

**Provision of information by CLP Power (CLP) on 2014 Tariff Review  
for the Legislative Council Panel on Economic Development**

**A. Information related to the Development Plans**

A1. Capital expenditure under the 2008 Development Plan<sup>[1]</sup> and forecast under the 2014 Development Plan<sup>[2]</sup> are as follows:

Categories <sup>[3]</sup> (\$ million)	2008 <sup>[4]</sup>	2009	2010	2011	2012	2013	Total 2008 Development Plan	2014	Total 2014 Development Plan
(A) Power Generation System									
Emission Reduction Project	577	2,360	1,821	1,387	287	-	6,432 <sup>[5]</sup>	-	0
Other generation related projects	333	1,327	1,302	1,360	851	770	5,943		10,703
Sub-total	910	3,687	3,123	2,747	1,138	770	12,375		10,703
(B) Transmission & Distribution System	1,251	4,365	4,804	5,094	5,474	4,915	25,903		22,562
(C) Customer and Corporate Services Development	90	310	315	328	290	314	1,647		836
<b>Total (A + B + C)</b>	<b>2,251</b>	<b>8,362</b>	<b>8,242</b>	<b>8,169</b>	<b>6,902</b>	<b>5,999</b>	<b>39,925</b>		<b>34,101</b>
(D) MOU related projects <sup>[6]</sup> on top of the approved total capital expenditure under the 5-yr Development Plan	-	3	88	901	690	0	1,682	-	0
<b>Grand Total</b>	<b>2,251</b>	<b>8,365</b>	<b>8,330</b>	<b>9,070</b>	<b>7,592</b>	<b>5,999</b>	<b>41,607</b>		<b>34,101</b>

Remarks:

- [1] Approved by the Executive Council on the 23rd September 2008, as advised in the Environment Bureau's (EnB's) paper to the Legislative Council of the same date. It covers the period from the 1st October 2008 to the 31st December 2013.
- [2] Approved by the Executive Council, as advised in EnB's paper to the Legislative Council. It covers the period from the 1st January 2014 to the 30th September 2018
- [3] Capital expenditure forecast breakdowns are shown on page 2 - 4.
- [4] Period covering Oct - Dec 2008.
- [5] Total project cost is around \$9 billion, part of which was covered by the previous Financial Plan.
- [6] To realize the long-term stable supply of gas contemplated under the Memorandum of Understanding (MOU) signed between the Hong Kong SAR Government and the National Energy Administration.

**Notes to the confidential figures:**

- Revealing CLP major capital expenditure categories would enable the suppliers to easily assess the budget estimates of certain projects that would increase their ability of price negotiations. Such might cause an increase in the costs of capital expenditure leading to an increase in future tariff level. This would also reveal CLP's future fixed assets investment as well as future profits. Any disclosure of confidential inside information may be detrimental to the interests of small shareholders and may also violate the Hong Kong Listing Rules requirements and the Securities and Futures Ordinance. Any person using confidential inside information or any "tipping" to others for dealings may also commit an offence under the Securities and Futures Ordinance.

## Submission of Major Projects in the 2008 Development Plan

### Generation

No.	Projects	\$billion
1.	Emissions Control Project	6.4
	<u>Other Generation Related Projects</u>	
2.	Black Point Plant Modification	0.6
3.	Replacement & Refurbishment of obsolete/aged equipment in Black Point Power Station, Castle Peak Power Station and Penny's Bay Power Station [hundreds of work items]	5.4

