

CLP and our Customers



In the Mainland and Asia-Pacific region, CLP is presently engaged only in the generation sector of the electricity business. In Hong Kong, our activities include the transmission and distribution of electricity to customers. The provision of a first class electricity supply to the 5.5 million people of Kowloon and the New Territories is our duty as the sole provider in this area of an essential public service. The quality of our service is also vital to the long-term future of this business and represents one of the strongest arguments in favour of the current regulatory regime for our industry.

In this section we describe the service we provide to our customers by reference to the major qualities they would expect from their electricity supplier.

Reliability

CLP has a particular responsibility to our customers to provide them with high levels of supply reliability:

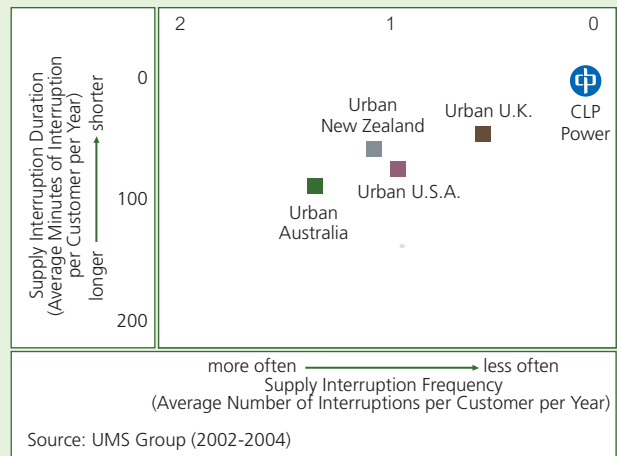
- As a major financial hub and a tourist centre in the region, Hong Kong relies extremely heavily on a reliable electricity supply to sustain its economic development and maintain its competitive position

- The preponderance of high-rise buildings makes our daily life depend on the uninterrupted services from lifts and escalators
- Hong Kong has an extremely high population density, which means that individual equipment failures may affect thousands of people
- The hot and humid climate leads to very heavy air-conditioning loads, especially during summertime

The blackout incidents in North America and Europe in 2003, as well as other major power system failures elsewhere within the past few years, have further highlighted the reliance of modern societies on a reliable electricity supply.

The tremendous efforts that CLP has made in improving supply reliability have brought our standards to a level which is amongst the best when compared to the U.S., U.K., Australia and New Zealand, as illustrated in the chart below:

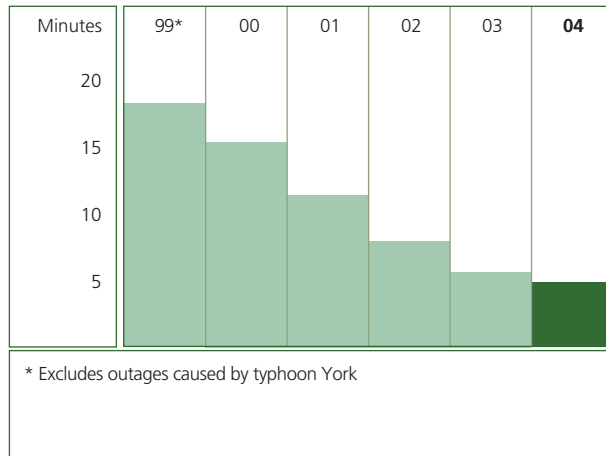
Reliability Comparison (2002-2004)



Our Unplanned Customer Minutes Lost (CML) per year, which is a standard measure of supply reliability, has improved by 73% over the past six years. A typical

customer in CLP's supply area would have had an average of 6.09 minutes of unplanned power interruptions per year during the period from 2002 to 2004. The comparable figure for an average urban area in the U.S. would be more than 70 minutes per year.

Unplanned CML



Power Quality

Our customers' increasing reliance on electronic and computer devices to support their social and economic activities has made the quality of power supply more important than ever. If not properly managed, a minor voltage disturbance in the power system can cause unnecessary production loss and inconvenience to customers.

A service offered by us to evaluate customer equipment performance has resulted in more than 50 technical proposals being adopted by customers to enhance power quality since 2001.

Aiming at education and communication, in 2004 we established a Power Quality Exhibition and Technology Centre to demonstrate CLP's commitment to power quality improvement. The Exhibition Centre is fitted with interactive exhibits to illustrate common power quality issues found by customers, while the Technology Centre depicts practical technical measures that customers could adopt to mitigate power quality impacts.

