

**Supplementary Information from Power Companies
On Their 5-Year Development Plans and Annual Tariff Reviews
Elaboration on the Notes on Confidential Information**

Background

The two power companies provide supplementary information on their 5-Year Development Plans and Annual Tariff Reviews. The two power companies consider that some of the information, if not kept confidential, may be detrimental to the interests of the public due mainly to the following reasons:

- Disclosure of information related to projections of future business (e.g. capital expenditure and electricity sales) will enable the suppliers to easily assess the budgets estimate of certain projects, or know in advance the two power companies' demand for services, and increase their bargaining power. This may cause an increase in capital expenditure or costs of the two power companies, affecting future tariff increases, and jeopardising the interests of the public; and
- Revealing information about contract requirement and price forecast will significantly weaken the two power companies' bargaining position in prices and quantities negotiations, resulting in higher costs to be borne by the public.

2. Given that such information should not be publicly released, the two power companies are required to ensure that the information is kept confidential or, otherwise, there may be a violation of the requirements under the Hong Kong Listing Rules and the/or Securities and Futures Ordinance, and detriment to the interests of small shareholders. Further elaboration on these aspects is given in paragraphs 3 to 8 below.

Listing Rules and Part XIVA of Securities and Futures Ordinance

3. The confidential information highlighted by the two power companies are non-public and price sensitive inside information, and will have significant impact on the share prices of the parent company of CLP Power Hong Kong Limited, CLP Holdings Limited, and the holding entities of The Hongkong Electric Company Limited, HK Electric Investments and HK Electric Investments Limited. Being members of listed group, the two power companies are required to comply with Hong Kong Listing Rules requirement which contains specific guidance in dealing with price sensitive inside information. Rule 13.09(2) of the Listing Rules and sections 307D and 307G of the Securities and Futures Ordinance impose a duty on directors and officers to ensure that non-public and price sensitive inside information, not previously released to the market, is kept strictly confidential under a "safe harbour", and that the information should be publicly released to the market promptly if confidentiality cannot be preserved.

Interest of Small Shareholders

4. The release of confidential information to selected groups of the public may create an unfair market with disparity of information. The groups with knowledge of such information may be able to capture on the opportunities the public release of this information will create to the detriment of small shareholders and other potential investors. Such price fluctuation

may result in an unorderly market, affecting the investments of the small shareholders many of whom are ordinary people living and working in Hong Kong.

5. The two power companies will also be in breach of the Listing Rules and the Securities and Futures Ordinance if they disclose price sensitive inside information to selected groups of the public without confidentiality protection, unless at the same time they publicly release the information to the market.

Part XIII and XIV of Securities and Futures Ordinance

6. Confidential information, which is non-public and price sensitive information, falls within the definition of “inside information” as defined in section 245 of Part XIII of the Securities and Futures Ordinance and people in possession of such inside information become “insiders”. Any dealing by insiders using inside information or any “tipping” by insiders to others of inside information will commit an offence under Parts XIII and XIV of the Securities and Futures Ordinance (e.g. sections 248 to 249, 270 to 273 and 291 to 294). Therefore, any leakages of the two power companies’ non-public information will create a serious disruption to the orderly function of the Hong Kong stock market.

Problems with Public Disclosure

7. Given the highly commercially and price sensitive nature of the information, any public release of such information to the market is also likely to be problematic and undesirable as there will be detrimental consequences to the two power companies, their customers and their shareholders. Amongst other things, knowledge of the confidential information by suppliers may result in potential abusive pricing arrangements prejudicing the power companies’ ability to negotiate effectively in global supply markets.

Conclusion

8. Given the above reasons and for safeguarding confidential information, the two power companies submit that the most practical solution in achieving accountability and proper disclosure of the confidential information to Legislative Council is to provide relevant information under confidential measures and adopting the approaches proposed by the two power companies.