### Transmission & Distribution

No.	Projects	\$billion
	<u>Meeting Load Requirements</u>	
1.	Establishment of Chui Ling Road Substation (Tseung Kwan O Development)	0.5
2.	Establishment of South East Kowloon 'A' Substation	0.4
3.	Establishment of South East Kowloon 'D' Substation	0.4
4.	Establishment of HKUST Substation	0.3
5.	Establishment of West Kowloon Reclamation 'B' Substation	
6.	Establishment of Fu On Street Substation	0.2
7.	Addition of 3rd 132/11kV Transformer at Pak Shek Kok Substation	0.2
8.	Establishment of Sky City Road Substation (formerly Airport 'D' Substation)	0.1
9.	Establishment of Yue Man Square Substation	
10.	Addition of 3rd 132/11kV Transformer at Fo Tan Substation	0.1
11.	Establishment of 2nd 400kV Yuen Long - Lai Chi Kok Circuit	0.1
12.	Meeting Load Requirements - Others (Other projects < \$100m and many thousands of projects to meet customer demand)	6.8
	<u>Meeting Government/ Infrastructure Requirements</u>	
13.	Establishment of Stonecutters Island Substation	
14.	Tseung Kwan O – Tai Wan 400kV Cable Diversion for Kai Tak Development	0.1
15.	(Meeting Government/ Infrastructure Requirements Others Other projects < \$100m and hundreds of projects to support Government's new railways, roads, bridges and redevelopment projects)	1.6
	<u>Maintaining Supply Reliability &amp; Quality</u>	
16.	400kV Tower Lines Reinforcement for Super Typhoon	
17.	Establishment of 132kV Open Rings in Tuen Mun	0.5
18.	Establishment of 2 x 132kV Chui Ling Road - Tseung Kwan O Industrial Estate Circuits	0.2
19.	Establishment of 2 x 132kV Junction Road - Kai Tak Circuits	0.2
20.	400kV Tower Line Arresters	0.2
21.	Maintaining Supply Reliability & Quality Others (Other projects < \$100m and many thousands network reinforcement projects to maintain supply reliability & quality)	6.2
	<u>Replacement &amp; Refurbishment</u>	
22.	132kV Oilfilled Cable Replacement	0.5
23.	11kV Switchgear Refurbishment	
24.	Substation Building Refurbishment	0.2
25.	Replacement of 132kV Switchboard at Kwai Chung 'A' Substation	0.2
26.	400kV Tower Lines Refurbishment	0.2
27.	132kV Switchgear Refurbishment	
28.	Replacement of 132kV Transformers / Reactors	0.1
29.	400kV Switchgear Refurbishment	
30.	Asset Replacement & Refurbishment Others (Other projects < \$100m and hundreds of projects to replace aged equipment)	2.8
31.	Network Operation Systems (System Control, Protection, Telecommunications)	1.2
32.	Miscellaneous & Others	0.9

### Customer and Corporate Services

No.	Projects	\$billion
1.	New & Replacement Meters, Metering System Development	0.8
2.	Customer Billing & Services System & Centre Facilities	0.3
3.	Corporate System Development (data storage, backup infrastructure & security system)	0.4
4.	Other Support Services	0.1

Total 39.9

### Notes to the confidential information:

Since a lot of work is in progress under individual projects, revealing the capital expenditure forecast would not be appropriate. Such projects may be in the tendering stage or maybe at a commercially sensitive stage. As a result, revealing such confidential figures would not be in the interest of customers.

### Submission of Major Projects in the 2014 Development Plan

#### Generation

No.	Projects	\$billion
1.	Black Point Combined-Cycle Gas Turbine Efficiency Upgrade	
2.	Preparatory Works for New 250MW Open Cycle Gas Turbine (OCGT)	
3.	Replacement & Refurbishment of obsolete/aged equipment in Black Point Power Station, Castle Peak Power Station and Penny's Bay Power Station [hundreds of work items]	8.6

#### Transmission & Distribution

No.	Projects	\$billion
	<u>Meeting Load Requirements</u>	
1.	Establishment of 3rd 132kV Yuen Long - On Lok Road Circuit	
2.	Provisional Cable Installation inside Tuen Mun - Chek Lap Kok Link Tunnels	
3.	Establishment of Chun Yat Street Substation	
4.	Establishment of 2nd 400kV Yuen Long - Lai Chi Kok Circuit	
5.	Establishment of Kai Tak Cable Tunnel	
6.	Security Enhancement of Nuclear Transmission System	
7.	Establishment of West Kowloon Reclamation 'B' Substation	
8.	Establishment of Salisbury Garden Substation	
9.	Establishment of Yue Man Square Substation	
10.	Establishment of Lam Tei Substation	
11.	Addition of two 132/11kV Transformers at On Sum Street Substation	
12.	Meeting Load Requirements - Others (Other projects < \$100m and many thousands of projects to meet customer demand)	7.5
	<u>Meeting Government/ Infrastructure Requirements</u>	
13.	Establishment of Lai Wan Interchange Substation	
14.	Establishment of Heung Yuen Wai Substation	
15.	Establishment of Hong Kong Boundary Crossing Facilities (HKBCF) Substation	
16.	Meeting Government/ Infrastructure Requirements Others (Other projects < \$100m and hundreds of projects to support Government's new railways, roads, bridges and redevelopment projects)	1.6
	<u>Maintaining Supply Reliability &amp; Quality</u>	
17.	Establishment of 2 x 132kV Tai Kok Tsui Traction - West Kowloon Reclamation 'B' Circuits	
18.	Establishment of 132kV Open Rings in Hung Hom Area	
19.	400kV Tower Lines Reinforcement for Super Typhoon	
20.	Maintaining Supply Reliability & Quality Others (Other projects < \$100m and many thousands network reinforcement projects to maintain supply reliability & quality)	4.0
	<u>Replacement &amp; Refurbishment</u>	
21.	11kV Switchgear Refurbishment	
22.	Asset Replacement & Refurbishment Others (Other projects < \$100m and hundreds of projects to replace aged equipment)	2.0
23.	Network Operation Systems (System Control, Protection, Telecommunications)	1.1
24.	New & Replacement Meters, Metering System Development	0.8
25.	Miscellaneous & Others	0.8

