



Tariff Review 2018

Presentation to LegCo Panel on Economic Development

2018 Basic Tariff

Components	Year	2017 (¢/unit)	2018 (¢/unit)	Adjustment (¢/unit)
Basic Tariff		108.9	109.1	+ 0.2
Special Rent & Rates Rebate		- 4.0	- 4.0	---
Net Basic Tariff		104.9	105.1	+ 0.2

- Basic Tariff to increase by 0.2¢ per unit
- Basic Tariff increase mainly due to rise in operating costs, drop in electricity sales, etc.
- Special Rent & Rates Rebate same as 2017 at 4.0¢ per unit
- 2018 Net Basic Tariff at 105.1¢ per unit

2018 Fuel Clause Charge (FCC)

Components \ Year	2017 (¢/unit)	2018 (¢/unit)	Adjustment (¢/unit)
Fuel Clause Charge (FCC)	23.4	23.4	---
Special Fuel Rebate	- 17.9	- 16.0	+ 1.9
Net FCC	5.5	7.4	+ 1.9

- Fuel expenses expected to increase due to rising fuel prices, but FCC in 2018 to remain at the same level of 2017
- Substantial Special Fuel Rebate in 2017 of 17.9¢ resulting in significant reduction in balance of Fuel Clause Recovery Account
- In 2018, Special Fuel Rebate to reduce to 16.0¢ resulting in Net FCC of 7.4¢

2018 Net Tariff

HK¢ per unit	Year	2017 (¢/unit)	2018 (¢/unit)	Adjustment (¢/unit)
Net Basic Tariff		104.9	105.1	+ 0.2
Net FCC		5.5	7.4	+ 1.9
Net Tariff		110.4	112.5	+ 2.1 [+ 1.9%]

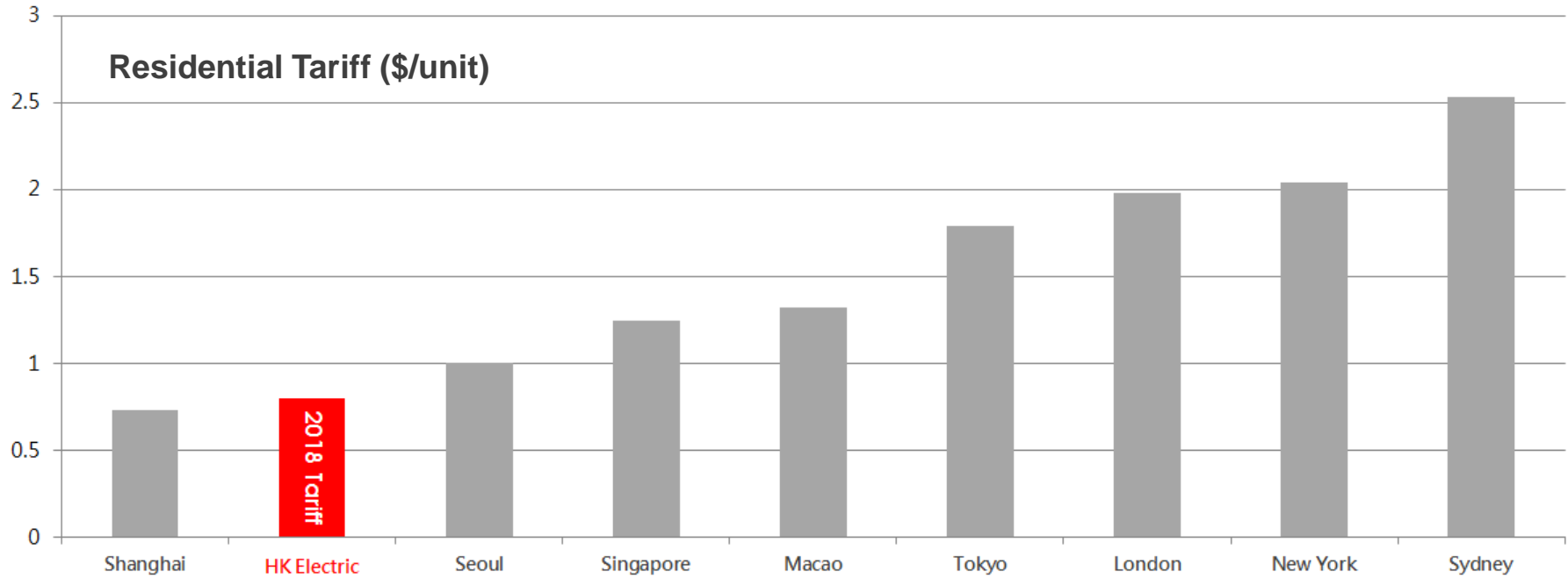
- 2018 Net Tariff will be 112.5¢ per unit, 2.1¢ per unit higher than 2017
- Net Tariff rebound mainly due to reduced Special Fuel Rebate rather than changes in operating environment or market conditions

