

CB(1)257/08-09(01)
(revised)

Adjustment of Electricity Tariff

Presentation to the Panel on Economic Development

24 November 2008

CLP's Electricity Tariff

- CLP's tariff is made up of two major components
 - **Basic Tariff** is a cost of service to customers for investments and operating costs for the supply of power to meet customers demand. It includes a standard fuel cost element
 - **Fuel Clause Charge** reflects the cost of fuel used for generating electricity and is directly passed through to customers. Difference between actual cost and standard cost will be surcharged or rebated. CLP makes no profit on fuel
- CLP has managed its tariff responsibly to keep it stable and affordable to its customers over the years

The Company has frozen its Basic Tariff for 10 years and has offered over \$4 billion in rebates to customers since 1998

Basic Tariff – 10% Reduction from 1 October 2008

- With the commencement of the new 2008 Scheme of Control Agreement, the net basic tariff (sum of Basic Tariff & Special Rebate) was reduced by 10%

(cents per unit)	Old	Changes	Current (Effective 1 October 2008)
Average Basic Tariff	88.1	-10.7	77.4 (-12.1%)
Special Rebate	-2.1	+2.1	0.0
Net basic tariff	86.0	-8.6	77.4 (-10.0%)

Reduction in Basic Tariff reflects the lowered return under the new SCA

Worldwide Tariff Increase Due to Higher Fuel Price

Singapore (September 29, 2008) ...

... the tariff increase is **21.89%**.
The increase is due to **higher fuel oil prices...**



For Immediate Release

September 29, 2008

NEWS RELEASE

ELECTRICITY TARIFF REVISION FOR THE PERIOD 1 OCTOBER TO 31 DECEMBER 2008

For the quarter 1 Oct to 31 Dec 08, the average electricity tariffs will be increased by 5.38 cents (S\$0.0538) per kWh. This represents an increase of 21.46% for households. On average, taking into account the tariffs for all customer categories, the tariff increase is 21.89%.

The increase is due to higher fuel oil prices. For the period 1 Oct to 31 Dec 08, tariffs are pegged to a higher forward fuel oil price of S\$155.14 per barrel. The forward fuel oil price is 38.06% higher than that of S\$112.35 per barrel for the current quarter.

UK (January 4, 2008) ...

... price hikes of ...
12.7% for electricity...

HOME > NEWS / SHOWBIZ > UKNEWS > Npower announces tariff rises

UK NEWS

NPOWER ANNOUNCES TARIFF RISES

Friday January 4, 2008



One of Britain's biggest power companies has announced price hikes of 17.2% for gas and 12.7% for electricity in a move set to hit more than four million households.

Npower said customers will see annual bills jump on average by £95 for gas and £64 for electricity under the price changes, due to come into effect on Saturday. The price rises will push Npower's average dual gas and electricity bills to more than £1,000.

UK (July 25, 2008) ...

... increase its electricity price by **17%** ...



Record wholesale energy costs lead to EDF Energy price rise

Wholesale energy prices have risen to record highs with increases of up to 70% since our last price change in January.