#### Customer and Corporate Services

No.	Projects	\$billion
1.	Customer Billing & Services System & Centre Facilities	0.3
2.	Corporate System Development (data storage, backup infrastructure & security system) and other support services	0.5

Total 34.1

#### Notes to the confidential information:

Since a lot of work is in progress under individual projects, revealing the capital expenditure forecast would not be appropriate. Such projects may be in the tendering stage or maybe at a commercially sensitive stage. As a result, revealing such confidential figures would not be in the interest of customers.

**Major Projects Excluded During the Review of 2008 Development Plan**Generation

No.	Projects	\$billion
1.	150 MW Peaking Unit	
2.	LNG Receiving Terminal Project	

Transmission & Distribution

No.	Projects	\$billion
1.	Establishment of 3rd 132kV Castle Peak - Airport 'A' Circuit	
2.	Establishment of LNG Terminal Substation	
3.	Establishment of 132kV Open Rings in Hung Hom	
4.	Establishment of 2 x 132kV Tin Shui Wai 'A' - Tuen Mun Circuits	
5.	Establishment of 2 x 132kV Tai Kok Tsui Traction - West Kowloon Reclamation 'B' Circuits	
6.	Establishment of 2 x 132kV Tai Hom - Hammer Hill Circuits	
7.	Establishment of 2 x 132kV Chuk Yuen - Hammer Hill Circuits	
8.	Establishment of South East Kowloon 'C' Substation	
9.	Addition of 4th 400/132kV Transformer at Castle Peak Power Station	
10.	Preparatory Works for Mongkok Market Substation	

**Major Projects Excluded During the Review of 2014 Development Plan**Generation

No.	Projects	\$billion
1.	Castle Peak A (CPA) 400kV Switchgear Replacement	
2.	New 250MW Open Cycle Gas Turbine (OCGT)	

Transmission & Distribution

No.	Projects	\$billion
1.	Establishment of South East Kowloon 'C' Substation	
2.	Establishment of Ho To West Substation	
3.	Advanced Metering Infrastructure (AMI)	

**Notes to the confidential information:**

For those projects which have not yet commenced, revealing the capital expenditure forecast would not be appropriate. If such capital expenditure is to be incurred in the future, CLP's bargaining power will be weakened in price negotiations, resulting in higher prices to be borne by Hong Kong citizens. Therefore, it is in the interest of CLP's 2.4m consumers to keep these numbers confidential.

**A2. Actual capital expenditure under the 2008 Development Plan**

<b>Categories (\$ million)</b>	<b>2008<sup>[1]</sup></b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013<sup>[2]</sup></b>
(A) Power Generation System						
Emission Reduction Project	614	2,137	1,685	648	743	186
Other generation related projects	366	1,192	1,417	1,857	1,730	968
Sub-total	980	3,329	3,102	2,505	2,473	1,154
(B) Transmission & Distribution System	1,135	4,166	4,164	4,530	5,408 <sup>[3]</sup>	5,459 <sup>[3]</sup>
(C) Customer and Corporate Services Development	69	281	386	371	242 <sup>[3]</sup>	171 <sup>[3]</sup>
<b>Total (A + B + C)</b>	<b>2,184</b>	<b>7,776</b>	<b>7,652</b>	<b>7,406</b>	<b>8,123</b>	<b>6,784</b>
(D) MOU related projects on top of the approved total capital expenditure under the 5-yr Development Plan	-	22	96	368	498	696
<b>Grand Total</b>	<b>2,184</b>	<b>7,798</b>	<b>7,748</b>	<b>7,774</b>	<b>8,621</b>	<b>7,480</b>

Remarks:

[1] Period covering Oct - Dec 2008.

[2] Projected figures per 2014 Tariff Review subject to final verification and annual audit.