Reasonable and Affordable Tariffs

In 2004 we announced that tariffs would be frozen in 2005. There has now been no tariff increase since 1998. During that period there have been six tariff rebates, totalling HK\$3 billion. This is the equivalent of up to a 3.7% tariff reduction in the respective years. Our electricity tariff will remain the lowest in Hong Kong in 2005, by an estimated margin of about 20%.

This performance continued our long track record of careful tariff management. Between 1983 and 2004, the average cost of electricity has decreased in real terms (that is, taking into account inflation and deflation) by 37%.



Mr. Li Kai Ming
Advisor, Customer Consultative Group

As a CLP customer, I am most concerned about the level of the tariff. I understand that CLP's tariff is among the highest, if not the highest, in developed countries. Has CLP done enough to maintain the tariff at the lowest possible level in order to benefit its customers?



Betty Yuen
Managing Director, CLP Power Hong Kong

It really is not the case that CLP's tariff is amongst the highest in developed countries. I believe that our customers in Hong Kong judge our tariffs in four major respects:

- The year on year control of tariff increases;
- The comparison of CLP's tariff with those in other countries;
- By reference to the reliability of the service they receive for their money; and
- Affordability relative to their incomes and household budgets.

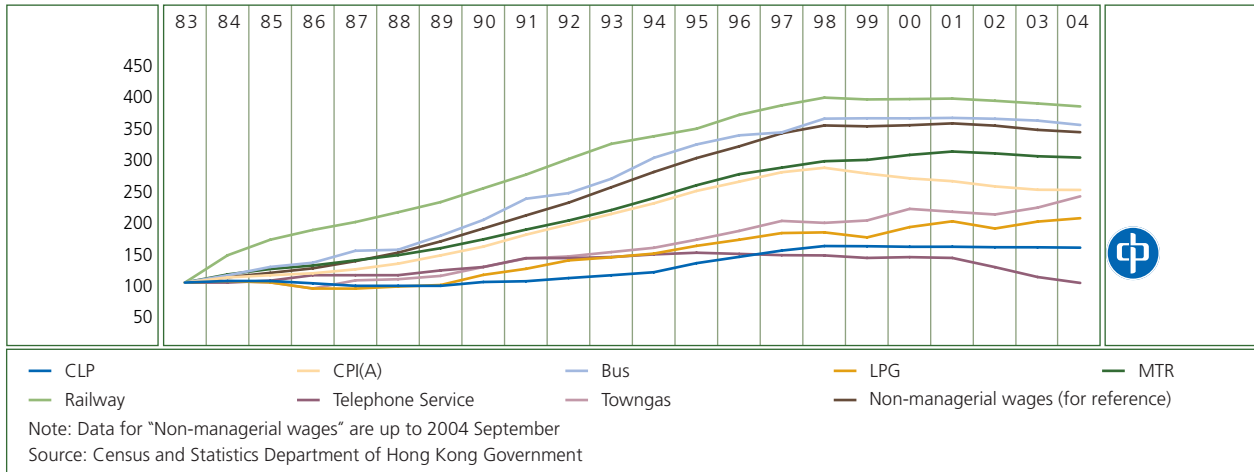
In all of these respects, CLP performs well. This is not just a matter of my opinion – the facts set out on these pages speak for themselves.

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The following chart illustrates CLP's achievements in managing its prices, in comparison to other Hong Kong utilities.

Price comparison of public utilities and CPI

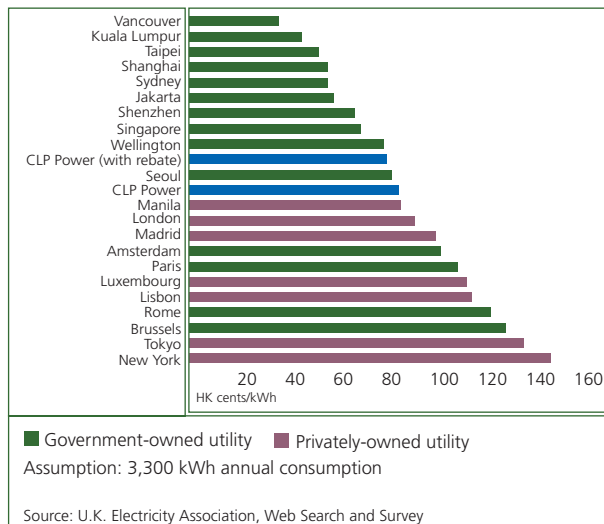
Price in nominal terms (1983=100)



It is difficult to make comparisons of industrial and commercial tariffs between different countries because of variations in tariff structures and the limited public availability of information. However, as regards residential tariffs CLP compares favourably amongst world cities:–

