

CLP and our Customers

Excellence in customer service is essential to our continued success.

Outside of Hong Kong and Australia, CLP is presently engaged only in the generation sector of the electricity business.

In this section, we describe the service we provide to our customers in Hong Kong and Australia – recognising that the quality of this service is vital to the long-term future of those two businesses.

Hong Kong

The provision of a first-class electricity supply to the 5.7 million people of Kowloon and the New Territories is our duty as the provider in this area of an essential public service.

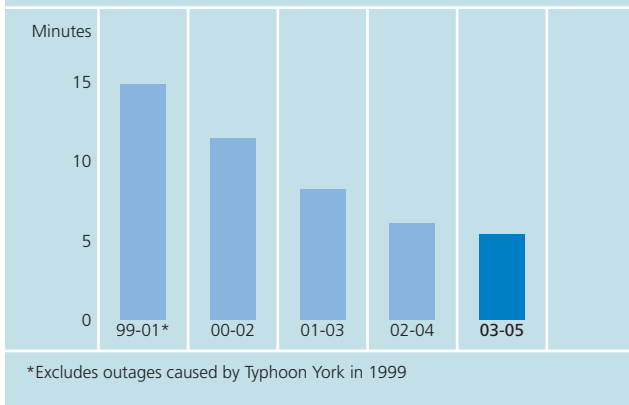
Reliability

We have a particular responsibility to provide our customers with outstanding levels of supply reliability:

- As a major financial hub and tourist centre, Hong Kong relies heavily on a reliable electricity supply to sustain its economic development and maintain its competitive position.
- The great majority of the population live and work in high-rise buildings – meaning their daily life depends on uninterrupted services from lifts and escalators.
- Hong Kong has an extremely high population density, with the consequence that individual equipment failures may affect thousands of people.
- The hot and humid climate leads to heavy reliance on air-conditioning, especially during the summer months.

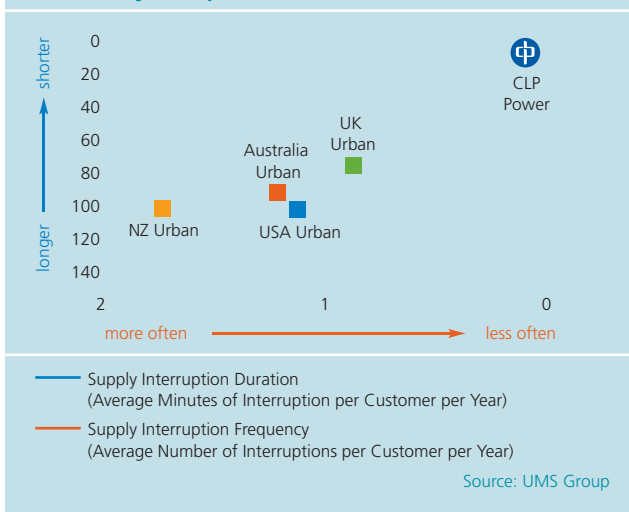
In recent years, we have made tremendous efforts to further improve our supply reliability. Our unplanned customer minutes lost (CML) per year, which is a standard measure of supply reliability, has improved by 68% over the past seven years. A typical customer in CLP supply area would have had a three-year average of 5.37 minutes of unplanned power interruptions per year during the period from 2003 to 2005. The comparable figure for an average urban area in the U.S. would be more than 100 minutes per year.

Unplanned CML (Three-Year Average)



Our efforts on enhanced supply reliability have brought CLP's service standards to a level that is now amongst the best when compared to the U.S., U.K., Australia and New Zealand.

Reliability Comparison (2003-2005)



Customer Service


We are committed to providing excellence in customer service. We value our relationship with our customers and work to win their trust and support. An important element of this is listening to our customers and responding to their needs. To do this, we make use of:

- 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 to help ensure that customers' concerns are properly addressed;

- our 14 local customer advisory committees, covering each of the districts in our supply area;
 - 80 customer liaison groups at public housing estates, rural committees and smaller 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 agency.
- a re-vamped interactive voice response system – making our customer service telephone system easier to use;
 - advisory services to commercial and industrial customers, including customised energy solutions, recommendations on improvement of power and indoor air quality, energy efficiency proposals and advice on electric applications; and
 - 'Business^{Plus}' – a new telephone account management service for our major bulk tariff customers, providing a single point of contact for energy efficiency advice, electricity-related enquiries and customer service issues.