CLP Power Hong Kong Limited
The Hongkong Electric Company Limited

2024-2028 Development Plan & 2024 Tariff
Review

Annex HEC-A

In the event of discrepancies between the English and Chinese versions, the Chinese version shall prevail.

Provision of information by The Hongkong Electric Company, Limited (HEC)
for Panel on Environmental Affairs of the Legislative Council

I. Information related to the 2024-2028 Development Plan

1. Capital expenditure forecasts under the 2024-2028 Development Plan

Categories ¹ (\$ million)	Total
Power Generation System	10,552.5
Transmission & Distribution System	9,193.3
Customer and Corporate Services Development	2,208.6
Grand Total	21,954.4

Note 1: Detailed breakdown of capital expenditure shown on page 2.

2024-2028 Development Plan & 2024 Tariff Review

Annex HEC-A

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Item	Project	Project Total CapEx (HK\$M)
G. Power Generation System		
G.1	Lamma Extension – L11 Combined Cycle Gas Generating Unit	
G.2	Lamma Extension – L12 Combined Cycle Gas Generating Unit	
G.3	Lamma Extension – L13 Combined Cycle Gas Generating Unit	
G.4	Offshore LNG Terminal	
G.5	Reprovision of Retired Oil-fired Open Cycle Generating Units	
G.6	Common Utilities at Lamma Extension	
G.7	Reliability Upgrade and Auxiliaries for Combined Cycle Gas Turbines	
G.8	Improvement and Upgrade of Generation System, Civil Works, Other Auxiliaries and Common Facilities at Lamma Power Station	
T&D. Transmission & Distribution System		
T&D.1	Cable Replacement for Kennedy Road-Davis 132-kV Circuits	
T&D.2	Cable Replacement for Kennedy Road-Moreton Terrace 132-kV Circuits	
T&D.3	Development of Switching Stations and Zone Substations	
T&D.4	Additional Transmission System for New Generating Units	
T&D.5	Construction of New Distribution Network to Supply New Customers	
T&D.6	Upgrading of Zone Substations for Reliability Enhancement	
T&D.7	132-kV & 275-kV Transmission System Improvement & Reliability Upgrade	
T&D.8	HV/LV Distribution Systems Reinforcement	
T&D.9	Grid Automation and Control Improvement	
T&D.10	Smart Meters and Advanced Metering Infrastructure	
T&D.11	Other Improvement and Reliability Upgrade Works for Transmission and Distribution System	
C. Customer and Corporate Services Development		
C.1	Replacement and Upgrade of IT System and Infrastructure	
C.2	Distribution System Metering, Communication System, Customer Services, Operation Premises Improvement, and Miscellaneous	
Total CapEx of All the Above Projects		21,954.4

Notes to the confidential figures:

Since a lot of works are in progress under individual projects, revealing the capital expenditure forecast would not be appropriate. Such projects may be in the tendering stage or having potential contractual disputes with the contractors or suppliers. As a result, revealing such confidential figures may not benefit customers.

2024-2028 Development Plan & 2024 Tariff Review

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2. Tariff component by year – 2024-2028 Development Plan forecast compared with annual tariff review

Tariff Component (cents/kWh)	2023	2024	2025	2026	2027	2028
	Annual Tariff Review	DP Forecast/ Annual Tariff Review*	DP Forecast	DP Forecast	DP Forecast	DP Forecast
(A) Basic Tariff	114.5	119.5	124.2	127.9	130.4	133.0
<i>Increase/(Decrease)%</i>						
-- Annual		+4.4%	+3.9%	+3.0%	+2.0%	+2.0%
-- Since 2023		+4.4%	+8.5%	+11.7%	+13.9%	+16.2%
(B) Fuel Clause Charge	82.5	46.0	42.5	40.5	42.2	44.2
<i>Increase/(Decrease)%</i>						
-- Annual		-44.2%	-7.6%	-4.7%	+4.2%	+4.7%
-- Since 2023		-44.2%	-48.5%	-50.9%	-48.8%	-46.4%
(C) Net Tariff	197.0	165.5	166.7	168.4	172.6	177.2
<i>Increase/(Decrease)%</i>						
-- Annual		-16.0%	+0.7%	+1.0%	+2.5%	+2.7%
-- Since 2023		-16.0%	-15.4%	-14.5%	-12.4%	-10.1%
(D) Tariff Stabilisation Fund (\$M)	495.2	308.7	229.7	239.0	336.7	318.9
(E) Fuel Clause Recovery Account (DR)/CR (\$M)	(27.7)	0.9	71.8	177.7	270.7	299.1

