA captures the difference between the standard cost of fuel and the actual cost of fuel, and helps to smooth out tariff volatility. CLP Power makes no profit out of it, and will make use of its balance to contain the impact of tariff adjustment for the benefit of our customers.

The first half of 2014 saw a growth in local sales due to hot weather, with local maximum demand hitting a record high to 7,030 MW and our reserve margin reduced to 26.4%. It is expected that demand growth in the CLP supply area will continue to

increase owing to development contemplated by the Government and the ongoing infrastructure projects.

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**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 5.8 million people in its supply area.

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