

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

Background

1. 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

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**Provision of information by CLP Power (CLP) on 2024 Tariff Review
for the Legislative Council Panel on Environmental Affairs**

A. Information related to the Five-year Development Plan

A1. Capital expenditure forecast under the approved 2024 Development Plan ^[1]

Categories^[2] (\$ million)	Total 2024 Development Plan
(A) Power Generation System	13,212
(B) Transmission & Distribution System	38,310
(C) Customer and Corporate Services Development	1,410
Total (A + B + C)	52,932

Remarks:

[1] Period covering 1st Jan 2024 to 31st Dec 2028.

[2] Capital expenditure forecast breakdowns are shown on page 2.

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Approved Major Projects in the 2024 Development Plan

Generation

No.	Projects	\$billion
1	BPPS Black Start Facility	
2	Hydrogen Pilot Project	
3	Utility Scale Battery Energy Storage System	
4	On-going projects from previous Plan (New Combined Cycle Gas Turbine Unit (D2) and Landfill Gas Renewable Energy Generation at WENT (Phase 2))	
5	Replacement & Refurbishment of obsolete/aged equipment in Black Point Power Station, Castle Peak Power Station and Penny's Bay Power Station to ensure continued safe, reliable and efficient operation [hundreds of work items]	11.2

Transmission & Distribution

No.	Projects	\$billion
	<u>Meeting Load Requirements</u>	
1	Establishment of 132kV Castle Peak - Airport 'A' Circuit	
2	Establishment of Tung Chung East Substation	
3	Establishment of TMCLKL Toll Plaza Substation	
4	Establishment of Dai Wah Street Substation	
5	Establishment of Hung Shui Kiu 'A' Substation	
6	Establishment of Wang Lok Street Substation	
7	Establishment of Tseung Kwan O Town 'A' and 'B' Substations	
8	Establishment of Tsung Tau Ha Road Substation	
9	Establishment of Kwu Tung North Substation	
10	Establishment of Ngau Tam Mei 'A' Substation	
11	Establishment of San Tin 'A' Substation	
12	Establishment of a 132kV Bulk Substation in Tseung Kwan O Area 137	
13	Ongoing enhancement of Clean Energy Transmission System (CETS)	
14	Uprating of SHE-TSE Overhead Line	
15	Establishment of Anderson Road Substation	
16	Establishment of Texaco Road Substation	
17	Establishment of TW338 Substation	
18	Establishment of Kam Tin South Substation	
19	Uprating of Transformers at Ngau Tam Mei Treatment Works Substation	
20	Establishment of Hung Shui Kiu 'B' Substation	
21	Addition of 3rd 132/11kV Transformer at New Ping Shan Substation	
22	Establishment of On Lok Mun Street Substation	
23	Establishment of Tung Chung Tower Lot.45 Commercial Complex Substation	
24	Meeting Load Requirements - Others (Other projects <\$100m and many thousands of projects to meet customer demand)	14.0
	<u>Meeting Government / Infrastructure Requirements</u>	
25	Establishment of Ho To West Substation	
26	Establishment of North District Hospital Substation	
27	Establishment of 2 x 132kV Cheung Sha - Integrated Waste Management Facilities (IWMF) Circuit	
28	Establishment of Princess Margaret Hospital Substation	
29	Establishment of Shatin Sewage Treatment Works 'A' and 'B' Substations	
30	Establishment of Prince of Wales Hospital Substation	
31	Establishment of Airport West Third Runway Substation	
32	Establishment of Tung Chung District Cooling System Substation	
33	Meeting Government / Infrastructure Requirements - Others (Other projects <\$100m and hundreds of projects to support Government's new railways, roads, bridges and redevelopment projects)	2.1
	<u>Maintaining Supply Reliability & Resilience</u>	
34	400kV Tower Lines Reinforcement for Super Typhoon	
35	132kV Circuit Reinforcement at Discovery Bay Tunnel	
36	400kV Tower Lines Refurbishment	
37	132kV Oil -filled Cable Replacement (2024-2028)	
38	11kV Switchgear Replacement & Refurbishment	
39	132kV Switchgear Refurbishment	
40	132kV Switchboard Replacement at Shatin Substation	
41	Substation Building Conditions Improvement	
42	Network Operation Systems (System Control, Protection and Telecommunication)	1.8
43	Advanced Metering Infrastructure Development	
44	Maintaining Supply Reliability & Resilience - Others (Other projects <\$100m and many thousands of network reinforcement projects to maintain supply reliability and resilience)	7.3
45	Miscellaneous (Other projects < \$100m)	2.4

