



10-12-2013



2014~2018 Development Plan 2014 Tariff Review

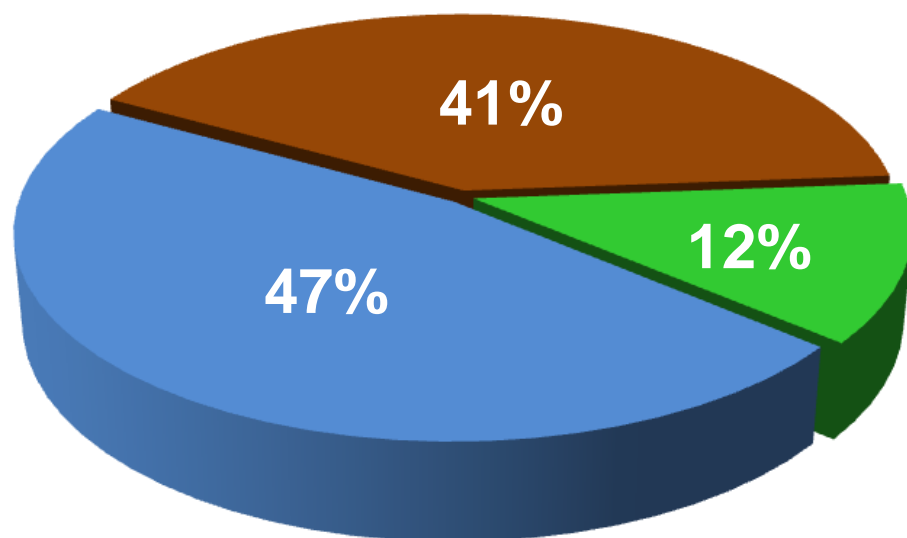


Development Plan Highlights

- Capital expenditure of HK\$13 billion in 2014~18 is comparable to HK\$12.3 billion in 2009~2013
- Continue to provide a reliable, safe and environment-friendly electricity supply at reasonable prices
- Freeze 2014 Net Tariff
- Forecast Net Tariffs in coming 5 years remain unchanged
- From 2008 to 2018, Net Tariff is forecast to increase marginally by 5.9% over 10 years



HK\$13 Billion Investment in 2014~18



Power Generation
HK\$6.1 Billion

**Transmission &
Distribution**
HK\$5.3 Billion

**Customer Services &
Corporate Development**
HK\$1.6 Billion



Major Projects in Development Plan (1/2)

- Power Generation System
 - The existing 3 coal-fired units and one gas-fired unit will reach end of useful life and retire from 2017 onward
 - To alleviate the tariff increase pressure arising from installing new generation facilities, HK Electric will extend the service life of an existing coal-fired unit L2 (with flue gas desulphurization plant)
 - Despite the extension, HK Electric has to commission a new gas-fired unit L10 by 2020 to maintain our reliable power supply and about 30% gas generation

