

3 July 2018

Executive Council approves CLP Power's Five-Year Development Plan New Tariff and Monthly Fuel Cost Adjustment Come into Effect on 1 October

CLP Power Hong Kong Limited (CLP Power) today welcomed the decision by the Executive Council of the Hong Kong SAR Government to approve its Development Plan for 2018-2023. CLP Power also announced the first tariff package under the new Scheme of Control Agreement (SCA) which comes into effect on 1 October 2018. The tariff package will apply for 15 months until 31 December 2019. At the same time, a new Monthly Fuel Cost Adjustment will be introduced to reflect fuel price changes in a timelier manner.

From 1 October 2018, CLP Power's Average Basic Tariff will be reduced by 3.7% to 91 cents per unit of electricity. The Fuel Cost Adjustment will be adjusted upwards by 5.8 cents to 27.8 cents per unit of electricity, mainly due to the substantial increase in fuel prices. CLP Power will continue to offer a Rent and Rates Special Rebate* of 1.1 cents per unit of electricity to all customers. The Average Net Tariff on 1 October will be HK\$1.177 per unit of electricity, equivalent to an upward adjustment of 2%.

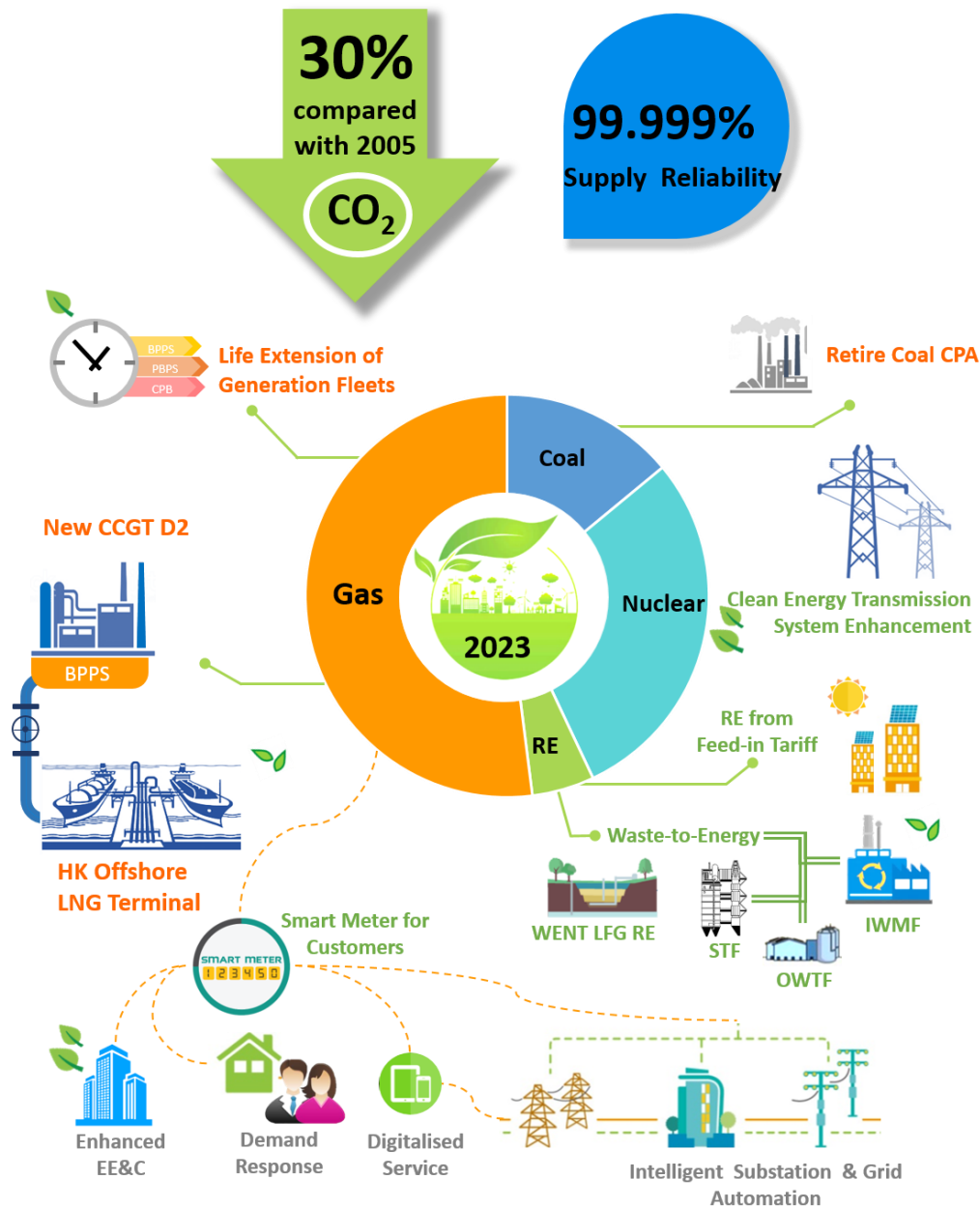
Starting at the beginning of the new SCA, CLP Power's Development Plan covers the period from 1 October 2018 to 31 December 2023. As approved by the Executive Council, the projected capital investment for the period is HK\$52.9 billion.

