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ENB CR 2/4576/08 (13) Pt.10

LEGISLATIVE COUNCIL BRIEF

2014-18 DEVELOPMENT PLAN AND 2014 TARIFF REVIEW OF THE TWO POWER COMPANIES

INTRODUCTION

At the meeting of the Executive Council on 10 December 2013, the Council ADVISED and the Chief Executive ORDERED that the 2014-18 Development Plans ("2014-18 DPs") proposed by the two power companies , viz., The Hongkong Electric Company Limited ("HEC") on the one hand, and CLP Power Hong Kong Limited ("CLP Power") and Castle Peak Power Company Limited ("CAPCO")[1] (collectively, "CLP") on the other, which include the following features, should be approved pursuant to the respective Scheme of Control Agreements ("SCAs") signed in January 2008 –

(a) In respect of HEC –

(i) there will be capital projects for a total estimated capital expenditure ("CAPEX") of $13.0 billion to be incurred during the period from 1 January 2014 to 31 December 2018 ("HEC DP Period"), inclusive of $3.0 billion approved on a provisional basis for a new gas-fired power plant unit ("proposed "L10" project"). The actual commencement of the proposed "L10" project and the actual inclusion of the estimated CAPEX of the proposed "L10" project into HEC's 2014-18 DP are subject to a written confirmation from the Government to HEC ("Confirmation") referred to in paragraph 11 below;

[1] CAPCO is a generating company jointly owned by CLP Power (40%) and ExxonMobil Energy Limited (EMEL) (60%).

(ii) there will be an increase in average Basic Tariff Rate by 7.1¢/kWh, or 7.5%, to 101.8¢/kWh with effect from 1 January 2014; and

(iii) the projected levels of Basic Tariff Rate for the HEC DP Period will increase on average by 1.1% per annum if the Government has issued the confirmation to HEC for it to commence the proposed "L10" project, or by 0.9% without such confirmation; and

(b) in respect of CLP –

(i) there will be capital projects for a total estimated CAPEX of $34.1 billion to be incurred during the period from 1 January 2014 to 30 September 2018 ("CLP DP Period");

(ii) there will be an increase in average Basic Tariff Rate by 4.2¢/kWh, or 5.0%, to 88.4¢/kWh with effect from 1 January 2014; and

(iii) the projected levels of Basic Tariff Rate for the CLP DP Period will increase on average by 1.8% per annum.

JUSTIFICATIONS

2. HEC's and CLP's prevailing Development Plans[2] were approved in December and September 2008 respectively, and will expire on 31 December 2013. Pursuant to the SCAs, HEC and CLP submitted in mid 2013 their 2014-18 DPs to tie in with the expiry of the respective SCAs, which cover, inter alia, the relevant power company's electricity demand forecasts, proposed capital projects and projected Basic Tariff Rate for each year in the respective HEC DP Period and CLP DP Period.

3. With the assistance of an independent energy consultant, we have reviewed the financial and technical aspects of the 2014-18 DPs of HEC and CLP (collectively, "two power companies"), with a view to accepting only those capital project proposals which are considered absolutely necessary to

[2] HEC's prevailing Development Plan covers the period from 1 January 2009 to 31 December 2013, and CLP's from 1 October 2008 to 31 December 2013.

ensure that the public will enjoy reliable and safe electricity supply at reasonable costs. After detailed discussion, HEC and CLP submitted their revised 2014-18 DPs, the key features of which are summarised in the following paragraphs.

KEY FEATURES AND ASSESSMENT

I. Load and Sales Forecast

4. We have examined the two power companies' maximum demand and sales forecasts in the 2014-18 DPs, which could lead to the need for new generating capacity to ensure reliable electricity supply and tariff projections.

HEC

5. HEC projects local maximum demand growing at an average annual rate of 0.5% for 2014 to 2018 and local sales to grow at an average annual rate of 0.6%. We consider the projections reasonable.

CLP

6. CLP projects local maximum demand growing at an average annual rate of 2.7% for 2014 to 2018 and local sales to grow at an average annual rate of 2.0%, and has proposed, on that basis, to install a new Open Cycle Gas Turbine ("OCGT") to meet the demand. We consider that CLP's forecast of maximum load is on a high side after taking into account, inter alia, the actual maximum demand in 2013. CLP has agreed to defer its proposal for the new OCGT (see paragraph 15 below).

