

CLP and our Customers

The CLP Group's activities include retail energy businesses serving customers in Hong Kong and Australia. Within Hong Kong, we have 2.24 million customer accounts in Kowloon and the New Territories, where we remain the only electricity supplier. Through TRUenergy in Australia, we provide electricity to approximately 600,000 customer accounts and gas to approximately 500,000 accounts. These are primarily located in Victoria, although we have a developing retail business in New South Wales and South Australia. TRUenergy is the fifth largest energy retailer in Australia, with a 10% share of the National Electricity Market (NEM).

Excellence in customer service is critical to the success of our operations in Hong Kong and Australia businesses and, because of the importance of those businesses to the CLP Group as a whole, forms a vital element in the Group's long-term success.

Hong Kong

Our duty to the people of Hong Kong as the provider of an essential public service requires us to offer an electricity supply characterised by:

- reliability;
- power quality;
- excellence in customer service; and
- reasonable tariffs.

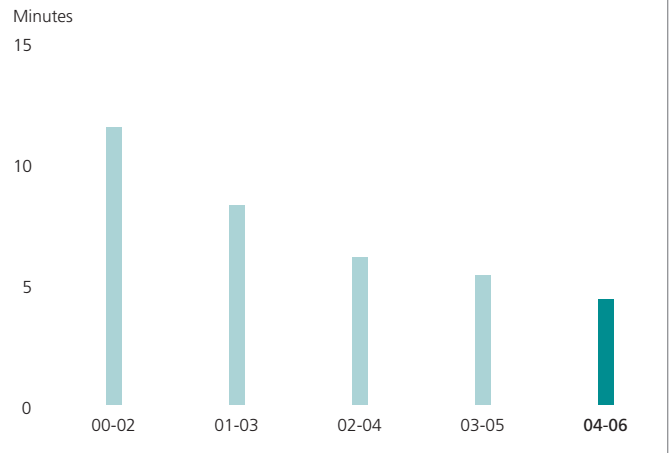
Reliability

Particular aspects of Hong Kong life demand that we provide outstanding levels of supply reliability:

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

We make tremendous efforts to maintain and, where practicable, improve our supply reliability. Unplanned customer minutes lost (CML) per year, a standard measure of supply reliability, have improved by 83% over the past seven years.

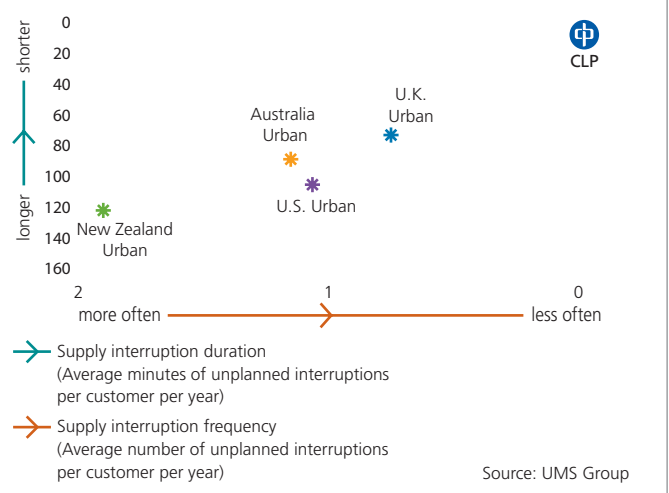
Unplanned Customer Minutes Lost (3-Year Average)



The reliability of CLP's electricity supply is now amongst the best when compared to the U.S., U.K., Australia and New Zealand. A typical customer in CLP's supply area would have had an average of 4.37 minutes of unplanned power interruptions per year during the period from 2004 to 2006. For comparison, the average unplanned outage time experienced by a typical customer per year during 2003-5 (the latest dates for which information is available) in other major cities was:

- New York (9.2 minutes)
- Paris (14.7 minutes)
- London (37.2 minutes) or
- Sydney (37.4 minutes)

Reliability Comparison (2004-2006)



Power Quality

The increasing popularity and sophistication of electronic and computer devices, used in both household and business activity, means that the quality of power supply, not merely its reliability, has become increasingly important to our customers. A small voltage disturbance can cause unnecessary production loss and inconvenience.