[3] Due to internal re-organisation. Some of the capital projects under (C) are now responsible under (B).

**Actual capital expenditure under the 2014 Development Plan**

The new approved Development Plan will only commence in 2014, there is no actual capital expenditure yet.

**A3. Tariff Component by year - Five-year development plan forecast compared with annual tariff review**

Tariff Component (cents/ kWh)	2013	2014	2015		2016		2017		2018	
	Actual Tariff	DP Forecast/ Annual Tariff Review <sup>1</sup>	DP Forecast <sup>2</sup>	Annual Tariff Review	DP Forecast <sup>2</sup>	Annual Tariff Review	DP Forecast <sup>2</sup>	Annual Tariff Review	DP Forecast <sup>2</sup>	Annual Tariff Review
(A) Basic Tariff	84.2	88.4	87.2		88.4		90		92.1	
<i>Increase/(Decrease)%</i>										
-- Annual		5.0%	-1.4%		1.4%		1.8%		2.3%	
-- Since 2013		5.0%	3.6%		5.0%		6.9%		9.4%	
(B) Fuel Clause Charge <sup>5</sup>	22.4	22.4	36.7		45.3		52.6		56.4	
<i>Increase/(Decrease)%</i>										
-- Annual		0.0%	63.8%		23.4%		16.1%		7.2%	
-- Since 2013		0.0%	63.8%		102.2%		134.8%		151.8%	
(C) Rate Reduction Reserve Rebate		-	-		-		-		-	
(D) Net Tariff <sup>5</sup>	<b>106.6<sup>3</sup></b>	<b>110.8</b>	<b>123.9</b>		<b>133.7</b>		<b>142.6</b>		<b>148.5</b>	
<i>Increase/(Decrease)%</i>										
-- Annual		<b>3.9%</b>	<b>11.8%</b>		<b>7.9%</b>		<b>6.7%</b>		<b>4.1%</b>	
-- Since 2013		<b>3.9%</b>	<b>16.2%</b>		<b>25.4%</b>		<b>33.8%</b>		<b>39.3%</b>	
<i>Tariff Stabilisation Fund (\$m)</i>	<b>8<sup>4</sup></b>	<b>313</b>	<b>391</b>		<b>338</b>		<b>382</b>		<b>380</b>	
<i>Fuel Clause Account (\$m)</i>	<b>1264<sup>4</sup></b>	<b>1420</b>	<b>-1499</b>		<b>-991</b>		<b>-574</b>		<b>3</b>	

- 1 The two exercises were done at the same time.
- 2 The tariff rates for 2015-2018 are only projections and the actual tariffs to be charged to consumers each year will be determined in the preceding year, following discussions between Government and CLP during the annual Tariff Review, taking into account any variations in the components of the Development Plan & fuel costs.
- 3 The Rent & Rates Special Rebate ceased on 16 Oct 2013 as the interim refunds received from Government in relation to CLP's claim against Government's overcharged rents & rates have been rebated; so at 2013 year end, the Net Tariff is 106.6 cents.
- 4 These are the projected 2013 year-end balances of the Fuel Clause Account and the Tariff Stabilisation Fund.
5. These numbers are current projections, dependent on fuel costs which are likely to vary significantly in the future and so are therefore subject to change.

**B. Information related to tariff adjustments**

## B1. Final tariff adjustment

	2013 Tariff c / kWh	Final Proposal for 2014 Tariff c / kWh	Adjustment %
Basic Tariff	84.2	88.4	5.0%
Fuel Clause Charge	22.4	22.4	-
Net Tariff	106.6	110.8	3.9%

## Year end Balance (\$ million)

- Tariff Stabilisation Fund	8	313*
- Fuel Clause Account	1,264	1,420

\* Including a transfer of \$11 million from Rate Reduction Reserve

Note: Rent & Rates Special Rebate ceased on the 16th October 2013 when the interim refunds from the Government had been exhausted.