* The two exercises were done at the same time

2024-2028 Development Plan & 2024 Tariff Review Annex HEC-B

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**Provisions of information by The Hongkong Electric Company, Limited (HEC)
for Panel on Environmental Affairs of the Legislative Council**

II. Information related to tariff adjustments**1. Tariff Adjustment**

	2023 Tariff ¢/kWh	2024 Tariff ¢/kWh	Adjustment
Basic Tariff	114.5	119.5	+4.4% +5.0 cents
Fuel Clause Charge	82.5	46.0	-44.2% -36.5 cents
Net Tariff	197.0	165.5	-16.0% -31.5 cents

Year End Balance (\$ million)

- Tariff Stabilisation Fund (Estimate)	495.2	308.7
- Fuel Clause Recovery Account (Estimate)	(27.7)	0.9

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2. Rationale for tariff adjustment

	Rationales for tariff adjustment	Tariff impact (¢ / kWh)																		
(1)	Basic Tariff																			
(a)	Increase in Average Net Fixed Assets Increase from estimated [REDACTED] billion in 2023 to estimated [REDACTED] billion in 2024, the major components include capital expenditure on power generation system, transmission & distribution system and customer and corporate services development Note: Average Net Fixed Assets for any year means the average, for that year, of the opening and closing balances of Net Fixed Assets	+1.3																		
(b)	Increase in operating expenses and depreciation Increase mainly attributed to depreciation, employee expenses, material & services and others (Refer item 3)	+4.3																		
(c)	Decrease in local electricity sales The sales of electricity decrease from an estimate of 10.01 billion kWh in 2023 to an estimate of [REDACTED] billion kWh in 2024. The major changes in different categories are tabled as follows: <table border="1" data-bbox="411 1534 1098 1816"> <thead> <tr> <th>Million kWh</th><th>2023 Estimate</th><th>2024 Estimate</th></tr> </thead> <tbody> <tr> <td>Residential</td><td>2,382</td><td>[REDACTED]</td></tr> <tr> <td>Commercial</td><td>7,344</td><td>[REDACTED]</td></tr> <tr> <td>Industrial</td><td>287</td><td>[REDACTED]</td></tr> <tr> <td>Total</td><td>10,013</td><td>[REDACTED]</td></tr> <tr> <td>Change Over Previous Year</td><td>+0.7%</td><td>[REDACTED]</td></tr> </tbody> </table>	Million kWh	2023 Estimate	2024 Estimate	Residential	2,382	[REDACTED]	Commercial	7,344	[REDACTED]	Industrial	287	[REDACTED]	Total	10,013	[REDACTED]	Change Over Previous Year	+0.7%	[REDACTED]	+0.4
Million kWh	2023 Estimate	2024 Estimate																		
Residential	2,382	[REDACTED]																		
Commercial	7,344	[REDACTED]																		
Industrial	287	[REDACTED]																		
Total	10,013	[REDACTED]																		
Change Over Previous Year	+0.7%	[REDACTED]																		