Customer and Corporate Services

No.	Projects	\$billion
1	Customer Billing & Services System & Centre Facilities	0.3
2	Corporate System Development (IT infrastructure & security system) and other support services	1.1

Total 52.9

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 may be at a commercially sensitive stage. As a result, revealing such confidential figures would not be in the interest of customers. In addition, figures may not add up to the total due to rounding.

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A2. Tariff Component by year - Five-year development plan forecast compared with annual tariff review

Tariff Component (cents/ kWh)	2023	2024	2025		2026		2027		2028	
	Actual Tariff	DP Forecast/ Tariff Review ¹	DP Forecast ²	Annual Tariff Review	DP Forecast ²	Annual Tariff Review	DP Forecast ²	Annual Tariff Review	DP Forecast ²	Annual Tariff Review
(A) Basic Tariff	93.7	96.6	100.3		101.5		102.7		104.4	
<i>Increase/(Decrease)%</i>										
-- Annual		3.1%	3.8%		1.2%		1.2%		1.7%	
-- Since 2023		3.1%	7.0%		8.3%		9.6%		11.4%	
(B) Fuel Clause Charge ³	62.0	46.3	43.7		46.2		47.4		47.7	
<i>Increase/(Decrease)%</i>										
-- Annual		-25.3%	-5.6%		5.7%		2.6%		0.6%	
-- Since 2023		-25.3%	-29.5%		-25.5%		-23.5%		-23.1%	
(C) Rent and Rates Special Rebate	-1.3*	-	-		-		-		-	
(D) Net Tariff	154.4	142.9	144.0		147.7		150.1		152.1	
<i>Increase/(Decrease)%</i>										
-- Annual		-7.4%	0.8%		2.6%		1.6%		1.3%	
-- Since 2023		-7.4%	-6.7%		-4.3%		-2.8%		-1.5%	
Tariff Stabilisation Fund ⁴ (\$m)	1,758	754	437		406		404		404	
Fuel Clause Recovery Account ⁴ (\$m)	-771	-1,617	-1,340		-735		3		1	

Basic Tariff has been maintained at the same level for three consecutive years.

* In 2023, CLP provided a Rent and Rates Special Rebate at 1.3 cents per unit of electricity to customers. Since the Government refunds of overcharged rents and rates received by CLP were fully rebated to customers on 28 April 2023, the Rent and Rates Special Rebate was discontinued from 29 April 2023.

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1. The two exercises were done at the same time.
2. The tariff rates for 2025 to 2028 are projections only 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. In accordance with the Monthly Fuel Cost Adjustment Mechanism, the Fuel Clause Charge (FCC) will be automatically adjusted on a monthly basis to reflect changes in the actual price of fuel used.
4. These are the projected year-end balances of the Tariff Stabilisation Fund and the Fuel Clause Recovery Account.

Confidential**B. Materials related to tariff adjustments****B1. Tariff adjustment**

	2023 Tariff ¢ / kWh	2024 Tariff ¢ / kWh	Adjustment %
Basic Tariff	93.7	96.6	3.1%
Fuel Clause Charge	62.0	46.3	-25.3%
Rent and Rates Special Rebate	-1.3*	-	-100.0%
Net Tariff	154.4	142.9	-7.4%

*In 2023, CLP provided a Rent and Rates Special Rebate at 1.3 cents per unit of electricity to customers. Since the Government refunds of overcharged rents and rates received by CLP were fully rebated to customers on 28 April 2023, the Rent and Rates Special Rebate was discontinued from 29 April 2023