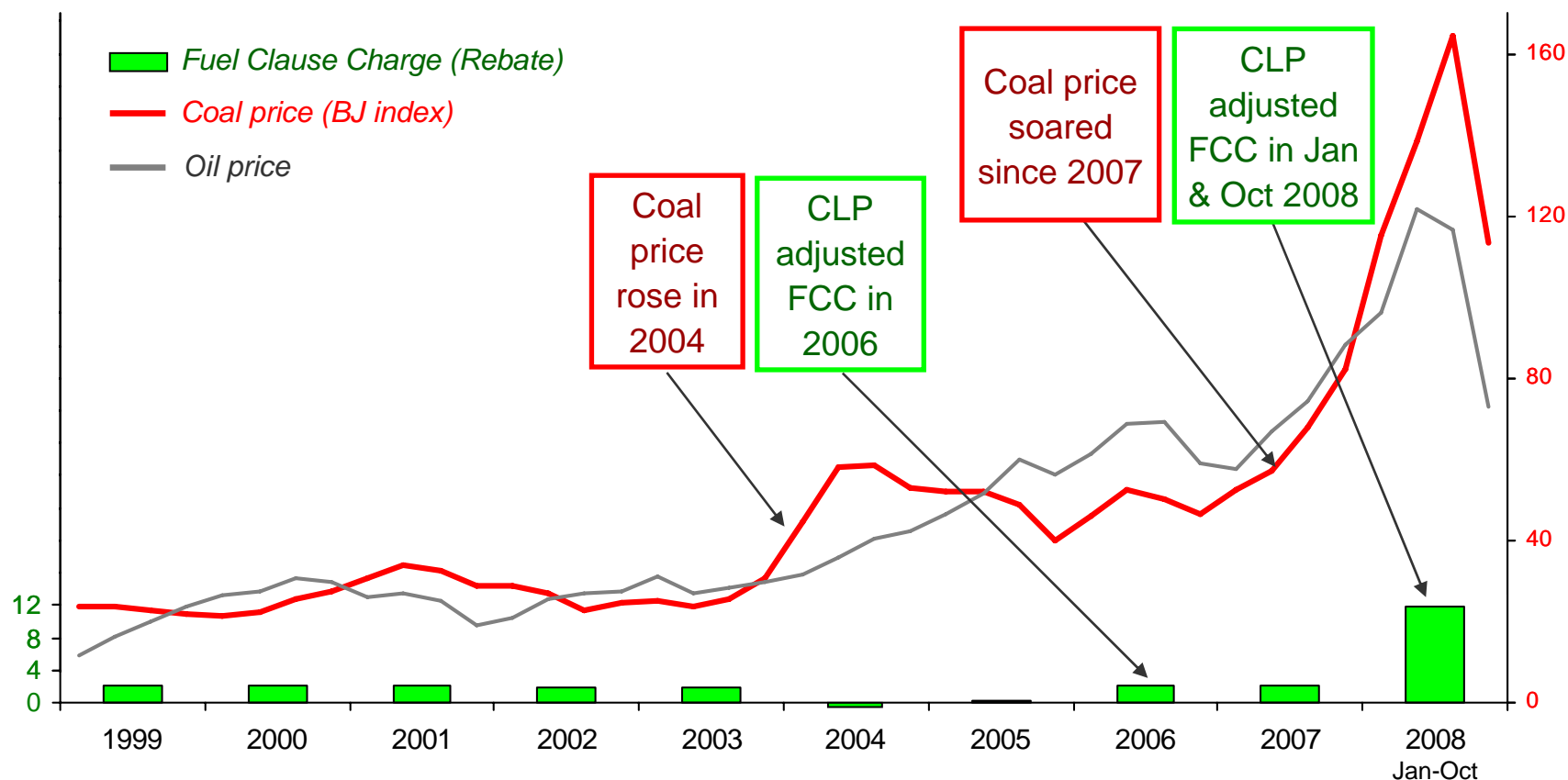
Record wholesale energy costs have forced EDF Energy to increase its electricity prices by 17% and its gas prices by 22% from today (**Friday 25 July.**)

Typical customers on a dual fuel tariff will pay £3.97 a week more for their energy.