In 2005, we introduced a range of further improvements in our customer services, such as:

- a new energy efficiency exhibition centre at our Shamshuipo Centre, introducing energy efficiency products and solutions to our business customers;
- providing value added service to our customers, including our advices for moving home, and the introduction of electric cooking as well as the "All Electric Home" concept;
- initiatives to improve billing and payment facilities for our customers – such as through our collaboration with the MTR Corporation Limited (MTR) to provide an additional channel for cash payment. With effect from early 2006, customers can pay their bills at the majority of MTR stations' ticket counters;

All of the key aspects of CLP's services to our customers remain covered by 14 specific and demanding performance pledges. Details of these and our performance in meeting them during 2005 are set out on our website. 

The important measure of customer service is not what we think, but the opinions that our customers have of the services which they receive and for which they pay. We are pleased to see that our efforts in improving customer service in 2005 were reflected in our customer satisfaction survey, which saw the best results we have achieved in recent years.



Q: Mr. William Wong, MH, *Managing Director, Tai Kwong Ming Electrical Engineering Co., Ltd.* (left)

What plans does CLP have to look after its industrial and commercial customers in Hong Kong?



A: Chow Tang Fai *Director, Marketing and Customer Services, CLP Power Hong Kong* (right)

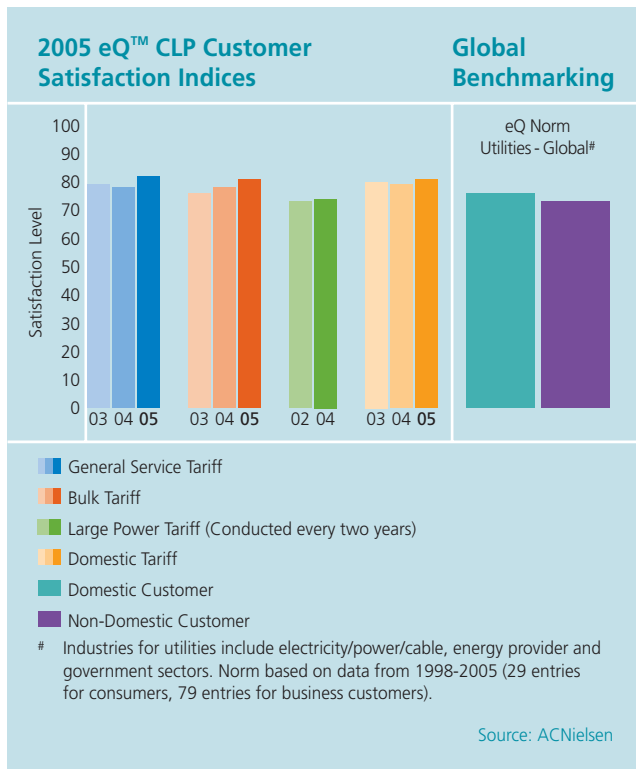
CLP has provided personalised professional Account Management services to our largest corporate customers since 1998. This year we have extended Account Management services for the first time to the largest Bulk Tariff customers, under a Business^{Plus} service package. We are considering the potential to extend this concept to other business customers.

We provide our largest industrial and commercial customers with a range of tailored energy services, ensuring reliable power supply and a range of energy-saving solutions and products to help customers grow their businesses. Acting as an energy partner, we can also offer group billing and e-billing to improve their understanding of energy costs. We will further enhance our internet services for industrial and commercial customers in 2006.

For our small and medium enterprise (SME) business customers, we have established a dedicated team to better understand our customers' needs and to provide them with an increased range of customer service options going forward.



We were also pleased that our customer satisfaction levels compared well with global benchmarks.



Power Quality

The increasing popularity of electronic and computer devices in industrial production, as well as in daily household and business activity, means that the quality of power supply, not merely its reliability, has become increasingly important to our customers. If not properly managed, a small voltage disturbance can cause unnecessary production loss and inconvenience to customers.

