



Tariff Review 2020

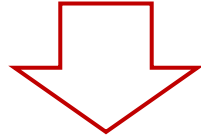
Presentation to LegCo Panel on Economic Development

Tariff Review 2020 Highlights

- In 2020, HK Electric will substantially increase natural gas generation to combat climate change and improve air quality
- Net Tariff will be 126.4 ¢/unit, which is
 - lower than 130.8 ¢/unit in the Development Plan, and
 - comparable to the tariff 10 years ago, i.e. 123.3 ¢/unit in 2011, against the cumulative inflation rate of around 30% for the same period
- In view of the uncertain economic condition, the Government and HK Electric will offer relief measures. With the measures in place:
 - almost all customers' annual electricity expenses will be lower than in 2019
 - over 30% residential customers will not need to pay for electricity on annual basis

The Government's Subsidy Schemes

Residential Customers



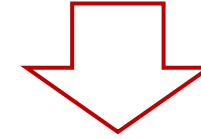
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Electricity Charges Relief Scheme: To alleviate the impact of tariff increase on households due to the increase use of natural gas, the Government provides each customer a monthly relief of HK\$50 for 5 years from 2019 to 2023

2

New Subsidy Scheme: To counter the challenging economic environment, the Government will additionally grant each customer a total subsidy of HK\$2,000 in 2020

Non-residential Customers

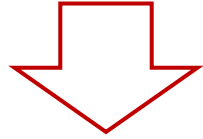


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New Electricity Charges Subsidy: To counter the increasingly challenging external and local economic environment, the Government will subsidise 75% of electricity charges for 4 months in early 2020, capped at HK\$5,000 per month per eligible customer (not including “maximum demand tariff” customers)

HK Electric's Relief Measures

Non-residential Customers (Primarily SMEs)



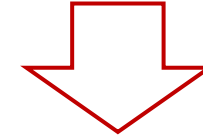
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Grace period: Around 70,000 non-residential customers will have the tariff increase for 2020 waived for 6 months in early 2020

2

Energy-efficient equipment subsidy: non-residential customers are eligible for 50% subsidy of the equipment cost, capped at HK\$50,000 - 150,000 based on actual equipment type

Specially for SME Caterers



1

Electricity payment deferral: Eligible customers are invited to apply for 2-month payment deferral of electricity charges for December 2019 and January 2020

2

Cash coupon scheme: Underprivileged families given HK\$500 worth of cash coupons for use at SME eateries, benefitting the families as well as the catering business