Fuel Clause Charge Increase Lags Behind Coal Price Increase

HK cents/unit

US\$/barrel or ton



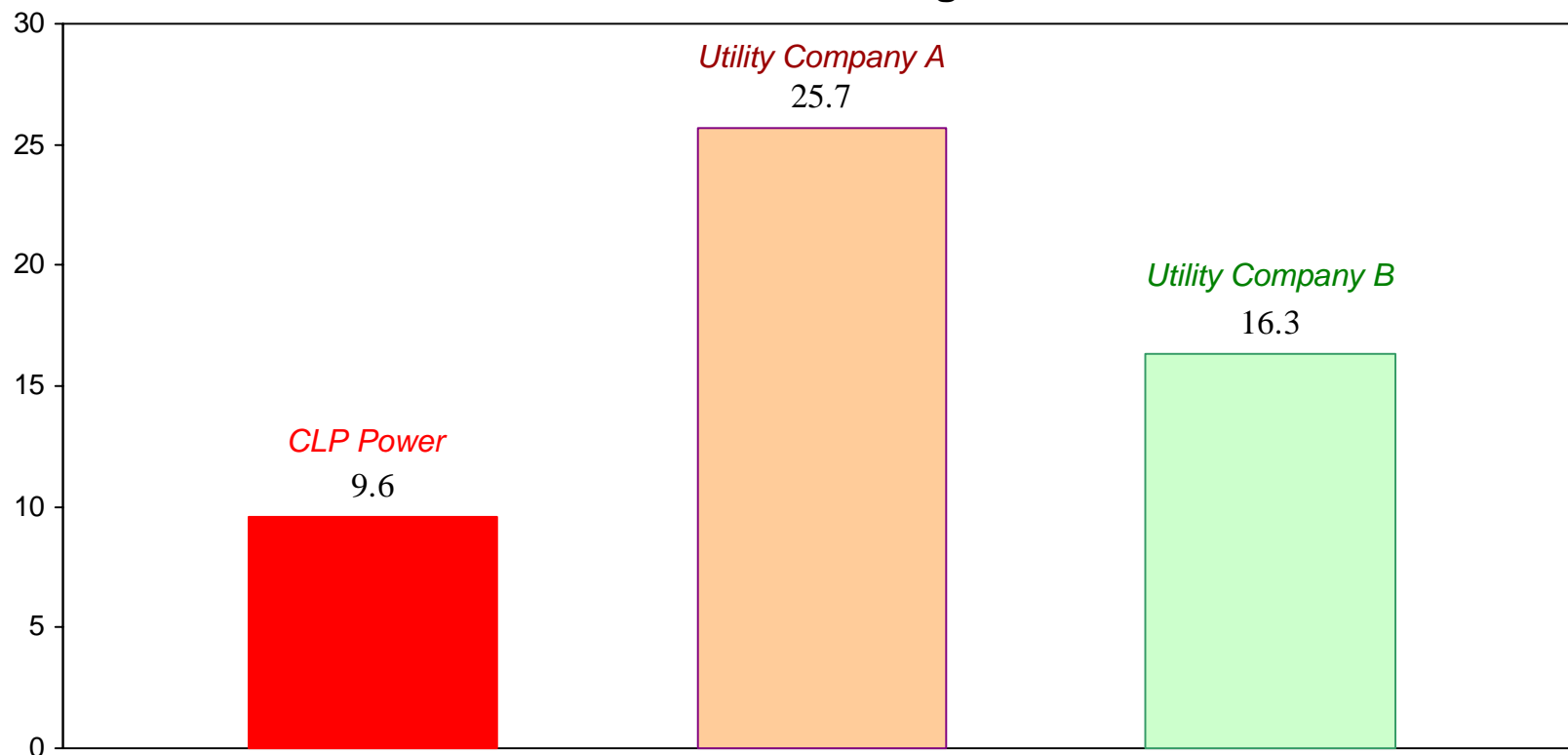
The foregoing information was obtained from Coalportal Premium Subscription, a product of Wood Mackenzie

Through prudent fuel cost management, CLP has successfully deferred Fuel Clause Charge increase in the past

Fuel Charge Increase of Hong Kong Utilities

HK cents / kWh
(or equivalent)

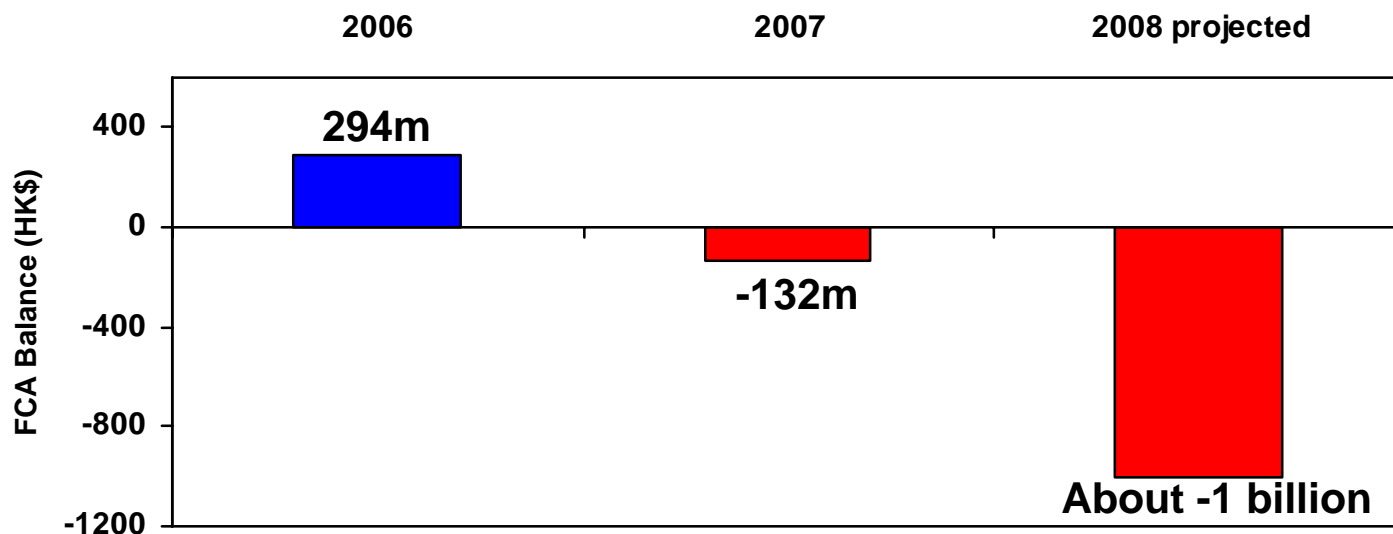
Cumulative Increase in Fuel Charge in Oct. 2000-Oct.2008