Since 2001, we have offered services to evaluate customer equipment performance and to improve the capability of that equipment to ride through voltage fluctuations. To date, more than 80 technical proposals have been adopted by our customers to enhance power quality performance.

In power quality, prevention is better than cure. We have made strenuous efforts in power quality education, emphasising the need for forward planning. In addition to outreach communication sessions and seminars with our customers, we have established the Power Quality Exhibition and Technology Centre. This uses interactive exhibits to explain the common types of power quality problems encountered by customers and practical measures to mitigate their impact. Since the Centre opened in 2004, we have received more than 4,500 visitors, cultivating a better understanding of power quality problems and their solutions.

Tariffs

The following paragraphs explain that CLP's electricity tariffs are

- reasonable;
- affordable; and
- compare favourably with other Hong Kong public utilities,

demonstrating the success of the Scheme of Control in regulating tariff levels over the past 20 years and CLP's responsible and effective management of costs within this durable and stable regulatory framework.

Tariffs – Reasonable

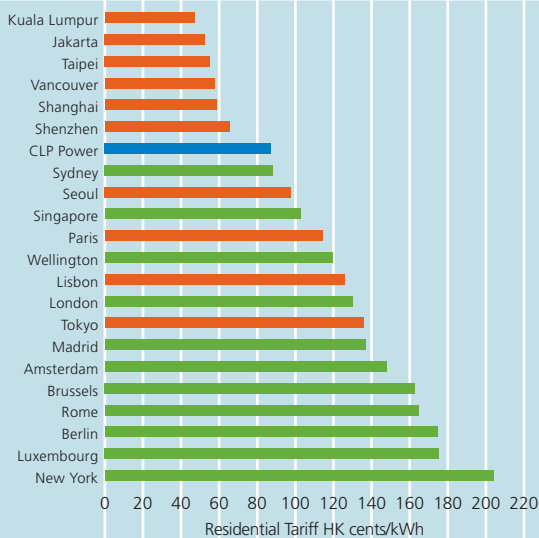
In December 2005, we announced that tariffs will be frozen during 2006. There has now been no tariff increase since 1998. During that period there have been six tariff rebates, totalling HK\$3 billion – the equivalent of up to a 3.7% tariff reduction in the respective years. Our record of careful tariff management is long-lasting and measurable.

We recognise that it is difficult to make comparisons of industrial and commercial tariffs between different countries, because of variations in tariff structures and limited public availability of information. However, as regards residential tariffs, CLP's performance continues to compare favourably with that offered to customers in other world cities.

CLP's performance is even stronger than a simple glance at the tariff comparison chart might indicate because

- tariff levels must also be judged by reference to supply reliability, since lower tariffs could be achieved at the expense of reliability. CLP has succeeded in offering world-class reliability at reasonable tariff levels; and
- electricity utilities in most Asian countries are government-owned, which can 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.

Residential Electricity Price Comparison for Utilities in Major World Cities



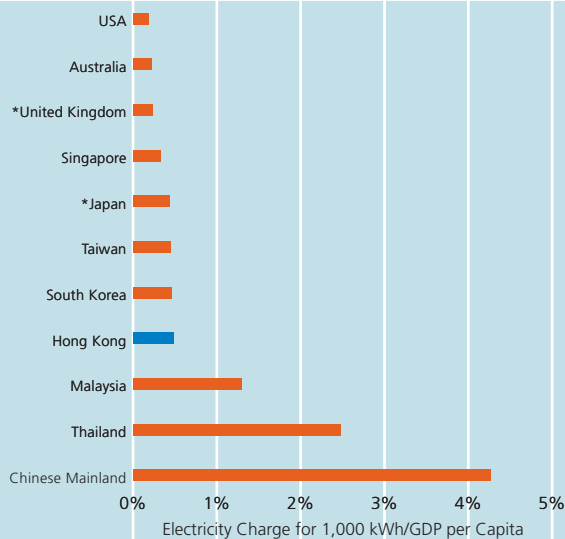
Comparison based on annual consumption of 3,300 kWh
Tariff and exchange rate at 1 January 2006

Source: Web Search

Tariffs – Affordable

CLP's tariffs are not merely reasonable – they are also highly affordable for our Hong Kong customers. In 1999/2000 which is the latest date for which Government published statistics are available, electricity cost represented only 1.7% of average monthly household expenditure in Hong Kong of HK\$21,797. Moreover, the affordability of CLP's average electricity charge is more comparable with that of the developed countries and regions, after adjusting for the effects of currency fluctuation and differing living standards.