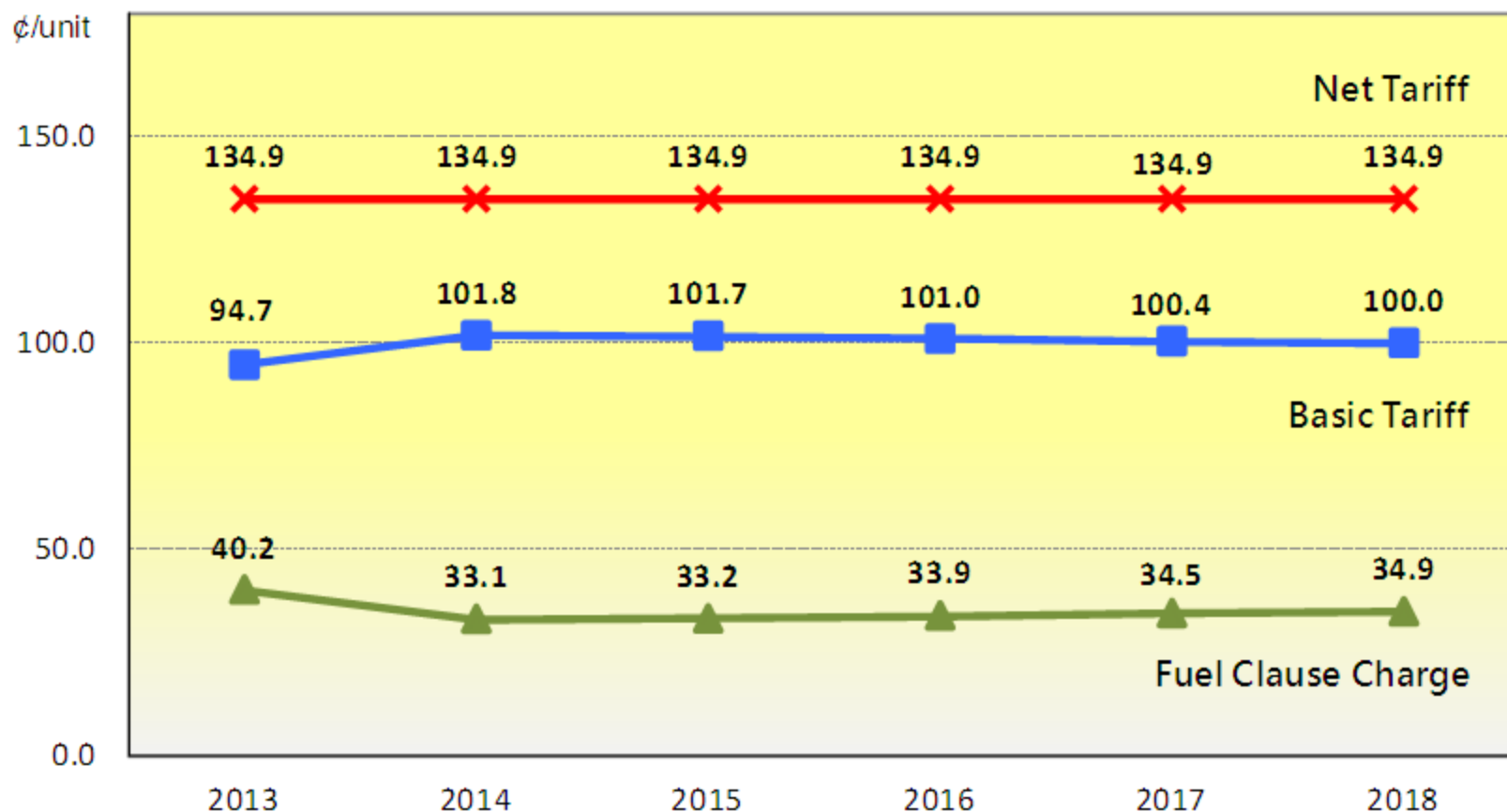


Major Projects in Development Plan (2/2)

- Transmission and Distribution (T&D) System
 - Construction and reinforcement of T&D facilities to support various development projects including MTR Shatin to Central Link, West Island Line and South Island Line, etc.
 - Improvements on zone electricity supply and distribution networks to enhance supply reliability and meet load demand
- Customer Services and Corporate Development
 - Replace IT systems including Customer Information System, Energy Management System and Distribution Management System, etc., and metering and communication systems, etc.



2014~18 Tariffs Forecast to Remain Unchanged





Freeze 2014 Tariff

Components	2013 ¢/unit	2014 ¢/unit	Adjustment ¢/unit
Basic Tariff	94.7	101.8	+7.1
Fuel Clause Charge	40.2	33.1	-7.1
Net Tariff	134.9	134.9	





Tariff Structure Unchanged

Domestic Tariff Structure (7 Progressive Blocks*)

Consumption (In Blocks)	Net Tariff (¢/unit)		
	2013	2014	Adj.
Super Saver Discount: Customers with consumption not more than 100 units in a month are entitled to receive 5% discount	88.6	88.6	0
For each of the first 150 units	93.3	93.3	0
151 – 300 units	107.2	107.2	0
301 – 500 units	121.1	121.1	0
501 – 700 units	144.7	144.7	0
701 - 1,000 units	158.6	158.6	0
1,001 - 1,500 units	172.5	172.5	0
1,501 units and above	186.4	186.4	0

Non-domestic Tariff Structure (4 Progressive Blocks)

Consumption (In Blocks)	Net Tariff (¢/unit)		
	2013	2014	Adj.
For each of the first 500 units	131.6	131.6	0
501-1,500 units	135.6	135.6	0
1,501-20,000 units	146.7	146.7	0
20,001 units and above	149.4	149.4	0