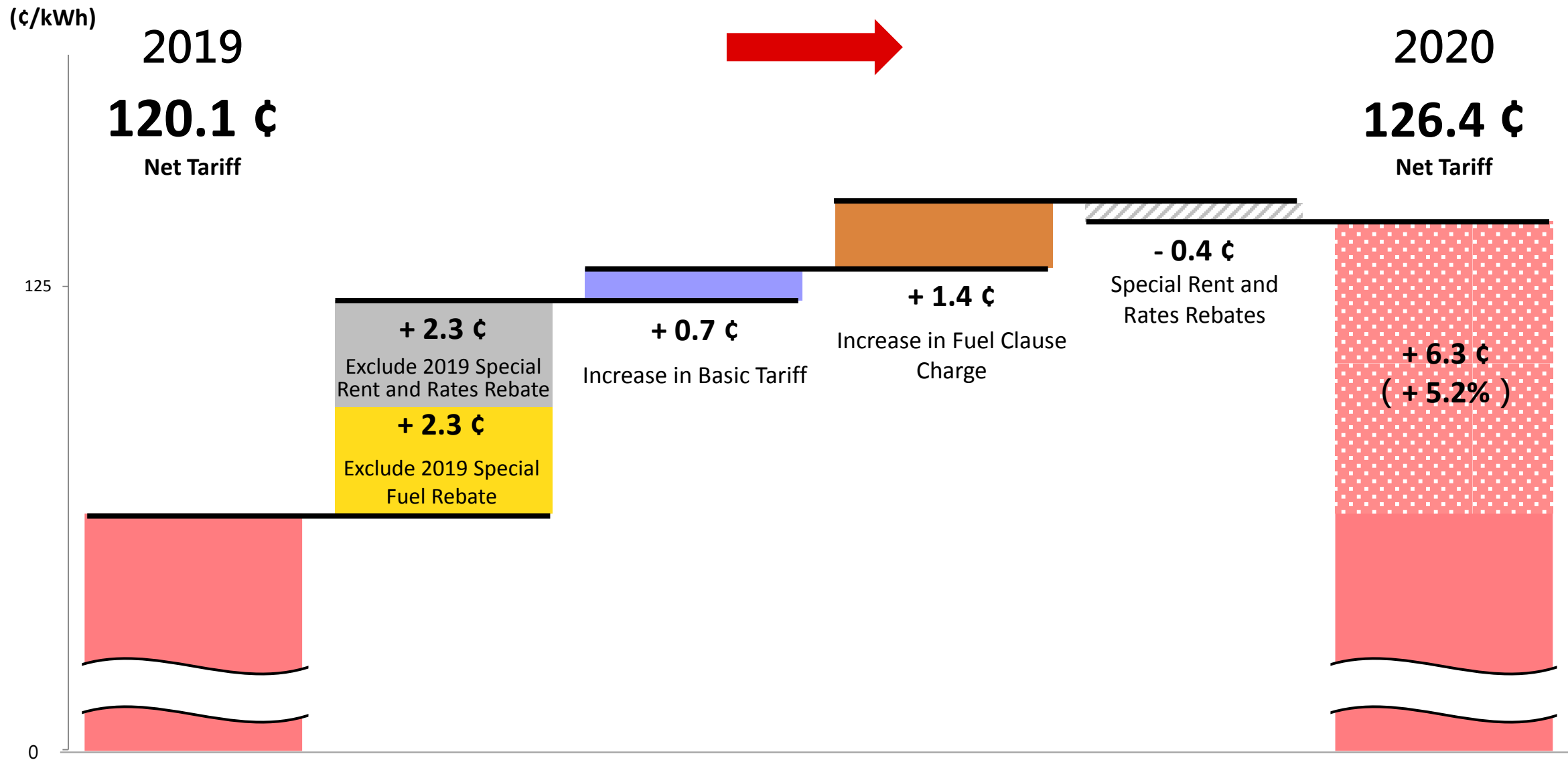
3

Funding for NGO activities: NGOs to be granted HK\$60,000 each to organise catering activities for people in need, generating business for SME caterers

Tariff Adjustment

Net Tariff	2019 (¢/unit)	2020 (¢/unit)	Adjustment (¢/unit)	Reason
Basic Tariff	101.3	102.0	+ 0.7	<ul style="list-style-type: none"> Increase in natural gas generation leading to higher capital expenditure Increase in fuel cost
Fuel Clause Charge	23.4	24.8	+ 1.4	
Net Tariff before Special Rebates	124.7	126.8	+ 2.1 (+ 1.7%)	
Special Rent & Rates Rebate	- 2.3	- 0.4	+ 1.9	<ul style="list-style-type: none"> Following sizeable special rebates offered in the last 3 years, only 0.4 ¢/unit can be provided in 2020
Special Fuel Rebate	- 2.3	-	+ 2.3	
Net Tariff after Special Rebates	120.1	126.4	+ 6.3 (+ 5.2%)	

Comparison of 2019 and 2020 Tariffs



Residential Tariff

- Illustration for early 2020:

Monthly Electricity Consumption (kWh)	Cumulative Customers (%)	Tariff Charge before Relief Measures (HK\$)		Government's Relief Measures (HK\$)		Tariff Charge after Relief Measures (HK\$)	
		2019	2020	2019	2020	2019	2020
100	> 10%	74.6	80.6	- 50	- 210 (50 + 160)	24.6	(No charge)
230	> 35%	191.7	206.2			141.7	(No charge)
275	> 45%	233.2	250.6			183.2	40.6
1,000	> 90%	1,160.2	1,223.2			1,110.2	1,013.2

- Over 30% residential customers will not need to pay for electricity on annual basis
- Almost all residential customers' annual electricity expenses will be lower than in 2019