2018 Net Tariff Lower than 2013

- Honoured pledge to freeze tariff for 5 years
 - 2018 Net Tariff lower than 2013 by 16.6%

Year c/unit	2013	2014	2015	2016	2017	2018
	Net Tariff	134.9	134.9	134.9	133.4	110.4
Compared to 2013		0%	0%	-1.1%	-18.2%	-16.6%

Tariff Lower than International Cities



Remarks: Comparison based on monthly residential customer consumption of 275 units ; overseas tariffs and exchange rates are as at Nov 2017

Sources:

1. Shanghai: Shanghai Municipal Electric Power Company
2. HK Electric: The Hongkong Electric Company, Ltd.
3. Seoul: Korea Electric Power Corporation

4. Singapore: SP Services Ltd.
5. Macao: Companhia de Electricidade de Macau
6. Tokyo: Tokyo Electric Power Co., Inc.

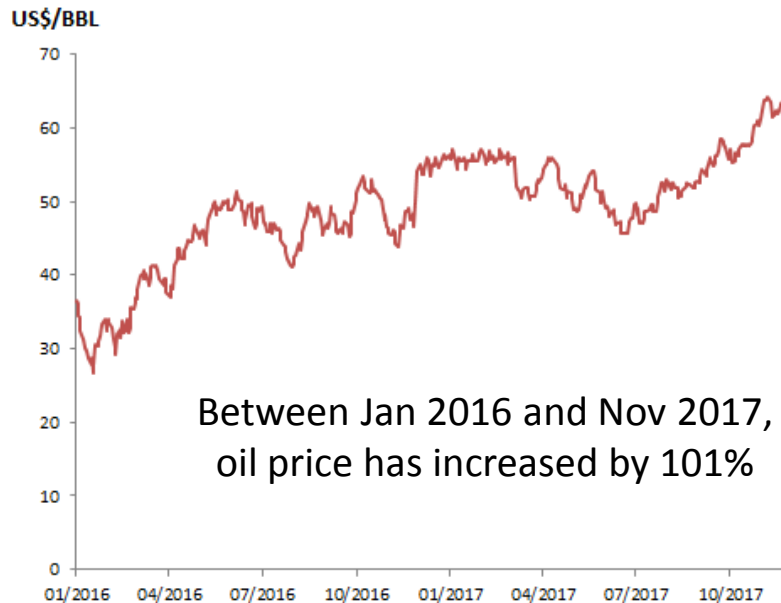
7. London: EDF Energy
8. New York: Consolidated Edison, Inc.
9. Sydney: EnergyAustralia

Quality Service

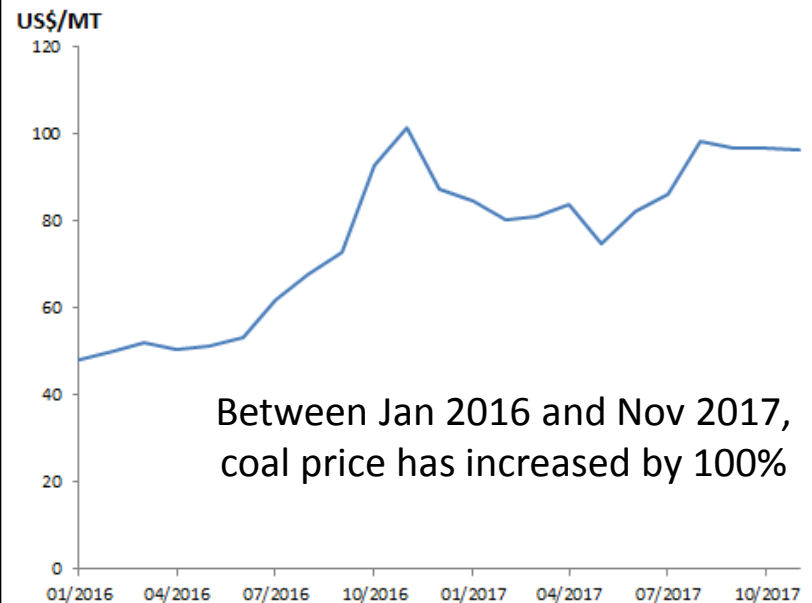
- Concessionary Tariff for those in need
 - Beneficiaries include elderly, disabled, single-parent families and unemployed
 - 60% discount for first 200 units each month
 - Deposit waived
 - No minimum charge
 - Also eligible for “Super Saver Discount” for any month with consumption ≤ 100 units
- Continue to provide highly reliable electricity
 - Supply reliability rating $> 99.999\%$ since 1997
 - Unplanned supply interruption per customer per year < 1 minute since 2009
- Improving emissions performance
 - SO_2 , NO_x & RSP emissions consistently below mandatory levels

