

FACT SHEET – CLP TARIFF STRUCTURE

CLP supplies electricity to 80 per cent of Hong Kong's population (approximately 5.8 million people). In designing the tariff structure, many factors have been taken into consideration to ensure that it is fair and transparent.

Categories

- CLP has two main tariff categories– one for residential customers and one for commercial and industrial customers. There are two million residential customer accounts and 300,000 commercial and industrial accounts.

Tariffs

- Tariffs are set on the principles of fairness so as to recover the costs of supplying each group, taking into account the investment and resources needed to supply them and the efficiency with which these resources are used. In general, fixed operating costs, e.g., metering, billing and customer service are lower per unit for higher-consuming customers.
- Tariffs are designed to avoid cross-subsidies between the major customer groups such as small and large business, public services and residential households.
- To view the tariff tables, please visit CLP website at:
[https://www.clponline.com.hk/Documents/Tariff%20Table%20-%20English%20\(2012\)%20\(v20111230\).pdf](https://www.clponline.com.hk/Documents/Tariff%20Table%20-%20English%20(2012)%20(v20111230).pdf)

Domestic Tariff (DT)

- Domestic tariff (DT) applies to residential customers where the electricity is used solely for domestic purposes. It is billed on a bimonthly basis.
- An inclining tariff structure on the principle of energy conservation is applied to residential customers, which means they pay a progressively higher rate the more units they use within a billing period. This was introduced in 1996, before the advent of modern smart meters, as a simple price signal to encourage energy conservation for customers who did not have the chance to easily measure and manage their energy consumption from a meter they could see.

Commercial and Industrial Customers (C&I)

- Tariffs for commercial and industrial customers (C&I) are subdivided into three classes. General Service Tariff (GST) is for small and medium businesses. Bulk Tariff (BT) is for larger businesses and Large Power Tariff (LPT) is for the largest organisations such as public utilities and infrastructure companies.

- GST customers have a regressive structure of two blocks: up to 5,000 units and above 5,001 units in each billing period. The difference in energy charges between these two blocks is only about 1 per cent, which reflects the lower unit costs of supply once fixed costs have been recovered.
- For the BT and LPT customers, on top of energy units consumed, these high consumption customers also pay an extra Demand Charge for the capacity of the energy they draw from CLP's network based on their maximum energy demand, which typically accounts for 10 to 40 per cent of the total bill, depending on an individual customer's consumption pattern. This is to recover the cost of investment in infrastructure needed to meet electricity demands. The more capacity they use, the higher demand charge they pay.
- Additionally, Time of Use tariff is applied to high consumption customers, which means that larger users pay a premium for the extra peak-time units they use. They can also save money if they can move their energy consumption use to an off-peak period. This will facilitate demand side management and better utilisation of CLP's power-generation facilities. In many ways, when customers use electricity is as important as how many units they consume. If more units are used at peak times, it will drive investment in extra generation and network capacity leading to higher costs for Hong Kong as a whole.

Energy Efficiency and Conservation

- Caring for the environment is one of CLP's core values. We adopt a proactive approach in promoting energy efficiency and conservation for sustainable development. This is also in line with the government's call to enhance environmental awareness in building a greener future.
- To encourage energy saving, CLP offers an array of tools and services and works directly with its customers to help them manage their energy consumption efficiently. For details, please refer to the Fact Sheet on Energy Efficiency & Conservation.
- In the highly competitive business environment, C&I customers have a greater economic drive to reduce consumption as they are very focused on managing their operating costs. Naturally they are more cautious about their energy costs and willing to devote resources to find possible ways to achieve energy saving. In many cases, their efforts are rightly rewarded. For instance, a large shopping centre has successfully reduced its annual energy charge by \$4M per year by putting in place chiller plant replacement and optimisation, energy-efficient lighting, heat pump water-heating system and PV panels.
- We are advised by the Airport Authority that energy growth has only been 0.7 per cent over the past two years while airport's passenger throughput and aircraft movements both have increased by more than 10 per cent (which means extension of operating hours of the airport), and new retail outlets have opened in Terminal 2. This is attributed to its energy-saving measures include LED application in the terminal building and chiller system optimisation.

We have also been advised by the MTRC that their overall electricity growth grew mildly at around 3 per cent over the past four years despite the commissioning of a new TKO extension line and Kowloon Southern Link in 2010. This is the result of energy-saving measures including in-train lighting replacement with LED, lighting optimisation, addition of sun shading for windows in office buildings, and tunnel ventilation optimisation.

Review of tariff structure

- CLP takes an open approach to changes to the current tariff structure.
- There are voices in the community suggesting the adoption of an inclining tariff structure for C&I customers so as to encourage them to save energy. Others have a different view. To enable the community to make an informed decision, CLP is offering some facts and focus on the issue for consideration.
- Over 60 per cent of the largest users of electricity are schools, hospitals and public utilities. Applying inclining tariffs to them will increase the social cost of providing a wide range of services to the community. Importantly, inclining tariff structures take no account of the efficiency with which energy is used. If you use more, you pay more. This applies indiscriminately across the board to systems and buildings already equipped with energy-saving technology simply because they are large in size. Moreover, some trades are inherently higher consumers of electricity than others due to the nature of their business, such as cold stores, district cooling schemes or data centres. Whether or not it would be appropriate to charge them a lot more just even if they use the energy very efficiently and to the best standards is worth considering carefully.
- Customers who see an increase in their bills if an inclining tariff is introduced may simply be tempted to request multiple electricity supply points to reduce their average consumption per account and hence their unit energy rates. This may reduce energy efficiency and would certainly result in more cables and meters being installed by CLP, which will increase costs for all customers.
- CLP has been soliciting views from different customer groups and organizations regarding suggestions for changes to the current tariff structure. We will also monitor relevant international developments and best practices in energy efficiency and conservation so as to promote these goals in ways that best fit our local circumstances. In this endeavour, we will continue to maintain an open dialogue with stakeholders and make appropriate changes when a consensus has been reached among all sectors in the community.

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