## B2. Rationale for final tariff adjustment

	<b>Rationale for tariff adjustment</b>	<b>Tariff impact (c / kWh)</b>
(1)	<b>Basic Tariff</b>	
(a)	<b>Average Net Fixed Assets</b> Increase from [redacted] <sup>a</sup> in 2013 to [redacted] <sup>a</sup> in 2014, the majority of which is from investment in our transmission & distribution network to meet supply reliability and customer demand	+1.1
(b)	<b>Operating expenses</b> Increase from \$12.9 billion in 2013 to \$13.6 billion in 2014. This mainly includes Depreciation, Government Rent & Rates, Fixed Assets Disposal and Nuclear Purchase, which are set through contracts or accounting policies and are not controllable (breakdown see note iii)	+2.0
(c)	<b>Increase in local electricity sales</b> Increase from 31,835GWh in 2013 to [redacted] <sup>b</sup> in 2014 (breakdown see note i)	-2.5
(d)	<b>Decrease in sales to Mainland</b> Lower mitigation support for Basic Tariff as sales decrease from 1,620GWh in 2013 to [redacted] <sup>b</sup> in 2014 because of lower projected GPG sales in 2014	+0.2
(e)	<b>Tariff Stabilisation Fund (TSF)</b> The TSF was established to accumulate and provide funds to ameliorate tariff increases. Five years ago it held more than \$1.75 billion and last year \$712m. In 2013 as revenues are insufficient to cover costs, the balance was drawn down to \$8m.	
e(i)	Discontinue depletion of TSF due to insufficient revenues to cover costs in 2014,	+2.5
e(ii)	Keep TSF balance at <1% of annual revenues (a level of \$8m at end 2013 is unsustainable)	+1.1
(f)	<b>Others</b> Change in taxation (apart from that included in (a) and (e)), interest and Standard Fuel Cost	-0.2
	<b>Sub-total (Basic Tariff):</b>	<b>+4.2</b>

	<b>Rationale for tariff adjustment</b>	<b>Tariff impact (c / kWh)</b>
(2)	<b>Fuel Clause Charge</b>	
(a)	<b>Increase in Fuel Price</b>  Increase due to fuel expense change is \$1,729 million (Note ii) and electricity sales growth of <span style="background-color: yellow;">      </span> <sup>b</sup> in 2014	+4.4
(b)	<b>Correction for the over-/under-recovery of fuel cost in 2013</b> (i.e, the total Fuel Clause Charge received and interest on Fuel Clause Account minus "difference between Standard Fuel Cost and Actual Fuel Cost")  The amount of actual over-recovery of fuel cost in 2013 is \$1,601 million, as fuel costs were lower than expected.	-4.9
(c)	<b>Change in the Fuel Clause Account balance</b>  Slightly higher Fuel Clause Account balance of \$156 million from \$1,264 million at end 2013 to \$1,420 million at end 2014	+0.5
	<b>Sub-total (Fuel Clause Charge):</b>	-
	<b>Grand total:</b>	<b>+4.2</b>

**Notes to the confidential figures:**

- a. Forecast Average Net Fixed Assets (ANFA) values might reveal future 2014 profits. Any disclosure of confidential inside information may be detrimental to the interests of small shareholders and may also violate the Hong Kong Listing Rules requirements and the Securities and Futures Ordinance. Any person using confidential inside information or any "tipping" to others for dealings may also commit an offence under the Securities and Futures Ordinance.
- b. Disclosure of future sales growth might indicate to suppliers CLP's underlying demand which could increase their bargaining power in setting prices leading to higher prices to be borne by Hong Kong citizens. This might also reveal CLP's future fixed assets investment as well as future profits. Any disclosure of confidential inside information may be detrimental to the interests of small shareholders and may also violate the Hong Kong Listing Rules requirements and the Securities and Futures Ordinance. Any person using confidential inside information or any "tipping" to others for dealings may also commit an offence under the Securities and Futures Ordinance.

## Note i

## Local Sales Forecast

	2013 Forecast*		2014 Forecast*	
	<u>This Submission</u> GWh	<u>Incr./ (Decr.) over 2012</u> %	<u>This Submission</u> GWh	<u>Incr./ (Decr.) over 2013 Forecast</u> %
Local sales				
• Commercial	12,955	0.3		
• Residential	8,670	(2.6)		
• Infrastructure & Public Services	8,400	1.4		
• Manufacturing	1,810	(4.2)		
<b>Total Local Sales</b>	<u>31,835</u>	<u>(0.5)</u>		

\* Forecast sales are based on normal weather.

**Notes to the confidential figures:**

Disclosure of future sales growth might indicate to suppliers CLP's underlying demand which could increase their bargaining power in setting prices leading to higher prices to be borne by Hong Kong citizens. This might also reveal CLP's future fixed assets investment as well as future profits. Any disclosure of confidential inside information may be detrimental to the interests of small shareholders and may also violate the Hong Kong Listing Rules requirements and the Securities and Futures Ordinance. Any person using confidential inside information or any "tipping" to others for dealings may also commit an offence under the Securities and Futures Ordinance.