The Development Plan features a number of important capital projects to support the Government's environmental policy, to make possible the phasing out of coal-fired generation units at Castle Peak A Power Station, the move to more local gas generation and the transformation of Hong Kong into a smart city. The projects aim to create a greener and smarter energy system to pave the way for Hong Kong's smart city development. Key projects include:

- **Construction of an additional gas-fired generation unit at the Black Point Power Station:** With a generation capacity of around 550MW, this new gas-fired generation unit will adopt an advanced Combined Cycle Gas Turbine design. The generation unit will also be equipped with nitrogen oxide reduction facilities, with high fuel efficiency, low emissions, and have high cost effectiveness. The new generation unit is expected to be ready by 2022/2023.

- **Construction of an offshore liquefied natural gas (LNG) terminal:** This offshore LNG terminal will ensure a reliable and stable supply of natural gas to Hong Kong in the long term, while allowing Hong Kong to purchase competitively-priced LNG directly from the global market to support future demand for gas-fired power generation. The public inspection process is currently under way for the project's Environmental Impact Assessment report, and the project is expected to be completed by the end of 2020 at the earliest.
- **Enhancement of Clean Energy Transmission System:** This project will enhance the reliability and transmission capacity of the existing cross-border transmission overhead line circuits connecting Hong Kong and Mainland China. The enhancement, expected to be completed by 2025, will increase the resilience of the system and provide Hong Kong with greater flexibility for the increased use of zero-carbon energy in future. Coupled with the additional gas-fired generation unit, it will help make possible the phasing out of coal-fired generation units at Castle Peak A Power Station between 2022 and 2025.
- **Installation of generation units at West New Territories Landfill:** Initial construction of these units will begin in the second half year of 2018. The project will utilise gas generated from landfill waste and includes the construction of five generation units with a total generation capacity of 10MW, which are expected to go into operation in 2019. CLP Power will continue to support the Government's waste to energy projects including the Organic Waste Treatment Facility and Integrated Waste Management Facility with grid connection and power supply. CLP Power will also promote local renewable energy through the new Feed-in Tariff Scheme.
- **Digital development:** All conventional meters of CLP Power's residential and small and medium business customers will be upgraded to smart meters by the mid-2020s to offer customers with innovative digitalised services and a range of energy saving and demand-side management solutions. CLP Power is also strengthening smart grid by building smart transmission and distribution substations to enhance grid performance and support Hong Kong's transformation into a smart city. In addition to continuing support for Hong Kong's major infrastructure developments, new district developments, and other key projects by providing electricity supplies that meet increases in demand, CLP Power will also enhance the resilience of its transmission and distribution network to help meet the challenges of more extreme weather.
- **Enhancement of existing power generation facilities:** CLP Power will carry out enhancement works to extend the life of generation units and improve the operational efficiency of five existing gas generation units at Black Point Power Station to help reduce fuel costs and improve performance.

A Greener and Smarter Energy System



Remarks:

CPA: Castle Peak A Power Station

CCGT: Combined Cycle Gas Turbine

BPPS: Black Point Power Station

RE: Renewable Energy

LNG: Liquefied Natural Gas

WENT LFG RE: West New Territories Landfill Gas Renewable Energy

STF: Sludge Treatment Facility (T-Park)

OWTF: Organic Waste Treatment Facility

IWMF: Integrated Waste Management Facility

EE&C: Energy Efficiency and Conservation

Of the total approved investment under the new Development Plan, around 38% will be dedicated to maintaining supply reliability, 30% to lowering carbon and emissions, 24% to meeting new electricity demand and the remaining 8% to building a smart city and digitalisation. Based on the approved capital investment, and taking into account operational costs, the average annual increase in the Basic Tariff over the next five years will be around 1.4%.