*Super Saver Discount is not treated as a part of tariff structure



Endeavours to Control Tariff Adjustment

- Stringent cost control to mitigate tariff increases over the past 5 years
- Curbed Basic Tariff adjustments in recent years to reduce the substantial tariff increases due to doubling of gas generation since 2010 (new gas 4 times price of 1st supply contract) and escalating coal price
- Basic Tariff remains stable and records only a mild increase of 0.2 cent/kWh from 2009 to 2013 – far below HK cumulative inflation rate of 13% over this period
- As a result, Basic Tariff has to be adjusted in 2014 to assure continuation of high-quality operation and services. Despite this, 2014 Basic Tariff is still 13% lower than 2008's level
 - Substantial rise in material and contract prices, and labour costs in recent years led to continuous increase in operating expenses
 - Over \$400M transferred from the Tariff Stabilisation Fund (TSF) to control the tariff increase in 2013 led to almost full depletion of the TSF



Concessionary Tariff Continue for Needy Domestic Customers

Concessionary Tariff

Elderly

Disabled

Single-parent
families

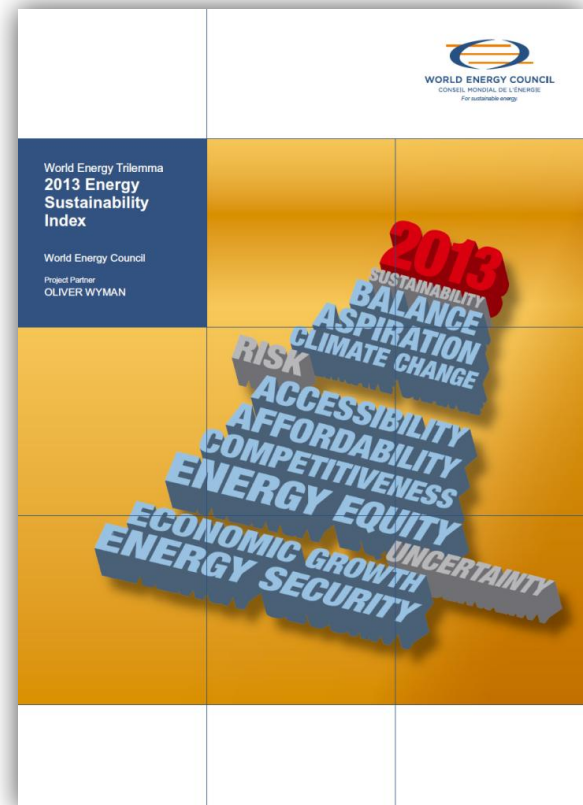
Unemployed

- 60% discount for the first 200 units each month
- Deposit waived
- No minimum charge
- Also eligible for “Super Saver Discount” for any month with consumption not more than 100 units