II. Capital Projects

HEC

7. In HEC's original 2014-18 DP submitted in April 2013, HEC proposed total estimated CAPEX of $25.4 billion over the HEC DP Period. We considered this excessive. In conjunction with our energy consultant, we have critically reviewed the need, timing and proposed budget of the capital projects proposed by HEC.

8. HEC has subsequently agreed to shelve a few major capital projects in its original proposal, including one of the two proposed gas-fired generation units, the wind farm project off Lamma Island, and the second gas pipeline from Zhuhai. Our major considerations against inclusion of these projects in HEC's 2014-18 DP are set out in **Annex A**. This, together with cost rationalisation in other projects, reduces its proposed total estimated CAPEX by 49% to $13.0 billion, which represents an increase by 5.7% over the total CAPEX of $12.3 billion under HEC's current Development Plan. Excluding the estimated CAPEX for the proposed "L10" project, the total estimated CAPEX to be included in HEC's 2014-18 DP will be $10.0 billion; whereas the estimated CAPEX for the proposed "L10" project for 2016-2018 is $3.0 billion.

Capital Projects in HEC's revised 2014-18 DP

9. The breakdown of HEC's proposed capital projects in HEC's revised 2014-18 DP is as follows –

	Project Type	$ Billion	%
(A)	Generation System	6.1*	47
(B)	Transmission and Distribution Systems	5.3	41
(C)	Customer and Corporate Services Development	1.6	12
	Total	13.0*	100

(* Including $3.0 billion for the proposed "L10" project for 2016-2018, approved only on a provisional basis and subject to the Government's Confirmation referred to in paragraph 11 below.)

(A) Generation System

10. In HEC's revised 2014-18 DP, HEC has proposed to -

(a) carry out refurbishment projects for aged equipment and improvement work for the plants at Lamma Power Station; and

(b) start to construct a new gas-fired power plant unit "L10" ("L10") in 2016 to cope with the scheduled retirement of existing plants to maintain the reliability of electricity supply.

11. Our energy consultant considers that the above projects are necessary and justified for ensuring operational reliability and the proposed budgets reasonable. However, as we will undertake a review on future fuel mix for power generation in Hong Kong ("fuel mix review") and a review on the future regulatory framework for the electricity market after the expiry of the current SCAs ("post-2018 review"), and the results of these reviews may affect the commissioning of the proposed "L10" project, we propose to include the proposed "L10" project in HEC's 2014-18 DP on a provisional basis only subject to a written confirmation by the Government. Accordingly, unless and until the Government has issued a written confirmation to HEC, HEC may not include CAPEX in relation to the project in HEC's 2014-18DP, or apply the Basic Tariff Rates categorised as "Basic Tariff Rates with "L10" in paragraph 23 below. The Government may only issue the written confirmation after completion of the fuel mix review and the post-2018 review.

(B) Transmission and Distribution Systems

12. Transmission and distribution ("T&D") projects include the construction of new substations, additional circuits, improvement and reinforcement of existing system to ensure that adequate transmission and distribution facilities are in place to meet new demand, maintain reliability of supply and safety of HEC's systems. We share our energy consultant's view that the CAPEX on these projects is justified and reasonable. We will monitor the projects through the annual Auditing Review and Tariff Review in the light of actual demand build-up.

(C) Customer and Corporate Services Development

13. Customer and corporate services projects relating to customer and corporate services include information system development, metering system development, energy and distribution management systems development, motor vehicles and building renovation. We share our energy consultant's views that the CAPEX on these projects is justified and reasonable.

CLP

14. In CLP's original 2014-18 DP submitted in May 2013, CLP proposed total estimated CAPEX of $43.3 billion over the CLP DP Period. We consider that there is room for reduction. In conjunction with our energy consultant, we have critically reviewed the need, timing and proposed budget of the capital projects proposed by CLP.

15. After detailed discussion, CLP has agreed to defer or reduce the scope/scale of a few major capital projects in its original proposal, including a new OCGT of 250 MW at Castle Peak Power Station, Castle Peak A 400kV Switchgear Replacement, and some T&D projects. Our major considerations against inclusion of these projects in CLP's 2014-18 DP are set out in **Annex B**. This, together with cost rationalisation in other projects, reduces its proposed total estimated CAPEX by 21% to $34.1 billion, which is 18% lower than the total CAPEX of $41.6 billion under CLP's current Development Plan.