Since 2000, CLP Power's fuel charge increase is the lowest among local utilities

The Need to Replenish Huge Fuel Clause Account Deficit

- The significant rise in fuel prices has caused CLP's Fuel Clause Account to continue to deteriorate
- CLP has to increase Fuel Clause Charge (FCC) by 5.9 cents per unit to 11.8 cents per unit on 1 October 2008
- Despite the new Fuel Clause Charge increase in October 2008, CLP's Fuel Clause Recovery Account will continue to deteriorate with a projected deficit of about HK\$ 1 billion by end-2008



Total Tariff

Effective from 1 October 2008

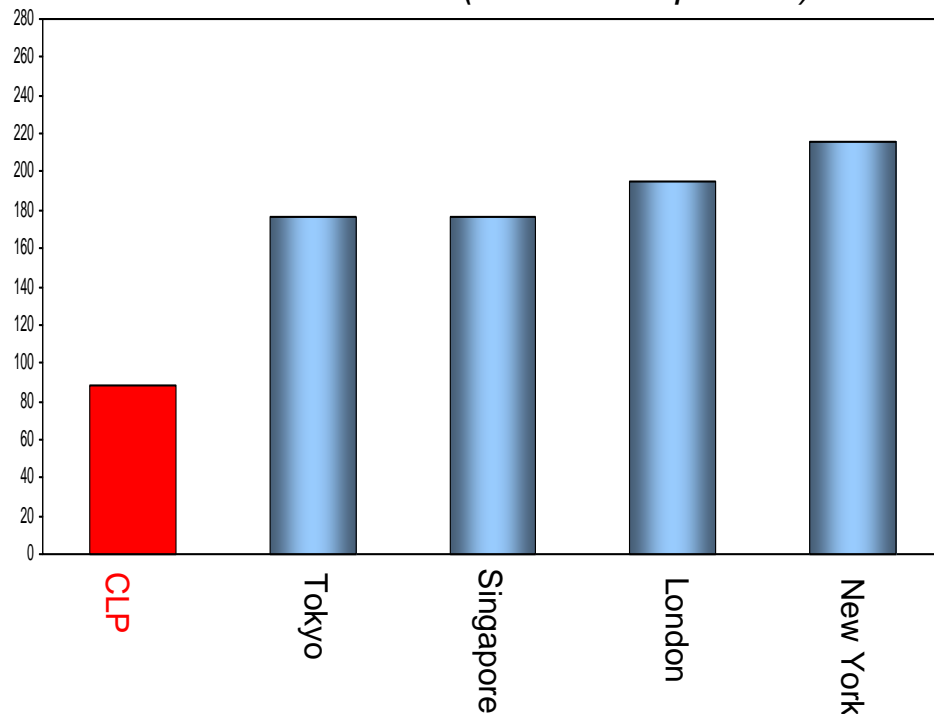
- Total Tariff was reduced, on average, by 3%
- The increase in Fuel Clause Charge partially offset the reduction in net basic tariff.

(cents per unit)	Old	Changes	Current (Effective 1 October 2008)
Average Basic Tariff	88.1	-10.7	77.4 (-12.1%)
Special Rebate	-2.1	+2.1	0.0
Net basic tariff	86.0	-8.6	77.4 (-10.0%)
SoC Rebate	-0.8	--	-0.8
Fuel Clause Charge	5.9	+5.9	11.8
Total Tariff (Average)	91.1	-2.7	88.4 (-3.0%)

Current CLP tariff remains highly competitive and is still close to the level 10 years ago

CLP's Electricity Tariff Compares Favorably with Other Metropolitan Cities

Residential Tariff (in HK cents per unit)



Average unplanned power interruptions (2004-06)

	Minutes per customer per year
CLP Power	4
Tokyo	4
Singapore	2
London	34
New York	31