Well-recognized Affordable Electricity Tariff

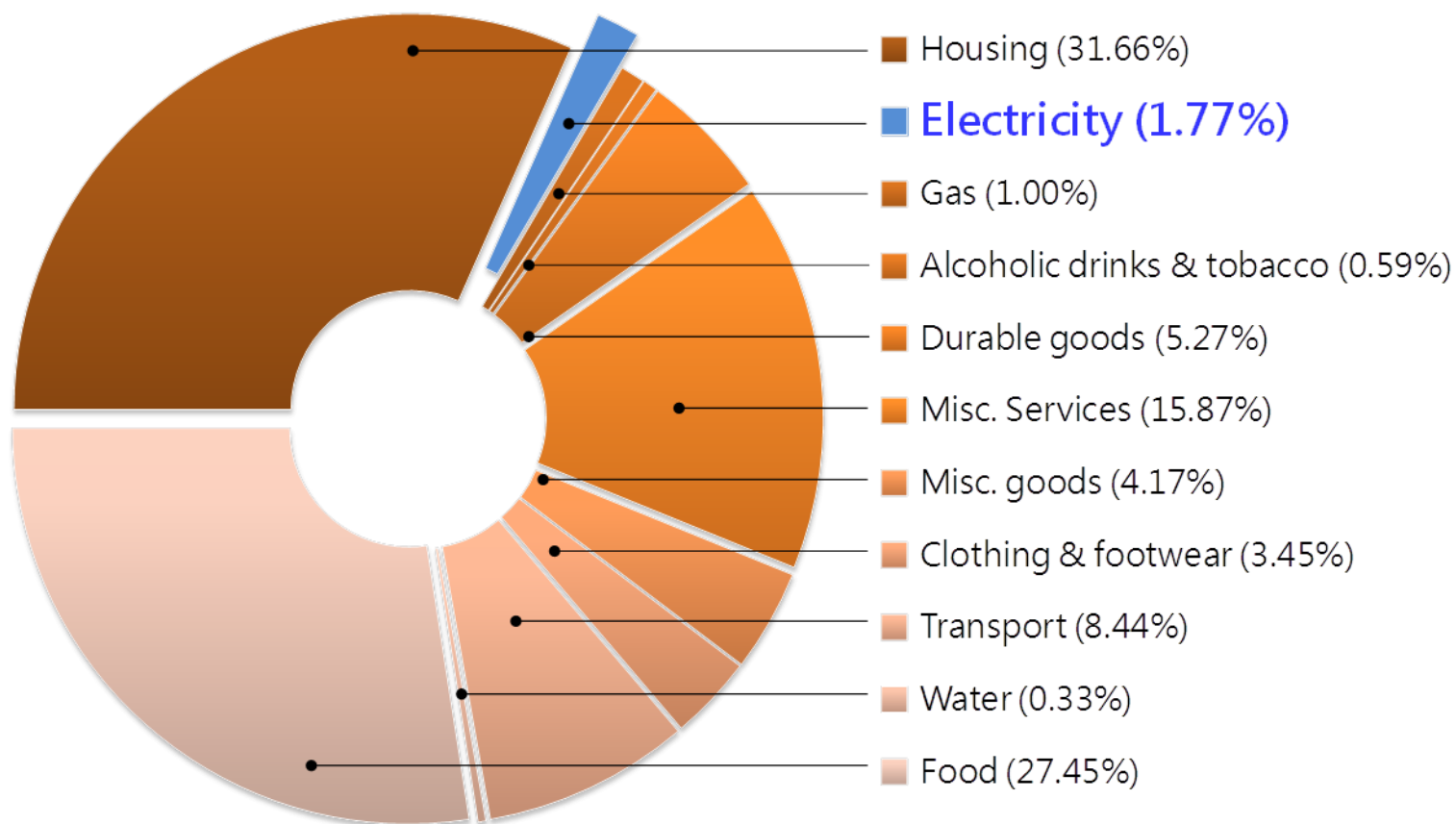
- In 2013 Energy Sustainability Indexes of 129 countries/cities published by World Energy Council, Hong Kong has scored A in “Energy Equity” (i.e. affordability and accessibility)