Capital Projects in CLP's revised 2014-18 DP

16. The breakdown of CLP's proposed capital projects in CLP's revised 2014-18 DP is as follows –

	Project Type	$ Billion	%
(A)	Generation System	10.7	32
(B)	Transmission and Distribution System	22.6	66
(C)	Customer and Corporate Services Development	0.8	2
		34.1	100

(A) Generation System

17. In CLP's revised 2014-18 DP, CLP has proposed to –

(a) upgrade the efficiency of three units of Combined-Cycle Gas Turbine at Black Point Power Station (each a "BPPS unit"); and

(b) extend the useful lives of its generating plants at Castle Peak A ("CPA"), Castle Peak B ("CPB"), Black Point Power Station and Penny's Bay Power Station ("PBPS") for 5 years.

18. CLP anticipates that the upgrade project mentioned in paragraph 17(a) above ("upgrade project") will bring the benefits of an improvement of cycle efficiency of around 0.9 percentage point to lower fuel cost, as well as a reduction of NOx emission.

19. The extension of the useful life of generation plants will avoid the

need to install replacement plants upon the scheduled retirement of two units in CPA and three units in PBPS in 2017 and 2018. As the long term demand of local generation hinges on the results of the fuel mix review and the post-2018 review, it is not advisable to approve any new generation units for CLP at this stage. This proposal in prolonging the useful life of the relevant fixed assets would have the effect of reducing the annual depreciation costs of the concerned assets over their extended life span and help mitigate tariff increase in the coming years. We share our energy consultant's views that the total estimated CAPEX on the above projects, as revised, is justified and reasonable.

(B) Transmission and Distribution System

20. T&D projects include new substations, additional circuits, improved control equipment, metering system development or reinforcement of existing system to ensure that adequate transmission and distribution facilities are in place to meet new demands, maintain reliability of supply and safety of CLP's systems. After CLP has trimmed the total estimated CAPEX and deferred a number of T&D projects, we share our energy consultant's view that the total estimated CAPEX on these projects is justified and reasonable. We will monitor the projects through the annual Auditing Review and Tariff Review in the light of actual demand build-up.

(C) Customer and Corporate Services Development

21. Customer and Corporate Services projects relating to customer and corporate services include information system development and service centre improvements. After CLP has reduced the scope of a number of projects and reduced the total estimated CAPEX accordingly, we share our energy consultant's views that the CAPEX on these projects is justified and reasonable.

III. 2014 Electricity Tariff

22. Electricity tariff charged to consumers in general comprises two components: Basic Tariff Rate and Fuel Clause Charge ("FCC"), the total of which is the Net Tariff Rate ("Net Tariff Rate"). The Basic Tariff Rates for 2014 of the two power companies has been approved as part of the 2014-18 DPs for implementation with effect from 1 January 2014. Specifically –

(a) HEC will not change its average Net Tariff Rate in 2014, with 7.5% increase in average Basic Tariff Rate (or 7.1¢/kWh) being

fully offset by 18% reduction in FCC. The average Net Tariff Rate would stay at 134.9¢/kWh; and

(b) CLP will increase the average Net Tariff Rate by 3.9%[3] (or by 4.2¢/kWh to 110.8¢/kWh) when compared with that immediately before the tariff adjustment, due to increase in average Basic Tariff Rate by 5.0% (or 4.2¢/kWh) with no change in FCC.

Details are set out in the table below.

	HEC		**CLP**	
	2013	2014	2013	2014
(¢/kWh)				
Average Basic Tariff Rate	94.7	101.8 *(+7.1, or +7.5%)*	84.2	88.4 *(+4.2, or +5.0%)*
Fuel Clause Charge	40.2	33.1	22.4	22.4
Average Net Tariff Rate	134.9	134.9 *(no change)*	106.6	110.8 +4.2 *(+3.9%)*
Year End Balance ($ Million)				
Tariff Stabilisation Fund	8	168	8	313
- % of Sales of Electricity	*0.1%*	*1.2%*	*0.0%*	*0.9%*
Fuel Clause Recovery Account	51	222	1,264	1,420

IV. Other Financial Aspects of the DPs

[3] Excluding the effect of a special rebate of 2.1¢/kWh as a result of Rent and Rates refund, which has ceased since mid October 2013.