Rising Fuel Prices

Oil Price –
Brent Crude Oil Spot



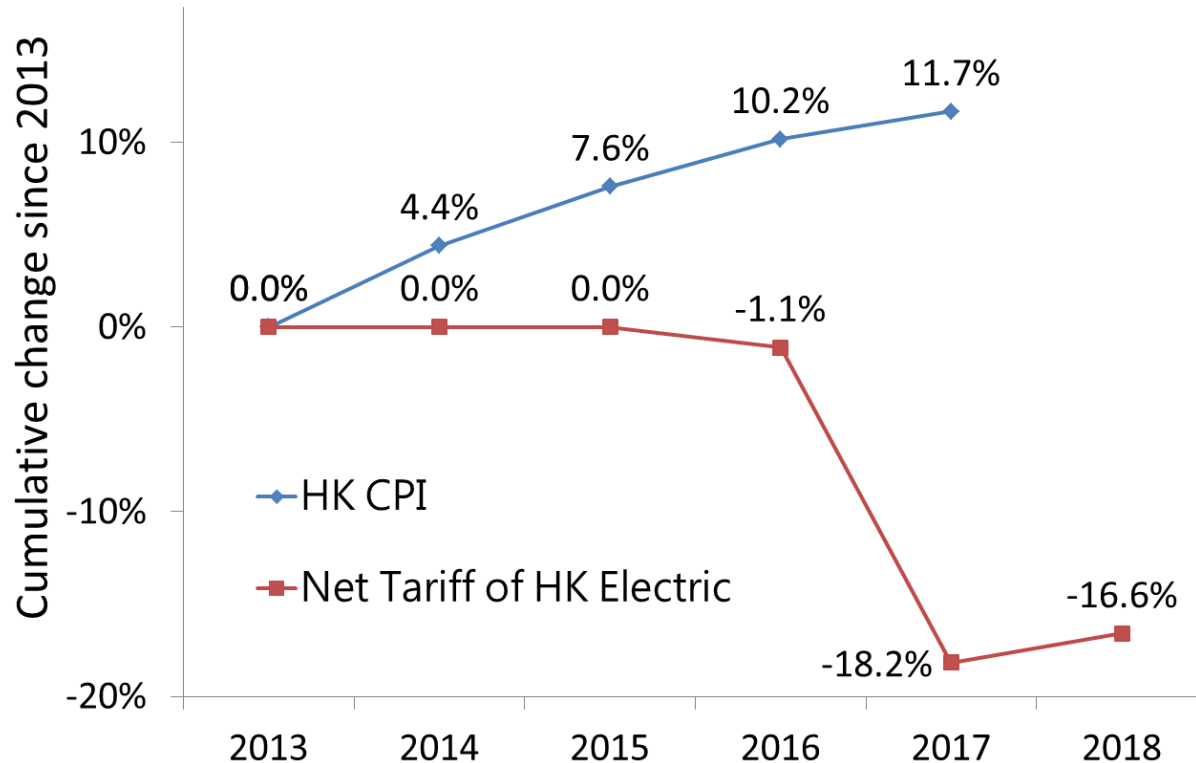
Coal Price –
Newcastle Export Index (Australia)



- Fuel prices doubled in past 2 years and continue on upward trend, anticipating an over 10% increase in fuel expenses from 2017 to 2018
- Gas generation to increase from ~34% now to 50% in 2020 to meet fuel mix target
- Surge of both consumption and price of natural gas will put considerable pressure on tariff from 2020 onwards

Closing Remarks

- Despite continuing CPI increases and volatile fuel prices, we have honoured the 5-year tariff freeze pledge through prudent operations and tariff is lower than most international cities
- Between 2013 and 2018, Net Tariff reduced by 16.6% whilst aggregated CPI over the same period is 11.7%





Thank You