Source: TEPCO; Energy Market Authority (Singapore); EDF and UMS Group

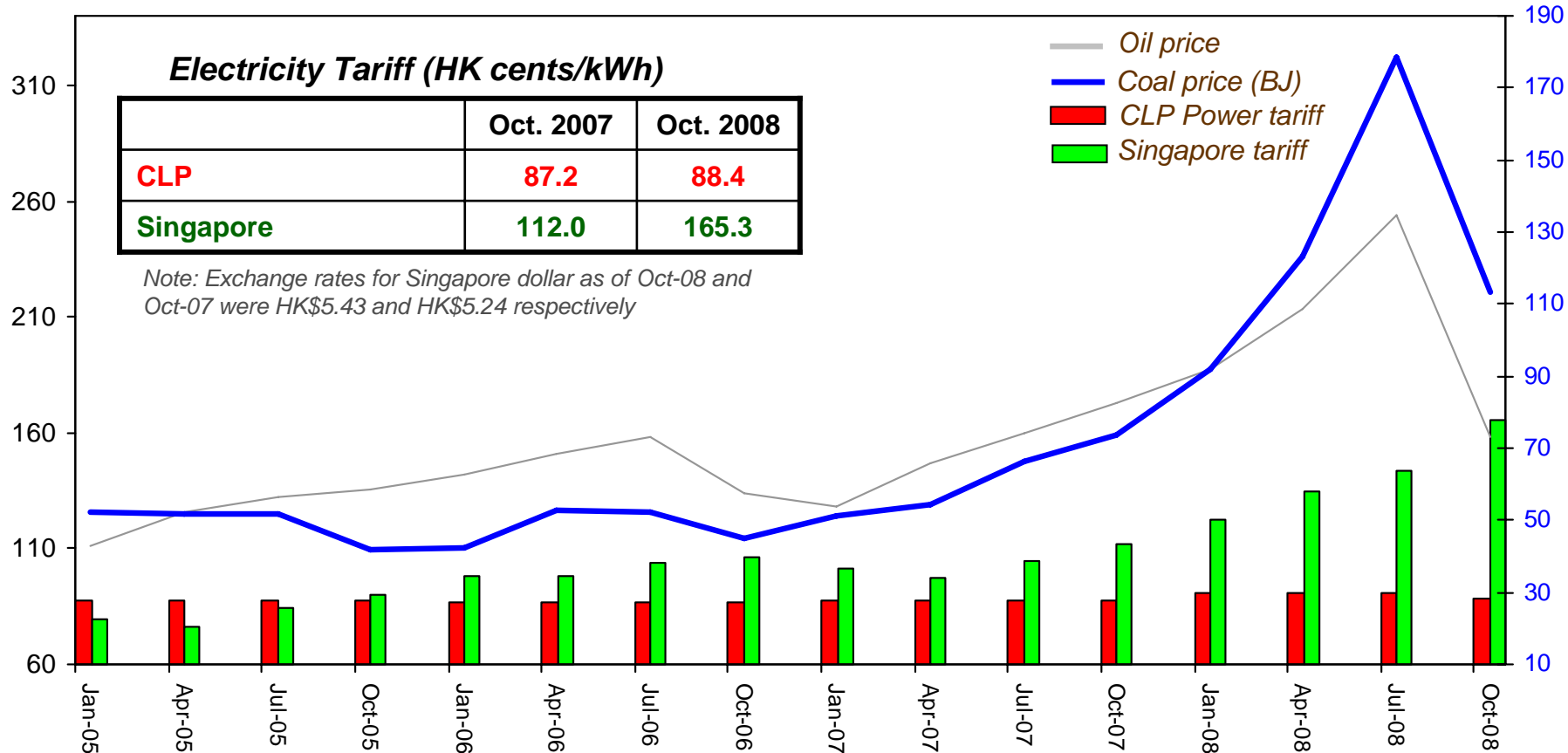
Notes: Tariff and exchange rate are as of October 2008 for metropolitan cities.
Comparison based on annual residential customer consumption of 3,300 kWh.