23. Under the SCAs, projected levels of Basic Tariff Rate are agreed with each of the two power companies under periodic Development Plan Reviews. For the 2014-18 DPs, we have examined the proposals submitted by the two power companies with regard to their projected operational expenses, depreciation costs, interest and taxes, etc. The average Projected Basic Tariff Rates for each of them for 2015-2018 are as follows –

	Projected Basic Tariff Rates (¢/kWh)			
	2015	**2016**	**2017**	**2018**
HEC				
Basic Tariff Rates Without " L10"@	101.7	100.9	100.0	99.0
Basic Tariff Rates With "L10"	101.7	101.0	100.4	100.0
CLP	87.2	88.4	90.0	92.1

(@ This set of Projected Basic Tariff Rates for HEC without "L10" will apply throughout 2015 to 2018 until and unless the Government has issued a written confirmation referred to in paragraph 11 above.)

24. Under the SCAs, the two power companies will pass on to the consumers by way of FCC from time to time the difference between the projected cost of fuels and the actual costs of fuels incurred. For the 2014-18 DPs, they have projected FCC and average Net Tariff Rate levels per annum from 2015 to 2018, based on the best information available. The actual tariffs to be charged to consumers each year will be determined in the preceding year, following discussions between the Government and the two power companies during the annual Tariff Review, taking into account any variations in the components of the 2014-18 DPs. The projected Basic Tariff Rate and the projected Net Tariff Rate, as well as the projected year end balances of Tariff Stabilisation Fund ("TSF") and Fuel Clause Recovery Accounts ("FCA") in respect of each of the years covered by the 2014-18 DPs are listed in **Annex C1** (for HEC) and **Annex C2** (for CLP).

25. HEC's average Net Tariff Rate is expected to remain rather stable from 2015 to 2018. CLP forecasts its Net Tariff Rate to rise with year-on-year adjustments ranging from 4.1% to 11.8%, mainly due to increase in fuel costs. This is to reflect the latest gas price from new sources in place of fast depleting existing supplies, and to meet the more stringent emission ceilings for air pollutants prescribed in the Technical Memoranda under the Air Pollution

Control Ordinance (Cap. 311 of the Laws of Hong Kong) with effect from 2015 for better air quality. We are working with CLP to mitigate the tariff impact over the coming years. For instance, CLP is prepared to carry a larger FCA deficit of some $1.5 billion at end 2015 to smooth out the impact of tariff increase, and is considering additional import of a small amount of electricity from Daya Bay.

IMPLICATIONS OF THE PROPOSAL

Environmental Implications

26. With both HEC and CLP increasing the use of natural gas in their power generation, the local gas fuel mix will be increased from about 28% in 2012 to about 47% in 2018. Together with prioritising the use of coal units equipped with emission reduction devices and increasing the use of low emission coals as far as practicable, the two power companies should be able to comply with the progressively tightened emission caps as stipulated under the Second and Third Technical Memoranda[4] to the Air Pollution Control Ordinance (Cap. 311). The emission caps for sulphur dioxide, nitrogen oxides and respirable suspended particulates in 2017 and afterwards will be tightened by 59%, 39% and 40% respectively from the current emission cap levels. The reduction in emissions from the power sector will help Hong Kong meeting its new Air Quality Objectives to be in place starting from 2014. It would also help alleviate the visibility, smog as well as acid rain problems affecting the Pearl River Delta region.

Sustainability Implications

27. The two power companies' proposals should contribute positively to the development of Hong Kong by ensuring that reliable, safe and efficient electricity supply will continue to be delivered to consumers. Their proposals also include refurbishment projects and improvement work for generation plants, which aim to upgrade the efficiency of the units. The timely implementation of these works, combined with the use of cleaner fuel in power generation, should contribute positively to improving the air quality in Hong

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[4] The "Second Technical Memorandum for Allocation of Emission Allowances in Respect of Specified Licences" (Second TM) was promulgated in December 2010 to stipulate the emission caps from power sector from 2015 and onwards. The "Third Technical Memorandum for Allocation of Emission Allowances in Respect of Specified Licences" (Third TM) was promulgated in November 2012 to stipulate the emission caps from power sector from 2017 and onwards.

Kong and the Pearl River Delta Region. Furthermore, the two power companies are still encouraged to explore opportunities to increase the use of renewable energy in their future developments.