2004 Affordability of Electricity



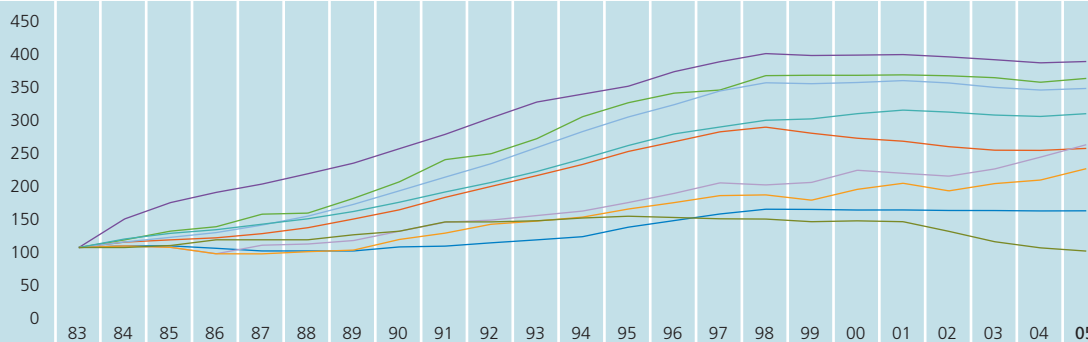
*2003 Data

Source: Web Search and Survey

Tariffs – Comparison with Hong Kong Utilities

CLP's performance in tariff management compares extremely well with other Hong Kong utilities. Our electricity tariff will remain the lowest in Hong Kong in 2006, by an estimated margin of about 26%. Between 1983 and 2005, the average cost of electricity has decreased in real terms (i.e. taking into account inflation and deflation) by about 38%.

Price Comparison of Public Utilities and CPI Price Indices (1983=100)



Note: Data for "Non-Managerial Wages" are up to 2005 September

Source: Census and Statistics Department of the Hong Kong Government

Australia

Our electricity and gas retail activities in Australia are carried out under a regulatory regime quite different to that in place in Hong Kong.

TRUenergy holds retail licenses to sell electricity to contestable customers in Victoria, New South Wales (NSW), South Australia (SA), Queensland and the Australian Capital Territories (ACT). TRUenergy has licenses to sell gas throughout Victoria, NSW, SA and the ACT.

At the end of 2005, TRUenergy retail electricity business supplied approximately 1.1 million customer accounts, predominately in Victoria.

TRUenergy's electricity retail business operates in the National Electricity Market (NEM) which is a wholesale market for the supply and purchase of electricity, combined with an open access regime for transmission and distribution networks in Victoria, NSW, SA, the ACT and Queensland. Tasmania joined the NEM in 2005. Generators (5MW or greater) and electricity retailers must participate in the market, transacting all their energy via a central pool. The final transaction is determined through the interaction of supply and demand over half hour periods in several regions (nodes). Generators, including TRUenergy, offer to supply at the price and quantity of their choice, with the pool price determined by the marginal (most expensive) offer required to supply the demand. Customers may buy electricity directly from the NEM pool, but the vast majority purchase their electricity from retailers who manage price risk for them.

In the major Australian mass retail markets (which include residential and small to medium enterprises) in which TRUenergy competes (Victoria, NSW, SA and the ACT) the respective State Governments or their regulators provide a benchmark price, usually known as a Government Regulated Tariff (GRT) which must be made available to all consumers. Customers may choose to take advantage of any retailer's competitive tariff, known as Market-Based Tariffs (MBTs).

TRUenergy offers competitive MBTs. During 2005, it launched its "At Home At Work" offer, which has helped to encourage more customers to move off GRTs. TRUenergy also continued to offer its customers the advantages of a dual fuel offer, with both gas and electricity on a single bill.