We assist our customers in solving power quality issues through providing evaluations of their equipment, assessing and promoting new technologies and offering technical services. To date, more than 100 technical proposals have been adopted by our customers to enhance their power quality performance. In addition to working with our customers through outreach communication sessions and seminars, we have established our Power Quality Exhibition and Technology Centre. This uses interactive exhibits to illustrate common types of power quality problems and the practical measures that can mitigate their impact. We received 4,500 visitors to the Centre during 2006.

Customer Service

Listening to our customers and responding to their needs is an important part of our customer service. During the past 14 years, our Customer Consultative Group (comprising CLP senior managers and customer representatives appointed after consultation with the Consumer Council) and the 14 local customer advisory committees (covering each of the districts in our supply area) have become essential channels for CLP to connect with its customers. These are reinforced by 90

customer liaison groups in public housing estates, rural committees and small to medium enterprise groups, as well as close liaison with around 100 strategic customers, each of whom has a designated CLP account manager.

CLP has been promoting the benefits of induction cookers, which cook faster, provide a cooler and cleaner cooking environment and save energy. In 2006 more than 20,000 units were sold, a 50% increase from 2005. We also continued to introduce reverse cycle air conditioners, which match the cooling performance of normal air-conditioners whilst, in the winter months, providing heat quicker and with higher energy efficiency than standard electric heaters.

Excellence in customer service involves user-friendliness and convenience. Our Customer Interaction Centre (CIC) and Customer Service Centres (CSCs) play a major role in our daily interface with customers. We have made particular efforts to make these centres work in a way which is efficient, quick and personal. These efforts were recognised by the awards given to the CIC in the Hong Kong Call Centre Awards and the Regional Contact Centre Association Annual Awards and to the CSCs in the HKACE Customer Service Excellence Awards. Of course, the most important measure of customer service is the views of our customers themselves. We monitor customers' satisfaction on an annual and quarterly basis through an independent multinational agency. As the following chart indicates, our customer satisfaction levels in 2006 were the highest achieved in recent years.

Customer Satisfaction Indices (eQ score) since 1998

Customers	1998	1999	2000	2001	2002	2003	2004	2005	2006
Domestic Tariff (DT)	77	77	78	79	–	80	79	81	82
General Service Tariff (GST)	N/A	N/A	N/A	76	–	79	78	82	82
Bulk Tariff (BT)	N/A	N/A	N/A	76	78	76	78	81	80
Large Power Tariff (LPT)	N/A	N/A	N/A	67	73	N/A	74	N/A	75

Notes: The measurement started in 1998
 N/A – No customer satisfaction survey was done in that year for the customer class
 In 2002, another agency (NFO) was engaged for the DT and GST survey

- (Left) Opening Ceremony of CLP's Quality Control Circle Exhibition in Hong Kong
- (Right) Electric cooking competition at CLP Safety, Health and Environment Day



We also assist our customers by providing contracting and consultancy services, in Hong Kong and neighbouring areas, in power engineering, telecommunications, lighting services, building services and facility management. For example, in 2006, we completed two major projects for the MTR Corporation Limited and our highways public lighting contract in Kowloon and New Territories East with the Highways Department of the Hong Kong Government was completed with a high level of client satisfaction. Leveraging our expertise in public lighting, we have also won a number of private lighting projects during the year.