**Note ii**

<b>Fuel consumed (‘000 terajoules)</b>	<u>2013 Forecast</u>	<u>2014 Forecast</u>
• Coal	198.4	
• Natural Gas	46.6	
• Oil	1.7	
• Others (include Interconnection)	-	
Total	246.7	

<b>Average Fuel Price (HK\$ per gigajoule)</b>	<u>2013 Forecast</u>	<u>2014 Forecast</u>
• Coal	25.3	
• Natural Gas	91.8	
• Oil	206.5	
• Others (include Interconnection)	-	
Total	39.1	

<b>Fuel Cost (\$ million)</b>	<u>2013 Forecast</u>	<u>2014 Forecast</u>
• Coal	5,027	
• Natural Gas	4,278	
• Oil	351	
• Others (include Interconnection)	-	
Total	9,656	
Standard Fuel Cost	3,924	
Fuel Cost exceeding Standard Fuel Cost	5,732	

**Notes to the confidential figures:**

Disclosure of fuel demand and price forecasts would materially disadvantage CLP in negotiations in setting price or volume delivery terms with fuel suppliers, resulting in higher prices and hence increased fuel clause charges to be borne by Hong Kong citizens.

## Note iii

Items for Non-Fuel Expenses	Forecast Expense for 2013* (\$ million)	Forecast Expense for 2014 (\$ million)	% Change
Operating Costs			
Payroll	1,137	a	[1]
Material & Services	1,117	1,280	14.6% <sup>[2]</sup>
Loan charges	27	b	
Government Rent & Rates	644	688	6.8%
Fixed Asset Disposal	190	287	51.1% <sup>[3]</sup>
Exchange Gain /(Loss)	8	c	
Power Purchase from PSDC	547	548	0.2%
Sub-total for Operating Costs:	3,670	4,126	12.4%
Nuclear power purchase	4,710	4,854	3.1%
Provision for asset decommissioning	49	-	-100% <sup>[4]</sup>
Depreciation	4,482	4,586	2.3%
Total Non-fuel Operating Expenses before Operating Interest and Taxation	<b>12,911</b>	<b>13,566</b>	<b>5.1%</b>
Operating Interest	908	b	[5]
Taxation	1,636	d	[6]
Total Non-fuel Operating Expenses:	15,455	16,462	6.5%

[See notes below]

\* 2013 Non-fuel Operating Expenses were much lower than expected, so a better comparison is for the period 2012-14, as shown below:

	2012 (\$ million)	2013 (\$ million)	2014 (\$ million)	2012-14 % change per annum
Total Non-fuel Operating Expenses	15,264	15,455	16,462	+3.9%

**Notes on the confidential figures:**

- The 2014 figure is a budget based on the expected number of employees and salary adjustments. Inappropriate release of the information to the public before it is communicated to staff would jeopardise relations between CLP and its employees.
- Disclosure of this confidential funding information could materially affect CLP's borrowing cost, leading to increased costs to Hong Kong citizens.
- Disclosure of this confidential currency exchange information could materially affect CLP's ability to make currency exchange at the lowest cost, leading to increased costs to Hong Kong citizens.
- Disclosure of this information may enable calculation of Operating Interest.

Items for Non-Fuel Operating Expenses	Reasons for Large Change
[1] Payroll	In line with budgeted increment of 5% and increased capacity building in preparation for increase in retirements given ageing workforce. Higher yearly incidence for 2014 due to difficulty in recruiting sufficient qualified staff in 2013, which meant lower staff in post and a rescheduling of O&M work and related M&S expenditure from 2013 to 2014.
[2] Material & Services	Mainly higher in 2014 due to increased O&M provision from rescheduling and for safety requirements/higher planned cyclical plant maintenance activities, the number of such activities scheduled for 2014 is more than double the lower levels in 2013. Note that over a two year period from 2012 to 2014, the yearly average increase in M&S expenditure is less than 5%.
[3] Fixed Asset Disposal	Mainly due to lower 2013 base resulting from insurance claims credit for CPA Conveyor Belt Incident received in 2013, and higher 2014 requirements from non-recurring disposal costs as a result of Government's request for disposal of the ash lagoon and cable diversions to support infrastructure development. If these are excluded, the 2014 asset disposal requirements are in line with levels seen in recent years.
[4] Provision for asset decommissioning	Provision not made for 2014
[5] Operating Interest	Change in forecast interest rate
[6] Taxation	Taxation obligation