Year-end Balance
(\$ billion)

- Tariff Stabilisation Fund (Estimate)	1.8	0.8
- Fuel Clause Recovery Account (Estimate)	-0.8	-1.6

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B2. The rationales for tariff adjustment

	Rationales for tariff adjustment	Tariff impact (¢/kWh)
(1)	Basic Tariff	
(a)	Average Net Fixed Assets Increase from billion in 2023 to billion in 2024, the majority of which is related to investment in our generation facilities and transmission & distribution network, approved in the previous Development Plan, to meet supply reliability, customer demand and to support the decarbonisation of electricity generation	+1.5
(b)	Operating Expenses Increase of operating expenses per unit sold due to inflation, increase of cost in maintaining a growing system to accommodate customer demand after freezing the Basic Tariff for three consecutive years	+1.8
(c)	Tariff Stabilisation Fund Balance Change in Tariff Stabilisation Fund balance	-0.3
(d)	Others Changes in taxation, interest and Standard Fuel Cost, etc.	-0.1
	Sub-total (Basic Tariff):	+2.9

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	Rationales for tariff adjustment	Tariff impact (¢/kWh)
(2)	Fuel Clause Charge	
(a)	Fuel Cost Change (i) Decrease in fuel cost per unit sold (ii) Increase in cost of Feed-in Tariff (iii) Adjustments for change in fuel cost between actual and projection in 2023	-13.2
(b)	Fuel Clause Recovery Account Balance Change in Fuel Clause Recovery Account balance	-2.5
	Sub-total (Fuel Clause Charge):	-15.7
	Grand total:	-12.8

* A 2023 Special Energy Saving Rebate of 9.3 ¢/kWh is provided in 2023 to Residential Tariff (RT) bills with bi-monthly consumption not more than 600 kWh and also to Non-Residential Tariff (NRT) bills with monthly consumption not more than 500 kWh.

Notes to the confidential figures:

- a. Forecast Average Net Fixed Assets (ANFA) values might reveal future 2024 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.

ConfidentialNote i

Fuel consumed (‘000 terajoules)	<u>2023 Forecast</u>	<u>2024 Forecast</u>
• Coal	75.7	
• Natural Gas	136.2	
• Oil	2.1	
• Others	14.0	
Total	228.0	
Average Fuel Price (HK\$ per gigajoule)		
• Coal	60.9	
• Natural Gas	102.3	
• Oil	135.6	
• Others	171.3	
Overall	93.1	
Fuel Cost (\$ million)		
• Coal	4,614	
• Natural Gas	13,934	
• Oil	285	
• Others	2,399	
Total	21,232	
Standard Fuel Cost	3,628	
Fuel Cost exceeding Standard Fuel Cost	17,604	

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. Figures may not add up to the total due to rounding.

The underlying calculations in Average Fuel Price (HK\$ per gigajoule) have been performed using more decimal places for “Fuel consumed (‘000 terajoules)” and “Fuel Cost (\$ million)” than are presented. If the calculations are reperformed using the data presented, some minor differences in the numbers may arise.

ConfidentialNote ii

Items for Non-Fuel Expenses	Forecast Expense for 2023 (\$ million)	Forecast Expense for 2024 (\$ million)
Operating Costs		
Payroll	1,741	
Material & Services	2,400	2,510
Loan Charges	36	
Government Rent & Rates	727	770
Fixed Asset Disposal	328	286
Power Purchase from PSDC	595	624
Sub-total for Operating Costs:	5,827	6,133
Nuclear Power Purchase	6,085	6,088
Provision for Asset Decommissioning	70	50
Depreciation	5,375	5,720
Total Non-fuel Operating Expenses before Operating Interest and Taxation:	17,357	17,991
Operating Interest	1,218	
Taxation	1,763	
Total Non-fuel Operating Expenses:	20,338	21,363

Notes on the confidential figures:

- The 2023 & 2024 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 information may enable calculation of Operating Interest.