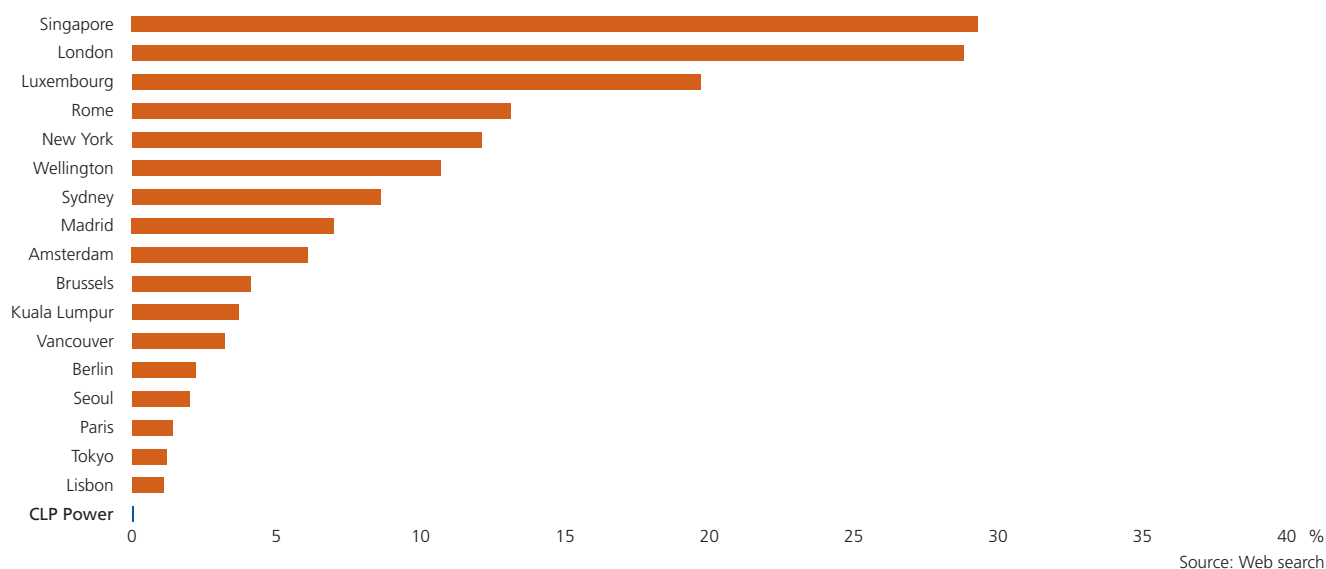
We also provide energy services, focusing on offering optimised solutions to meet customer needs. Our services span the entire

electrical range from extra-low voltage to super-high voltage, and involve activities from design, application, installation, commissioning and maintenance through to problem solving.

Tariff

In December 2006, we announced that tariffs will be frozen throughout 2007. There has now been no tariff increase since 1998 and, over that period until the end of 2006, we have given seven tariff rebates, exceeding HK\$3 billion in total – equivalent to an up to 3.7% tariff reduction in the respective years. By comparison, between 1999 and 2005, major power companies around the world increased their tariffs significantly, including in South Korea (9%), U.S. (16%), U.K. (28%) and New Zealand (97%).

Tariff Increases in Metropolitan Cities (2005-2006)



In line with the SAR Government's Action Blue Sky campaign, does CLP's programme to promote the all-electric concept to SMEs involve presenting any energy efficient and environmentally-friendly equipment to the laundry industry?



Ms. Apple Kong
General Manager,
Sunshine Laundry
Convenience Store
Co. Ltd.

Yes. CLP has been actively promoting energy efficient and environmentally-friendly products, such as Heat Pumps and Induction Cookers, to our customers for many years. For the laundry industry, the latest energy efficient electric clothes dryers and water heating systems can give a 10-20% energy saving when compared to traditional equipment. In recent months, CLP has helped four major players in the laundry sector successfully adopt these products. This is an illustration of a key element in our customer service – identifying and responding to the specific needs of individual customers.