PUBLICITY

28. A press release announcing the Executive Council's decision will be issued.

ENQUIRIES

29. Any enquiry on this brief should be addressed to Ms Vyora Yau, Principal Assistant Secretary for the Environment (Financial Monitoring), at 3509 8638.

Environment Bureau
10 December 2013

Annex A

Major capital projects in HEC's 2014-18 DP proposal but not accepted by Government

Proposed Gas-fired Generating unit L11

We have carefully reviewed the justifications put forth by HEC to install a new gas-fired generation unit (L11) and consider the project not justified as –

(a) commencement of L11 will not be needed before 2018 to meet HEC's load requirement. Deferring the construction of L11 to beyond 2018 will not affect the reliability of HEC's power supply; and

(b) HEC will be able to meet the 2015 and 2017 air pollutants emission caps without L11.

2. The Government will launch a public consultation on the future fuel mix and consider whether to use more natural gas for local power generation. L11 should be deferred until the Government has completed this consultation. Should a new fuel mix target be set by the Government which will entail the construction of new gas generation facilities by HEC, the company will be allowed to submit a revised Development Plan for approval by the Government.

Off-shore Wind Farm Project

3. While the off-shore wind farm project will help reduce reliance on fossil fuels and contribute to the improvement of the air quality in Hong Kong, we consider it very costly. HEC agreed to take out this project from its 2014-18 DP till there is a clear outcome from the public consultation on Hong Kong's future fuel mix for power generation and a government policy decision on the local renewable energy portfolio.

Second Gas Pipeline

4. HEC's proposal of a second gas pipeline providing alternative gas supply from Gaolan in Zhuhai to Lamma Power Station seeks to ensure adequate longer term supply of natural gas at reasonable price level to the existing and future new gas-fired units in Lamma Power Station. Pending public consultation on the future fuel mix, we consider that this project should be excluded from HEC's 2014-18 DP. HEC may propose a revision to the approved HEC's 2014-18 DP if the result of the fuel-mix consultation justifies the need of this project.

Annex B

Major capital projects in CLP's 2014-18 DP proposal but not accepted by Government

Open Cycle Gas Turbine (OCGT) at Castle Peak Power Station

We consider that CLP's forecast of maximum load is on a high side after taking into account, inter alia, the actual maximum demand in 2013. We do not consider its proposal to build a new OCGT of 250 MW at Castle Peak Power Station justified. CLP has agreed to defer the project in its revised DP submission, with a marker that it will closely monitor the maximum demand with potential project re-submission for the Government's review and approval.

Castle Peak A 400kV Switchgear Replacement

2. In the absence of adequate support by Original Equipment Manufacturer (OEM), we do not consider CLP's proposal to replace Castle Peak A 400kV Switchgear justified. CLP has agreed to take out the project in its revised DP submission and to arrange further condition assessment by the OEM to confirm condition of the switchgear.

Transmission and Distribution (T&D) projects

3. CLP has originally proposed to carry out a number of T&D projects to meet the development of its supply areas. Since the need of some of those T&D projects depends on the long term development in the areas, which is still under planning at this stage, we need to assess further. CLP has agreed to defer some T&D projects taking into account the status and schedule of the development of relevant areas.

HEC
Projected Tariff Rates,
Year End Balances of Tariff Stabilisation Fund and
Fuel Clause Recovery Account

A. With "L10"

(¢/kWh)	2013 Existing Rates	**2014 New Rates**	Projected Rates in the 2014-18 Development Plan			
			2015	2016	2017	2018
Tariff Components						
Average Basic Tariff Rate	94.7	**101.8**	101.7	101.0	100.4	100.0
Fuel Clause Charge	40.2	**33.1**	33.2	33.9	34.5	34.9
Average Net Tariff Rate	134.9	**134.9**	134.9	134.9	134.9	134.9
Change in						
- Average Basic Tariff Rate	+0.6 *(+0.6%)*	**+7.1 *(+7.5%)***	-0.1 *(-0.1%)*	-0.7 *(-0.7%)*	-0.6 *(-0.6%)*	-0.4 *(-0.4%)*
- Average Net Tariff Rate	+3.8 (+2.9%)	**+0 *(+0%)***	+0 *(+0%)*	+0 *(+0%)*	+0 *(+0%)*	+0 *(+0%)*

