

2002 Tariff Adjustments

Presentation to Economic Services Panel
December 2001

Key Considerations for the 2002 Tariff Review

- ✧ CLP Power is conscious of the difficult economic environment currently faced by our customers
- ✧ We have proposed to Government a tariff package that safeguards stability and provides immediate benefits to all customers, especially the lower income group
- ✧ Total cost of our package is about HK\$560 million, or about 2.2% net reduction of CLP Power's average tariff, funded largely by the Development Fund and its interest

2002 Tariff Reduction as well as Rebates

For All Customers

- ✧ Fuel clause charge reduced by 0.3 cent per unit
- ✧ 250 units free electricity, equivalent to \$220 one-off rebate per customer to be credited in the first bill in 2002

Furthermore, for Non-residential Customers

- ✧ A Business Relief Rebate of 0.2 cent per unit for 12 months in light of :
 - the current difficult business environment
 - the introduction of DSM Charge of 0.2 cent per unit in 2002, consistent with Agreement signed with Government in 2000 to promote energy efficient programmes in the commercial and industrial sector
 - the one-off rebate of \$220 benefits mostly lower consumption customers

The Development Fund helps to stabilise tariffs and enables us to provide relief under difficult economic environment

2002 Tariff Adjustments

Tariff Component	Adjustment	Effect on 2002 Average Tariff
One-Off Rebate (average 250 units free electricity)	\$220 per customer	- 1.9 %
Fuel Clause	- 0.3 ¢	- 0.3 %
DSM Charge to Non-residential Customers	+ 0.2 ¢	+ 0.2 %
Business Relief Rebate to Non-residential Customers	- 0.2 ¢	- 0.2 %
Total Change		- 2.2 %

Total tariff revenue reduced by about HK\$560 million in 2002 or a reduction of average tariff by 2.2%

\$220 Rebate Benefits All Customers

Cumulative Distribution	Monthly Consumption (kWh)	Equivalent Months of Free Electricity
10%	0 – 55	≈ 4.5 months
20%	56 – 120	≈ 2.1 months
30%	121 – 165	≈ 1.5 months
40%	166 – 220	≈ 1.1 months
50%	221 – 270	About 1 month
70%	271 – 440	< 1 month
90%	441 – 900	< 1 month

About 50 per cent of CLP customers totalling 1 million accounts will enjoy one month or more of free electricity

Continuous Care for the Community



Over the years, CLP Power has introduced the following:

	<u>% of Prior Year's Average Tariff</u>
✧ Half price to the elderly entitled to CSSA (living alone or together) since 1995	-
✧ Tariff level frozen since 1998	-
✧ \$50 per customer Tax Rebate in 1999	0.4%
✧ \$200 per customer Centenary Rebate in 2001	1.7%
✧ \$220 per customer one-off rebate in 2002, and reduction of tariff by 0.3 cents	2.2%

CLP Power has always acted in the best interest of its customers. Our success in cost control and Development Fund management has enabled us to provide relief to customers in times of need.

Conclusion

- ✧ CLP Power has always been providing Hong Kong with a reliable and efficient electricity supply at low cost
- ✧ CLP Power's average net tariff has been the lowest in Hong Kong over the last decade
- ✧ The \$220 one-off rebate and fuel clause reduction package offered in 2002 will bring a further reduction to CLP Power's average tariff
- ✧ Reflect CLP Power's strong commitment to its customers as well as the social and economic interests of Hong Kong

End of Presentation