CLP customers not only enjoyed one of the lowest tariff among major world cities but also a world-class standard of power supply reliability

CLP's Electricity Tariff is Only Half that of Singapore

HK cents/unit

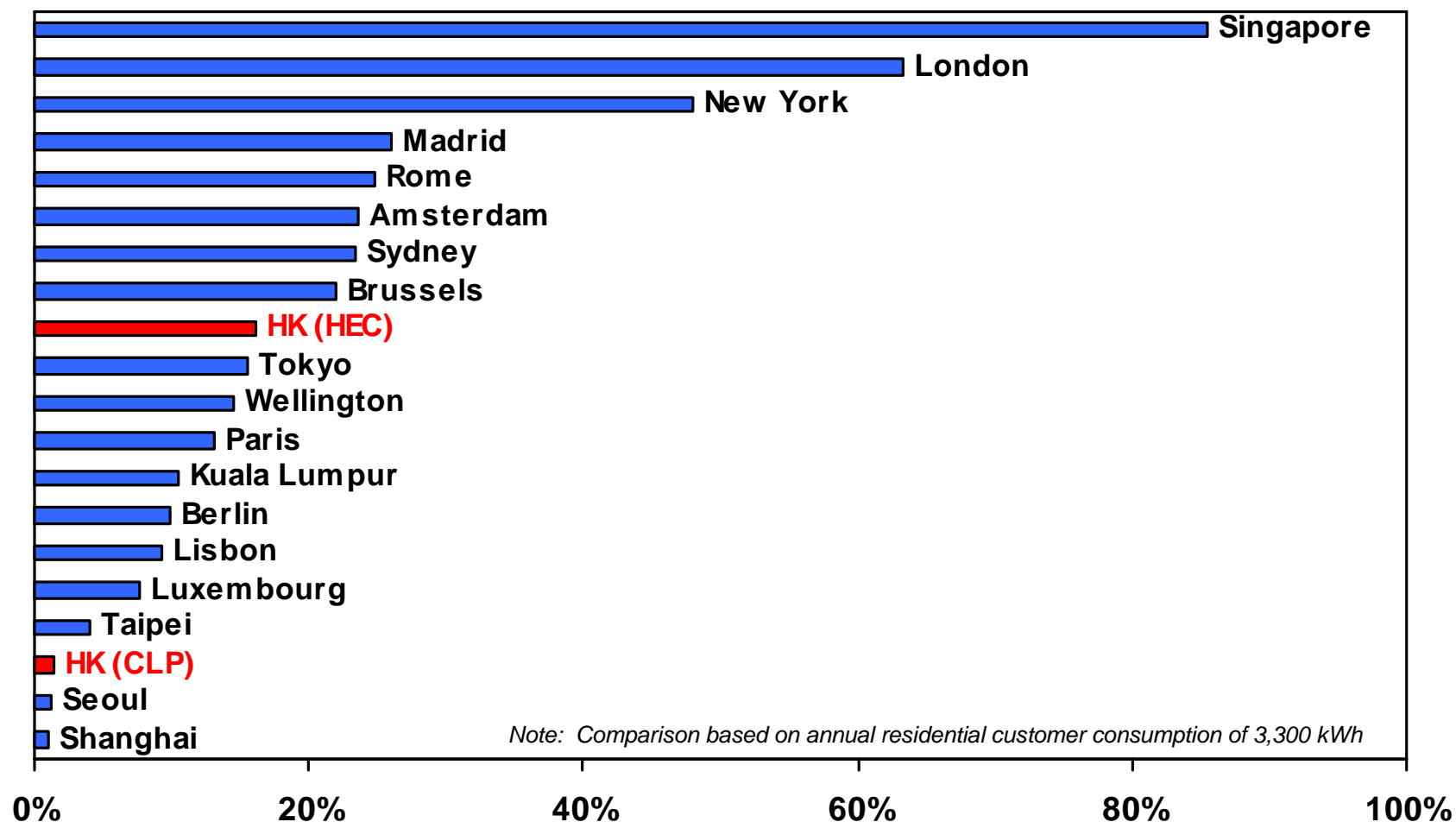
US\$/barrel or ton



The foregoing information was obtained from Coalportal Premium Subscription, a product of Wood Mackenzie

Average net tariff of CLP Power increased by only 1% despite huge tariff increases by overseas utilities in the last four years

Electricity Tariff Rises in Major Metropolitan Cities (2005– Oct. 2008)



Tariff of CLP Power increased by only 1% despite huge tariff increases by overseas utilities in the last four years

Summary

- **The average 3% total tariff reduction is a result of a reduction of 10% in net basic tariff, moderated by the effect of fuel clause charge increase**
- **CLP has managed its tariff responsibly and has frozen its Basic Tariff and offered over \$4 billion in rebates to customers since 1998**
- **The Companies will continue to**
 - improve environmental performance
 - enhance efficiency & productivity in order to maintain high quality electricity service at reasonable tariff
 - monitor closely the coal price trend and its impact to the fuel clause charge