

CLP Power Hong Kong Ltd

Overview of the Scheme of Control Agreement (SCA) for 2018-2033

Overview	
Permitted Rate of Return	8% on Average Net Fixed Assets
Term of Contract	15-year term, from 1 October 2018 to 31 December 2033
Tariff Adjustment	The annual tariff review mechanism will be maintained. The Fuel Cost Adjustment (FCA) in the tariff package will be revised more frequently to reflect changes in fuel prices in a more timely way to enhance transparency. As a result of more frequent adjustments, the balance of the Fuel Clause Recovery Account can be maintained at a lower level.
Performance – linked Incentive and Penalty Scheme	<p><u>Operational Performance</u></p> <ul style="list-style-type: none"> • The existing incentive and penalty scheme continues to apply, but with more stringent performance targets. New performance targets on grid supply restoration will be introduced to enhance service levels. <p><u>Promoting Energy Saving</u></p> <ul style="list-style-type: none"> • CLP Power will be given financial incentives to meet the performance targets which are set at 4 times the existing targets for the Energy Audit and energy saved from the initiatives. On Energy Audit, the new target will be increased to 600 audits per year as compared to the existing 150. The target set for energy saved from these energy audits will also be increased from the existing level of 12GWh to 48GWh per year. • A new fund will be introduced to promote energy saving for buildings. The target set for this initiative is to provide subsidies to 400 buildings per year to carry out improvement work to enhance the energy efficiency of the communal areas of the buildings. • CLP Power will be entitled to 35% of the incentives in relation to Energy Audit, energy saved from these audits as well as the new fund to promote energy saving for buildings while the remaining 65% will be allocated to a new CLP Community Energy Saving Fund to promote the use of energy efficient electrical appliances and the use of RE, as well as support the disadvantaged groups, etc. • Demand Response programmes will be offered to businesses and industrial customers. Customers are encouraged to use less electricity during the agreed peak periods in order to lower the overall system demand, resulting in a lower requirement for investments in new generation units in the long term, ultimately benefiting all customers. The target for this initiative is to achieve a reduction of up to 60MW from the demand peak.

<p>Promoting Renewable Energy (RE)</p>	<ul style="list-style-type: none"> • CLP will introduce a Feed-in Tariff (FiT) Scheme to encourage the development of RE systems in the community. By connecting the systems to CLP Power’s electricity grid, CLP will pay for electricity generated by these systems at a rate offered through the scheme. • The company will also introduce a RE Certificates Scheme to allow customers who prefer clean energy to purchase the certificate to support local RE development. The RE Certificate Scheme provides financial support for the FiT scheme, and offers different platforms for the community to participate in RE development.
<p>Others</p>	<ul style="list-style-type: none"> • If there is excessive capacity when an additional generating unit is commissioned, part of the cost of the unit will be deducted from the fixed assets and the permitted return calculation. • The CLP public Education Fund which provides financial support for energy efficiency education and promotion activities will be increased from HK\$5 million to HK\$10 million a year. • More information such as cost data will be disclosed to customers and the public to improve information transparency. • CLP Power will also work with the Government to conduct studies on interconnection and grid access in the long run.

Incentive and Penalty Scheme for Operational Performances



“Supply Reliability”

99.996% or above
Incentive: Max. +0.015%

99.992% or below
Penalty: Max. -0.015%



“Operational Efficiency”

100%
Incentive: Max. +0.01%

99.98% or below
Penalty: Max. -0.01%



“Customer Services”

99.8% or above
Incentive: Max. +0.01%

97.9% or below
Penalty: Max. -0.01%



New “Grid Supply Restoration ”

65 minutes or below
Incentive: Max. +0.015%

Above 85 minutes
Penalty: Max. -0.015%

Supply Reliability is defined by the Average Service Availability Index
Operational Efficiency is defined by the Connection and Supply Performance Index
Customer Services is defined by the Appointment Punctuality Index
Grid Supply Restoration is defined by the Average Grid Supply Restoration Time

Incentive / Penalty calculations are based on average net fixed assets.

Energy Saving Incentive Scheme

Energy Audits 600 per year



Existing target: 150 per year



Incentive: Max. +0.04%

Energy Saving achieved from Energy Audits 48GWh per year



Existing target: 12GWh per year



Incentive: Max. +0.1%

New Eco-Building Fund 400 buildings per year Saving of 48GWh per year

Incentive: Max.+0.12%

Split of Incentives



35%

Incentive



65%

Incentive



CLP Community
Energy Saving Fund

Demand Response A reduction of up to 60MW from demand peak

Incentive: Max.+0.025%

Cumulative GWh savings from Energy Audits, New Eco-Building Fund and CLP Community Energy Saving Fund will be reviewed every five years. If the set target is reached, CLP Power will be awarded up to +0.1% every 5 years.

Incentive calculations are based on average net fixed assets.

New Incentive Scheme for Promoting Renewable Energy Development



Feed-in-Tariff Offered to Promote Renewable Energy

Incentive not applicable



Renewable Energy Certificates

Available for customers who prefer clean energy purchase

Incentive: 10% of sales revenue



Connection of Renewable Energy Systems to Grid

Number of new connections per year reaches target and these systems generate renewable energy regularly

Incentive: Max. +0.005%

Incentive scheme is also applied to promoting RE generation. If the ratio of RE in the local generation fuel mix reaches up to 5% or more (Renewable Energy generated from projects directly owned by the Government is excluded), CLP Power will be awarded up to +0.05%.

Cumulative connection of Renewable Energy systems to grid will be reviewed every 5 years. If the 5-year target is reached, CLP Power will be awarded an additional +0.01% every 5 years.

Incentive calculations are based on average net fixed assets.