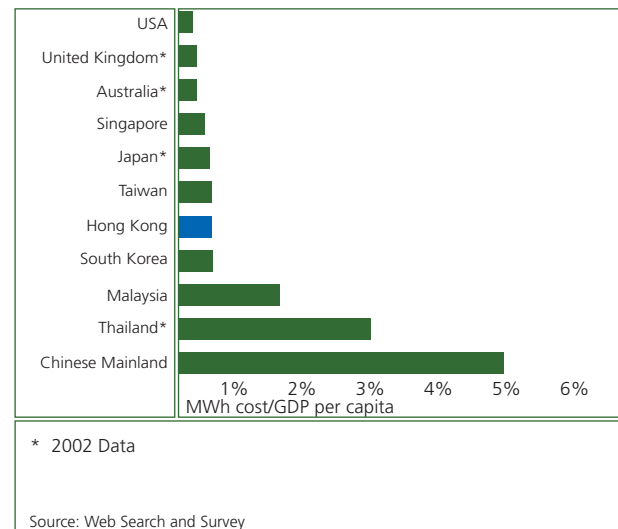
- electric utilities in most Asian countries are government-owned, which may lead to significant public subsidy of tariffs. CLP's tariffs are not subsidised by the Hong Kong Government – either directly or indirectly such as by the grant of property development rights.

2003 Residential Electricity Price Comparison for Utilities in Major World Cities



CLP's tariffs are affordable. In 1999/2000, which remains the latest date for which information is available, electricity costs represented only 1.7% of average monthly household expenditure in Hong Kong of HK\$21,797. Moreover, CLP's average electricity price is more affordable than in most Asian countries, after adjusting for the effects of currency fluctuation and differing living standards.

2003 Affordability of Electricity



In reviewing this table, it should also be noted that:

- tariff levels must also be judged by reference to supply reliability, since lower tariffs could be achieved at the expense of reliability. CLP combines reasonable tariffs with world-class reliability; and

Customer Service

Understanding our customers' needs and expectations is a major driver of our customer service. We go to great lengths to listen to what our customers say, including through:

- our Customer Consultative Group comprising CLP senior managers and customer representatives appointed after consulting with the Consumer Council. Members meet bi-monthly to give advice on CLP's customer service policies and initiatives, and help ensure that customers' concerns are properly addressed;
- our 14 Local Customer Advisory Committees. These celebrated their tenth anniversary in 2004 and cover each of the districts in our supply area;
- 80 customer liaison groups at public housing estates, rural committees and small and medium enterprise (SME) groupings;
- close liaison with about 100 strategic customers, each of whom has a designated CLP Account Manager; and
- monitoring customer satisfaction on an annual and quarterly basis by an independent multinational research agency.

The feedback from our customers contributed to a range of service improvements in 2004 such as:

- extension of our convenient payment options to include a credit card autopay service;
- promotion of induction cooking which, amongst other advantages, is clean, safe and energy-efficient (over 100,000 customers were involved in our promotion and demonstration activities in 2004); and
- the development of customised energy solutions, power and indoor air quality (IAQ) improvement proposals for commercial and industrial customers. Our power quality consultancy services were extended to customers with day-to-day operational problems through investigation and analysis of their equipment and data. 65 energy audits and 20 IAQ audits were conducted in the year, helping customers to achieve energy savings ranging from 1% to 20%.

All of the key aspects of CLP's services to our customers are covered by 15 specific and demanding performance pledges. Details of these and our performance in meeting them during 2004 are set out on our website.



Mr. Clement Tao
Chairman, Customer Consultative Group;
Managing Director, Associated Advisers Ltd.

Will the present customer service philosophy be changed if there are possible changes in the future SOC arrangements?

No – unless, which should never be the case, the post-2008 electricity regulatory regime is on terms which jeopardises our ability to continue to offer customers the first-class service levels which they expect and deserve.

If the answer to the previous question is 'no', are there any planned customer service initiatives on the drawing board that will continue to make CLP a caring company well beyond say 2010?

We are working hard to continuously improve our service to our customers, meeting their expectations in billing and payment services with the introduction of new channels and options, covering the way customers can pay, where they can pay and the frequency with which they can make payment. The services at our customer service centres will continue to expand to offer a wide range of energy efficiency and electricity utilisation advice, both for the home and the small business. We are also looking at further improvements in energy data management and energy efficiency benchmarking to help our customers make better use of energy.



Betty Yuen
Managing Director, CLP Power Hong Kong