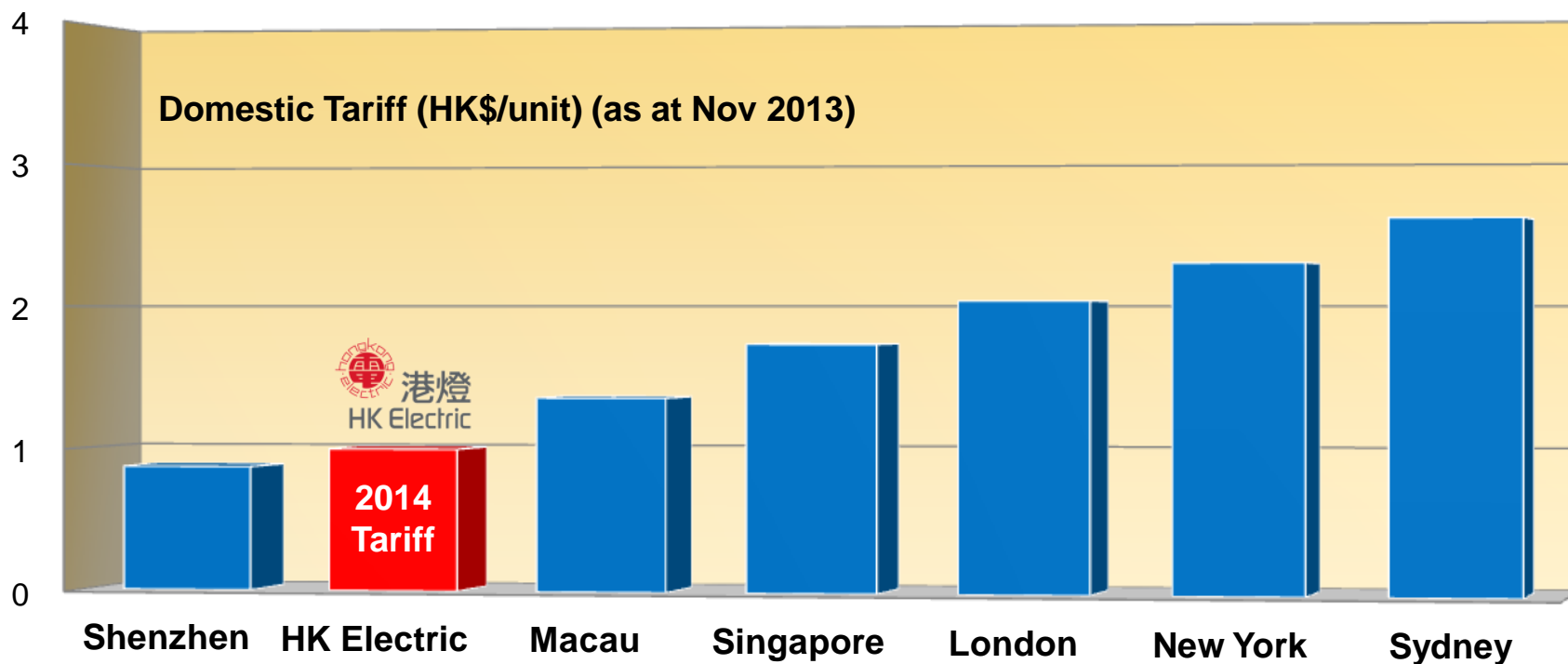
Affordable Tariff

Composite CPI Expenditure Weights





More Affordable Domestic Tariff Than Other Cities'



Remark: Comparison based on monthly domestic customer consumption of 275 units (3,300 units p.a.), ~43% of HK Electric's domestic customers; tariffs and exchange rates are as at Nov 2013

Sources:

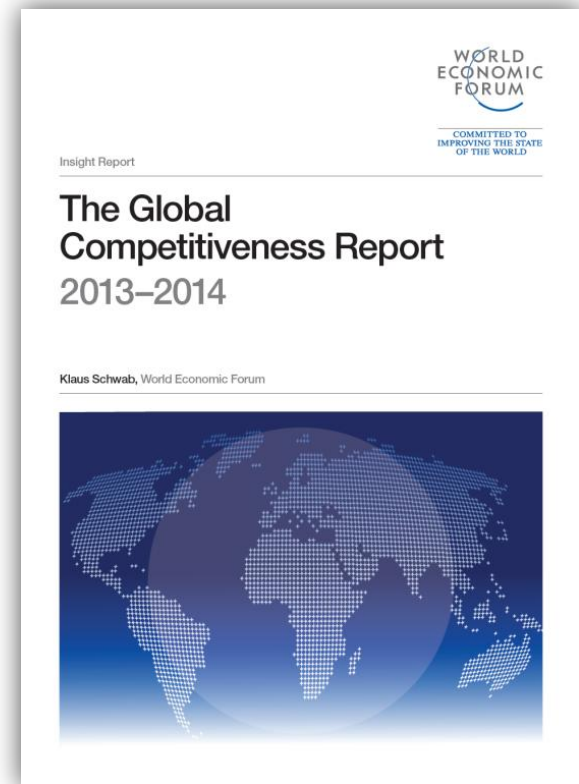
1. Shenzhen: Shenzhen Power Supply Bureau
2. HK Electric: The Hongkong Electric Company, Ltd.
3. Macau: Companhia de Electricidade de Macau
4. Singapore: SP Services Ltd.