Average annual increase – 2014 to 2018

Basic Tariff Rate	1.1%
Net Tariff Rate	0%

	2013	Projected Balances in the 2014-18 Development Plan				
		2014	2015	2016	2017	2018
Year End Balance						
Tariff Stabilisation Fund ($Million)	8	168	299	293	289	289
- *% of Sales of Electricity*	*0.1%*	*1.2%*	*2.1%*	*2.0%*	*1.9%*	*1.9%*
Fuel Clause Recovery Account ($Million)	51	222	326	416	313	(34)

HEC
Projected Tariff Rates,
Year End Balances of Tariff Stabilisation Fund and
Fuel Clause Recovery Account

B. Without "L10"

(¢/kWh)	2013 Existing Rates	**2014 New Rates**	Projected Rates in the 2014-18 Development Plan			
			2015	2016	2017	2018
Tariff Components						
Average Basic Tariff Rate	94.7	**101.8**	101.7	100.9	100.0	99.0
Fuel Clause Charge	40.2	**33.1**	33.2	33.9	34.5	34.9
Average Net Tariff Rate	134.9	**134.9**	134.9	134.8	134.5	133.9
Change in						
- Average Basic Tariff Rate	+0.6 *(+0.6%)*	**+7.1** ***(+7.5%)***	-0.1 *(-0.1%)*	-0.8 *(-0.8%)*	-0.9 *(-0.9%)*	-1.0 *(-1.0%)*
- Average Net Tariff Rate	+3.8 (+2.9%)	**+0** ***(+0%)***	+0 *(+0%)*	-0.1 *(-0.1%)*	-0.3 *(-0.2%)*	-0.6 *(-0.4%)*

Average annual increase/(decrease) – 2014 to 2018

Basic Tariff Rate	0.9%
Net Tariff Rate	(0.2%)

	2013	Projected Balances in the 2014-18 Development Plan				
		2014	2015	2016	2017	2018
Year End Balance						
Tariff Stabilisation Fund ($Million)	8	168	299	295	286	299
- *% of Sales of Electricity*	*0.1%*	*1.2%*	*2.1%*	*2.0%*	*1.9%*	*2.0%*
Fuel Clause Recovery Account ($Million)	51	222	326	416	313	(34)

CLP
Projected Tariff Rates,
Year End Balances of Tariff Stabilisation Fund and
Fuel Clause Recovery Account

(¢/kWh)	2013 Existing Rates	**2014 New Rates**	Projected Rates in the 2014-18 Development Plan			
			2015	2016	2017	2018
Tariff Components						
Average Basic Tariff Rate	84.2	**88.4**	87.2	88.4	90.0	92.1
Fuel Clause Charge	22.4	**22.4**	36.7	45.3	52.6	56.4
Average Net Tariff Rate	106.6	**110.8**	123.9	133.7	142.6	148.5
Change in						
- Average Basic Tariff Rate		**+4.2** ***(+5.0%)***	-1.2 *(-1.4%)*	+1.2 *(+1.4%)*	+1.6 *(+1.8%)*	+2.1 *(+2.3%)*
- Average Net Tariff Rate		***+4.2**** ***(+3.9%)****	+13.1 *(+11.8%)*	+9.8 *(+7.9%)*	+8.9 *(+6.7%)*	+5.9 *(+4.1%)*

Average annual increase – 2014 to 2018

Basic Tariff Rate	1.8%
Net Tariff Rate	6.9%*

* Excluding the effect of a special rebate of 2.1¢/kWh as a result of Rent and Rates refund, which has ceased since mid October 2013.

		Projected Balances in the 2014-18 Development Plan				
	2013	2014	2015	2016	2017	2018*
Year End Balance						
Tariff Stabilisation Fund ($Million)#	8	313	391	338	382	936
- *% of Local Sales of Electricity*	*0.0%*	*0.9%*	*0.9%*	*0.8%*	*0.8%*	*2.4%*
Fuel Clause Recovery Account ($Million)	1,264	1,420	(1,499)	(991)	(574)	120

* Figures for 2018 cover the nine-month period from 1 January 2018 to 30 September 2018, i.e. the expiry date of current SCA.

\# Tariff Stabilisation Fund balance as at 30.9.2018 has not taken into account the transfer to meet the Permitted Return which will reduce the balance. CLP forecasts that after the required transfer, Tariff Stabilisation Fund balance will be reduced to $380 million as at 31.12.2018.