To support the Government's environmental policy, CLP Power will substantially increase the use of natural gas for power generation in order to meet the fuel mix target of around 50% gas-fired power generation in 2020. As the cost of natural gas for power generation is more than double that of coal-fired generation, fuel costs will increase considerably. It is expected that by 2020, total fuel expenditure by CLP Power will rise by more than HK\$2 billion to around HK\$15 billion in view of rising fuel costs.

CLP Power will meanwhile introduce the new more frequent Fuel Cost Adjustment arrangement from 1 October. The Fuel Cost Adjustment will be made automatically on a monthly basis by calculating the average fuel prices over the preceding three months compared with the projected fuel prices set out in the annual tariff review. The monthly Fuel Cost Adjustment will be published on CLP Power's website and in electricity bills. The new arrangement will reflect changes in fuel price in a timelier manner and with greater transparency.

Managing Director of CLP Power Mr TK Chiang said: "Upon the implementation of the new SCA, we will continue to strike a balance in managing the tensions of the Energy Trilemma, delivering a world-class safe and reliable supply to expected environmental standards whilst containing the tariff adjustment at reasonable levels. At the same time, we will launch a number of new initiatives including the Feed-in Tariff Scheme, the New CLP Eco Building Fund and the CLP Community Energy Saving Fund to work with the community to embrace low-carbon lifestyles to achieve cleaner air and blue skies and at the same time to provide care and support to the underprivileged."

"The new five-year plan aims to support the Government's carbon reduction target in 2030 by planning and constructing the infrastructure needed to secure a reliable and stable fuel mix as well as an environmentally friendly electricity supply at competitive prices to meet future customer demand and more stringent carbon reduction requirements. Without the necessary infrastructure, we would not be able to increase our flexibility to tap into cleaner and competitively priced fuels as they become available in the future," he said.

Mr Chiang added that international oil prices had increased by about 50% and coal prices by about 40% over the past year. Fuel prices were beyond the control of the power companies and affected everyone. The permitted rate of return had been reduced from 9.99% to 8% under the new SCA and this has helped deliver a 3.7% reduction in Average Basic Tariff in the new tariff package. However, this is more than offset by the rise in fuel costs, resulting in a slight increase of 2% in the Average Net Tariff. For over 70% of residential customers, this will mean an increase of less than HK\$10 in their electricity bills per month after 1 October.

Mr Chiang said: “This adjustment has taken into account the tariff pressure incurred as a result of the need to meet the carbon reduction target in 2020 by increasing the use of natural gas to about 50% in the power generation fuel mix. We are very aware of the fuel cost increases coming in 2020 as we move to the new fuel mix and we will be doing all we possibly can to alleviate the tariff pressure on our customers.”

Details on Tariff from 1 October 2018 to 31 December 2019

Tariff Component	Tariff from 1 January 2018 (cents per unit)	Change (cents per unit)	Tariff from 1 October 2018 (cents per unit)
Average Basic Tariff	94.5	-3.5	91.0
Fuel Cost Adjustment	22.0	+5.8	27.8
Rent and Rates Special Rebate*	-1.1	0	-1.1
Average Net Tariff	115.4	+2.3	117.7 (+2.0%)

**At some point in Q4 2018 or in 2019, the Rent and Rates refund available from Government as a “R&R Special Rebate” is expected to be used up, when the Average Net Tariff will be increased by 0.9% from 117.7 cents per unit to 118.8 cents per unit.*

Please click [here](#) to view the details on tariff impact on residential and non-residential customers.

Forecast tariff path in five-year Development Plan[#]

Year (cents per unit)	January – September 2018	October 2018 - December 2019	2020	2021	2022	2023
Average Basic Tariff	94.5	91.0	93.4	96.5	99.1	101.9
Fuel Clause Charge	22.0	27.8	32.4	36.2	37.4	37.4
Rent & Rates Special Rebate*	-1.1	-1.1	-	-	-	-
Average Net Tariff	115.4	117.7	125.8	132.7	136.5	139.3

[#]The projected electricity tariffs for 2020 to 2023 are only projections and the actual tariffs to be charged to consumers each year will be determined in the respective annual Tariff Review having regard to various factors, particularly the actual fuel costs prevailing at the time. The average Basic Tariff Rate during the entire new Development Plan period is projected to increase at an annual rate of 1.4%.

CLP Holdings Limited today also issued an announcement to the Hong Kong Stock Exchange about the Executive Council of the Hong Kong SAR Government approving CLP Power's Development Plan for 2018-2023. Please click [here](#) to view the details.

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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