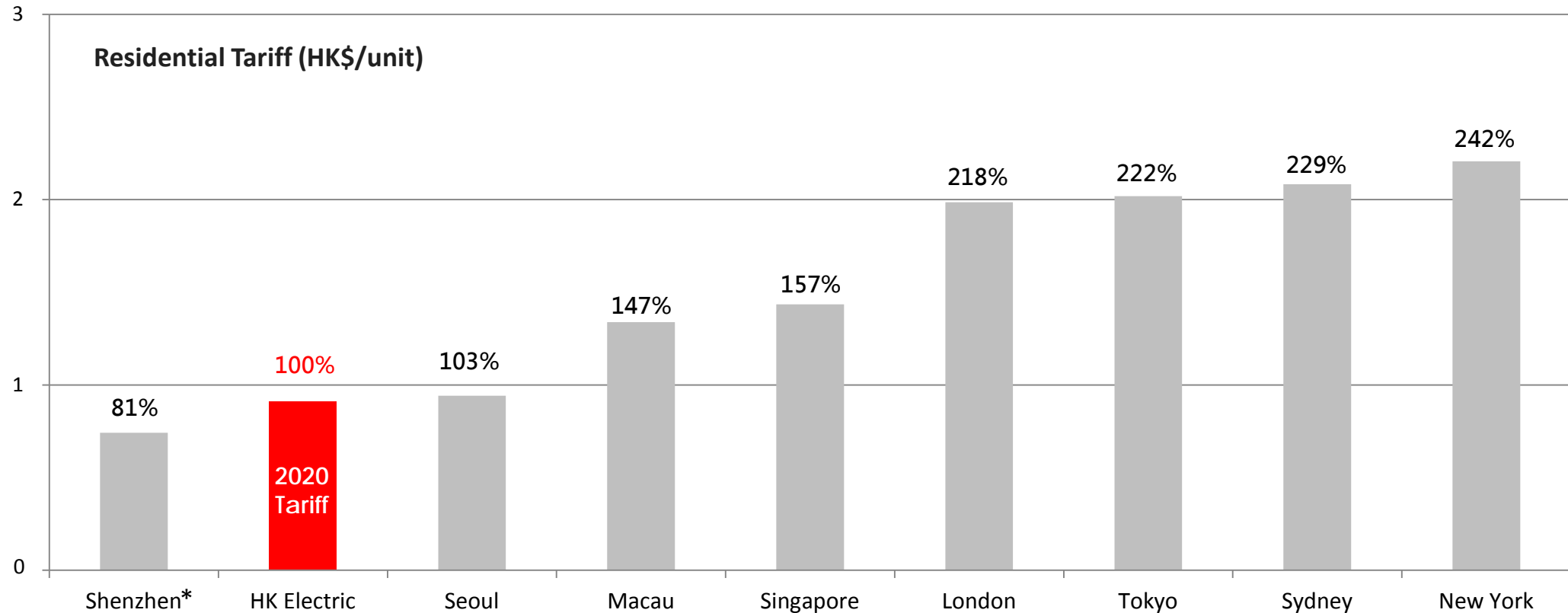
Non-residential Tariff

- Illustration for early 2020:

Monthly Electricity Consumption (kWh)	Cumulative Customers (%)	Tariff Charge before Relief Measures (HK\$)		Relief Measures (HK\$)			Tariff Charge after Relief Measures (HK\$)	
		2019	2020	2019	2020		2019	2020
					HK Electric's Grace Period	Government's Electricity Charges Subsidy		
500	> 45%	584.0	615.5	Nil	- 31.5	- 438.0	584.0	146.0
1,500	> 60%	1,792.0	1,886.5		- 94.5	- 1,344.0	1,792.0	448.0
5,000	> 85%	6,408.5	6,723.5		-	- 5,000	6,408.5	1,723.5
15,000	> 95%	19,598.5	20,543.5		-	- 5,000	19,598.5	15,543.5

- Almost all non-residential customers' annual electricity expenses will be lower than in 2019

Residential Tariff Lower Than Other Cities



Remarks: (1) Comparison based on monthly residential customer consumption of 275 units (3,300 units p.a.), overseas tariffs and exchange rates are as at Oct 2019
(2) HK Electric's 2020 tariff (not including any of the subsidies and relief measures)
(3) * Government owned entity

Sources:

1. Shenzhen: Shenzhen Power Supply Bureau
2. HK Electric: The Hongkong Electric Company, Ltd.
3. Seoul: KEPCO

4. Macao: Companhia de Electricidade de Macau
5. Singapore: SP PTE Ltd.
6. London: EDF Energy

7. Tokyo: TEPCO
8. Sydney: EnergyAustralia
9. New York: Consolidated Edison, Inc.

HK Electric's Emission Reduction Efforts

- Increase in gas generation helps combat climate change and improve air quality

Year	2005 (Base Year)	2018	2020 Projections
Proportion of Gas Generation	0%	32%	50%
Reduction in Major Emissions			
Carbon Dioxide (CO ₂)	Base	↓ 16%	↓ 27%
Sulphur Dioxide (SO ₂)		↓ 91%	↓ 94%
Nitrogen Oxides (NO _x)		↓ 58%	↓ 68%
Respirable Suspended Particulates (RSP)		↓ 80%	↓ 87%

Promoting Community Energy Saving & Renewable Energy Development

Feed-in-Tariff	RE Certificate
<p>Total Applications 127</p> <p>Total Capacity 2,584 kW</p> <p>Feed-in-Tariff 2020 unchanged at \$3 to \$5 per unit</p>	<p>Certificates sold 136</p> <p>RE sold over 949,000 units</p> <p>Purchase Price 2020 unchanged at \$0.5 per unit</p>

- ## Smart Power Services & Associated Programmes
- Smart Power Energy Audit
 - Smart Power Building Fund
 - Smart Power Care Fund
 - Energy-Efficient Appliances Subsidy
 - SDU Electricity Charges Relief / SDU Rewiring Subsidy
 - Energy-Efficient Community Subsidy
 - Smart to Care Subsidy
 - Smart Power Education Fund
 - Smart Power Gallery
 - Smart Power Ambassadors for Elderly Training

Figures up to end Nov 2019

Conclusion

- HK Electric will substantially increase natural gas generation in 2020. Tariff adjustment is required for the following reasons:
 - Increase in capital expenditure,
 - Expected increase in fuel cost of \$500 million, and
 - Substantial reduction of special rebates by 4.2 ¢/unit
- At 126.4 ¢/unit, the 2020 Net Tariff is comparable to that in 2011 and is lower than the 130.8 ¢/unit in the Development Plan. Tariff will increase by 5.2%. If the rebates are excluded, the adjustment will be 1.7% only
- With various relief measures in place, almost all customers' annual electricity expenses will be lower than in 2019. Over 30% residential customers will not need to pay for electricity on annual basis.



Thank you