In Victoria, which is TRUenergy's largest market, the State Government has introduced a four-year price path under which it has established the level of increases for regulated gas and electricity tariffs in each of the four years effective

Customer service at TRUenergy



from 1 January 2004. This agreement aims to strike a balance between customer protection, ensuring the viability of the electricity industry and encouraging continued retail competition.

Under this price path, TRUenergy's regulated electricity tariff increase in 2005 was set at an overall average of the Victorian Consumer Price Index (CPI) minus 1.5%. Gas regulated tariffs were increased by CPI for TRUenergy. The price increases in both gas and electricity tariffs are open to renegotiation if underlying costs move substantially.

In addition to supplying residential and small to medium-sized business customers, TRUenergy is a major provider of gas and electricity to large industrial and commercial customers in Victoria, NSW and SA and is also developing its presence in Queensland. Measured by number of customers, the majority of TRUenergy's customers are in the mass market.

These largest scale customers comprise major Australian and international organisations in sectors such as mining, transportation, chemicals, paper, hospitality, recreation and infrastructure. TRUenergy offers these customers a variety of competitive contracts, which tend to be longer term (one to five years) and are based on the wholesale market prices, plus a premium. These offers can include hedges, caps and spot market contracts, designed to match the energy profile and business needs of the customers.

Customer Service

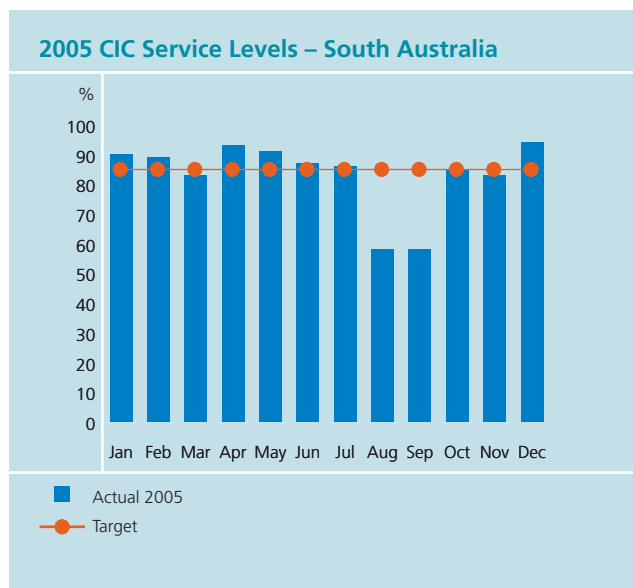
Customer service is an important point of differentiation in the competitive Australian retail market. TRUenergy's Customer Charter outlines its responsibilities and the service levels which its customers can expect. There is also independent oversight of customer service through agencies such as the Essential Services Commission, energy ombudsman schemes and consumer protection agencies.

In 2005, TRUenergy launched a range of new customer service initiatives including:

- a new customer call management system, known as “Centrepoint”. This is designed to better direct customers to the TRUenergy customer service agent best able to handle their service needs, thereby reducing average call handling times. Centrepoint provides customer information held by TRUenergy by computer screen to the agent at the same time as he or she receives the customer call, as well as providing customers with a greater ability to self-serve. Customer feedback has been positive and we expect the system to help in distinguishing our customer service from that available from competitors.
- updated and formalising a “Hardship Policy”, outlining how TRUenergy will assist consumers in difficulty as a result of financial hardship.
- the development of a disability policy – setting out TRUenergy’s commitment to ensure that all people, including those with a disability, are able to access our service channels, products and information.
- establishment of a specialised complaints resolution team to improve our response to customer issues and to support our existing complaints management system.

Our Customer Interaction Centre (CIC) handled 1.22 million calls in 2005. The targets for service levels are set by the Essential Services Commission in Victoria and in South Australia. The following charts illustrate TRUenergy’s service levels in those States using a measure which is an overall indicator of the average speed to answer, call handling time and call abandonment rate.

During the months of August and September, targets for each measure were not met. This was the result of the introduction and bedding down of a new telephony system Centrepoint at the end of July.



Since then, Centrepoint has worked well and we are confident that this, as part of our overall commitment to customer service, will enlarge TRUenergy’s ability to succeed in this competitive market.