5. London: EDF Energy
6. New York: Consolidated Edison, Inc.
7. Sydney: EnergyAustralia



World Class Electricity Supply

- Supply reliability rating has been maintained above 99.999% for 16 consecutive years since 1997
- According to “The Global Competitiveness Report 2013-2014” released by World Economic Forum, Hong Kong is ranked 1st among 148 economies in “Quality of Electricity Supply” (i.e. supply reliability)





World Class Services

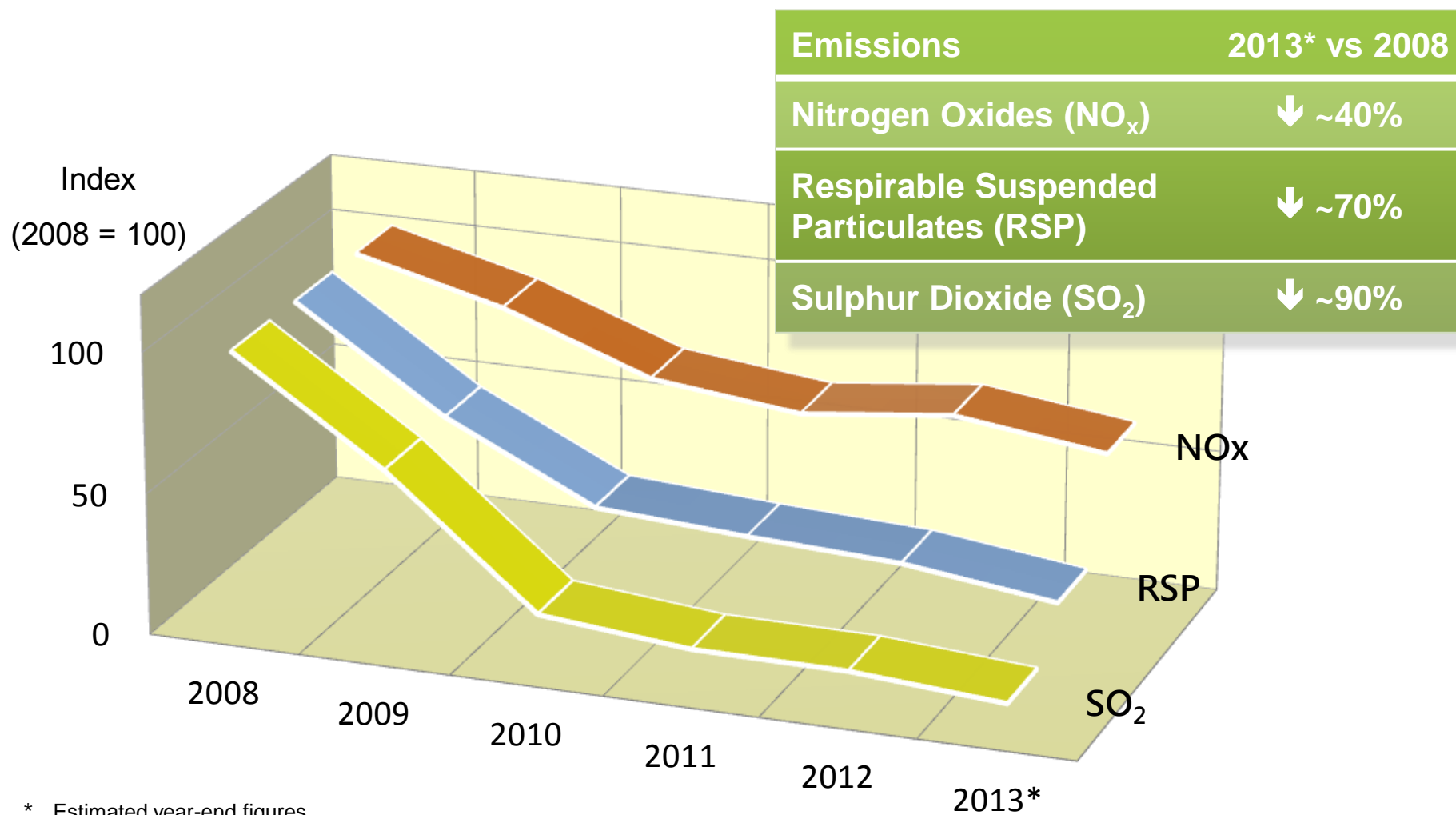
- Achieve 18 Customer Service Standards

Services Provided	2013 Service Standards	2012 Actual Results
Reliability Rating of Electricity Supply	> 99.998%	> 99.999%
Average Time for Supply Restoration after Interruption of Supply	≤ 2hrs	1 hr 10 min
Average Waiting Time for Telephone Calls to Customers Emergency Services Centre	< 9 s	1.81s
Average Arrival Time at Scene in Urban Areas in Response to Emergency Calls	<28 min	19 min





Significant Emissions Reduction





Thank You