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	Rationales for tariff adjustment	Tariff impact (¢ / kWh)
(1)	Basic Tariff	
(d)	All others Change in Tariff Stabilisation Fund balance, interest & SOC taxation, etc.	-1.0
	Sub-total (Basic Tariff):	+5.0
<p>Notes on the confidential figures:</p> <p>(i) Forecast Average Net Fixed Assets (ANFA) values might reveal future 2024 profits. Any disclosure of confidential information may be detrimental to the interests of small shareholders and may also violate the Hong Kong Listing Rules requirements. Any person using confidential information or any “tipping” to others for dealings may also commit an offence under the Securities and Futures Ordinance.</p> <p>(ii) Disclosure of future sales growth might indicate to suppliers HEC’s underlying demands which could increase their bargaining power in prices setting leading to higher prices to be borne by the Hong Kong citizens. This might also reveal HEC’s future investment in fixed assets as well as future profits. Any disclosure of confidential information may be detrimental to the interests of small shareholders and may also violate the Hong Kong Listing Rules requirements. Any person using confidential information or any “tipping” to others for dealings may also commit an offence under the Securities and Futures Ordinance.</p>		

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	Rationales for tariff adjustment	Tariff impact (¢ / kWh)
(2)	Fuel Clause Charge	
(a)	Change in fuel price for 2023 and 2024 (i) Reflecting latest estimated 2023 fuel price under more frequent Fuel Clause Charge adjustment mechanism; and (ii) Expected decrease in 2024 fuel price.	-40.8
(b)	Increase in proportion of natural gas used for electricity generation in 2024 Expected increase in 2024 natural gas consumption	+4.3
	Sub-total (Fuel Clause Charge):	-36.5
	(1) + (2) Grand total:	-31.5

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Fuel consumed (Tera-joules)	<u>2023 (Estimate)</u>	<u>2024 (Estimate)</u>
• Coal	50,280	
• Natural Gas	44,112	
• Oil	619	
Total	95,011	

Average Fuel Price (HK\$ per GJ)	<u>2023 (Estimate)</u>	<u>2024 (Estimate)</u>
• Coal	61.7	
• Natural Gas	83.5	
• Oil	119.9	
Overall	73.2	

Total Fuel Cost (\$ million)	<u>2023 (Estimate)</u>	<u>2024 (Estimate)</u>
• Coal	3,104	
• Natural Gas	3,685	
• Oil	74	
• Others	91	
Overall	6,954	

Actual Fuel Costs pass through to customers through the following 2 accounts:

Standard fuel costs (Include in basic tariff)	1,483	
Fuel Clause Recovery Account	5,471	
Overall	6,954	

Notes on the confidential figures:

Disclosure of fuel demand and price forecasts would materially disadvantage HEC in negotiations in setting prices or finalising purchase quantities with fuel suppliers, resulting in higher prices and hence increase in fuel clause charges to be borne by Hong Kong citizens.

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3. The detailed items of the operating expenses and the respective budget figures

Items for Non-Fuel Operating Expenses	Forecast Expense for 2023 (\$ million) Estimate	Forecast Expense for 2024 (\$ million) Estimate
Operating Expenses		
Employee expenses (1)	857.6	
Materials & Services (note a)	522.5	548.9
Loan charges (2)	5.2	
Government Rent & Rates	210.4	215.7
Contingency	5.0	
Stocks/FA Write-offs (note b)	101.2	115.2
Provision for Decommissioning	76.1	87.3
Sub-total for Operating Expenses:	1,778.0	1,901.7
Depreciation	2,505.3	2,812.5
Interest (2)	63.4	
Taxation (3)	1,075.8	
Total Non-fuel Operating Expenses:	5,422.5	5,570.1

Note

- Based on quotations from suppliers and contractors. If quotations are unavailable, expenses are based on assumptions of inflation rates.
- Estimation based on usage conditions of fixed assets.

Notes to the confidential figures as highlighted:

- HEC has a policy of pay for performance. As a result, adjustment of staff salaries will vary by individuals. Disclosing such detail may lead to false expectation and jeopardize employee relations.
- Disclosure of confidential funding information could materially affect HEC's borrowing costs, leading to increased costs to be borne by Hong Kong citizens.
- Disclosure of information may enable calculation of interest.

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