

25 April 2017

CLP Power Signs Scheme of Control Agreement with Hong Kong SAR Government

CLP Power Hong Kong Limited (CLP Power) today signed a new Scheme of Control Agreement (SCA) with the Hong Kong SAR Government. The new SCA will come into effect on 1 October 2018 and run until 31 December 2033.

Key features of the new SCA:

1. A permitted rate of return at 8 %;
2. The agreement will run for 15 years;
3. The Fuel Cost Adjustment (FCA) in the total tariff will be revised more frequently;
4. New terms and initiatives will be introduced to promote the development of renewable energy (RE) and encourage energy saving with enhanced efforts;
5. More stringent operational performance targets including supply reliability and customer services will be set for power companies.

Mrs Betty Yuen, Vice Chairman, CLP Power, said: “We are pleased to have reached an agreement with the Government on the new SCA. The agreement provides a clear and certain regulatory framework for the future development of the electricity industry in Hong Kong, and enables power companies to plan ahead and make appropriate investments to meet the Government’s energy policy objectives. CLP Power will continue to provide customers with a safe, reliable and environmentally friendly power supply at a reasonable cost, fulfilling the community’s need for energy while combating the challenge of climate change.”

Mrs Yuen continued: “The new SCA is a fair and sensible agreement that takes into consideration the Government’s long-term carbon reduction target for 2030, which requires adjustment in the fuel mix, the gradual retirement of coal-fired power generation units and their replacement with gas-fired units and the corresponding investment risks that power companies will be exposed to. Accepting the new rate of Permitted Return reflects CLP Power’s dedication in supporting the long-term development of Hong Kong. Customers will see benefits in tariffs when the new rate of return comes into effect. CLP Power is committed to continue working for the long-term benefit of Hong Kong and to joining the community in building a greener Hong Kong for future generations.”

The FCA in the total tariff will be revised more frequently to reflect changes in fuel prices in a more timely way and with enhanced transparency. As a result of more frequent adjustments, the balance of the Fuel Clause Recovery Account can be maintained at a lower level.

In support of the Government's environmental policy and the climate strategy, CLP Power will introduce new initiatives under the new SCA to promote the development of RE, demand side management, enhance energy saving, and increase public education.

CLP Power will introduce a Feed-in-Tariff (FiT) programme to promote RE and issue RE certificates to give customers more opportunity to support the development of RE. The company will also introduce new energy saving initiatives including demand response programmes for business customers to cut down the overall electricity generation during peak periods, and a new fund for promoting buildings' energy efficiency.

In addition, CLP will share the incentives received from the energy saving incentives by allocating part to a new Community Energy Saving Fund. The CLP public Education Fund that provides support for energy efficiency education and promotion activities will be increased from HK\$5 million to HK\$10 million a year.

Details of the new initiatives featured in the new SCA will be confirmed in the months ahead, and are expected to be implemented from the fourth quarter of 2018. CLP Power will continue to discuss with the Government, as well as to engage and communicate with stakeholders to ensure that the new initiatives meet the expectations of the customers.

CLP Power will also work with the Government to conduct studies on interconnection and grid access in the long-run.

CLP Holdings Limited today also issued an announcement about the new SCA on Hong Kong Stock Exchange. Please click [here](#) to view the details.

Attachment – [Overview of the Scheme of Control Agreement for 2018 to 2033](#)

About the Scheme of Control (SoC)

The Scheme of Control Agreement signed by CLP Power, Castle Peak Power Company Limited and Hong Kong SAR Government aims at regulating the electricity related operations of the SoC Companies. The SoC requires the SoC Companies to supply adequate and reliable electricity supplies to customers at a reasonable tariff and in return, CLP Power is permitted to charge tariffs to recover the operating costs and the allowed net return of the SoC Companies. The first SCA was signed between CLP Power and Hong Kong Government in 1964. The current SoC took effect from 1 October 2008 and is due to expire on 30 September 2018.

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 6 million people in its supply area.

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