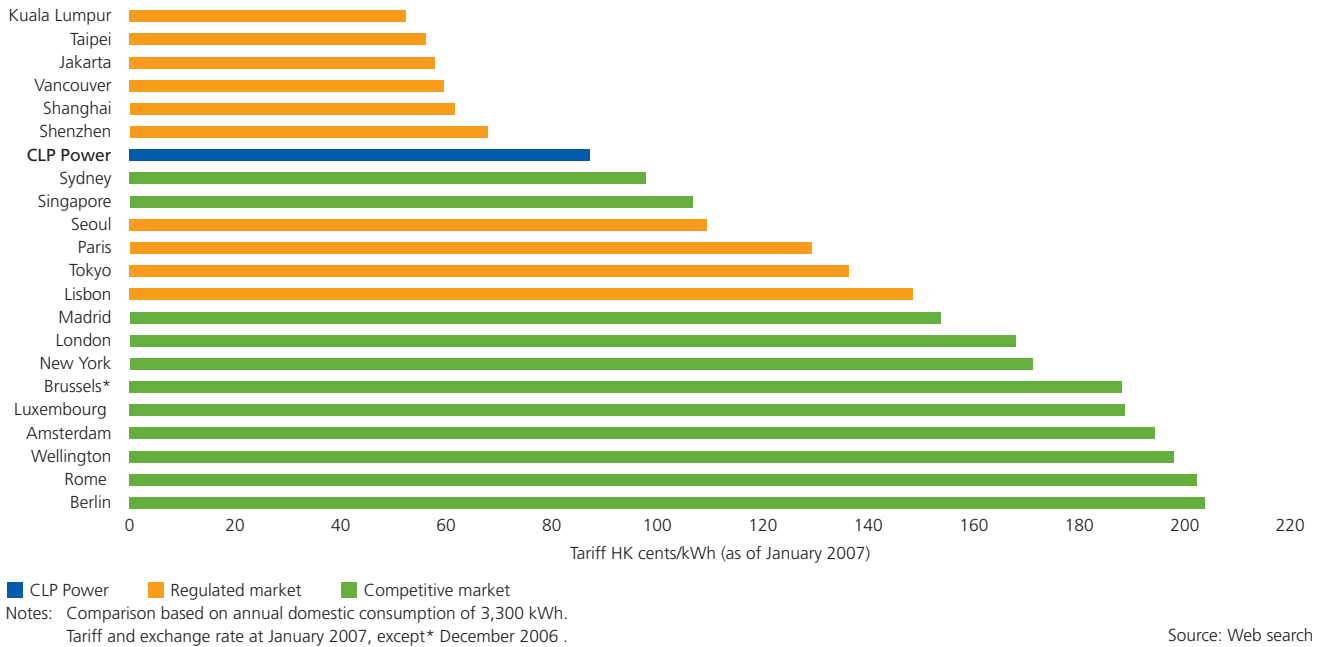


Chow Tang Fai
Director, Marketing and
Customer Services,
CLP Power Hong Kong

Over the past two years, large rises in fuel and material costs have caused major electric utilities in New York, London and Singapore to increase tariffs by between 12% and 29%. In CLP's case, we have been successful in managing such cost pressures through a combination of enhanced productivity, stringent cost control and the application for customers' benefit of 80% of the profits earned on electricity sales to Guangdong.

The result of CLP's efforts is tariff levels which compare favourably to those offered to customers in other world cities.

2007 Residential Tariff Comparison with Utilities in Major World Cities



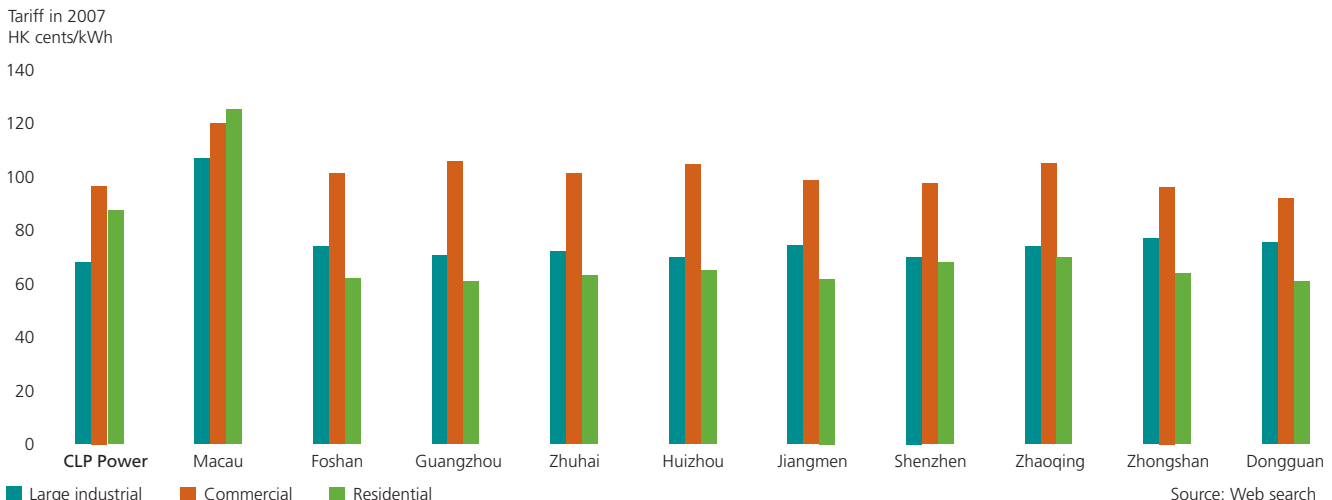
CLP's performance is even stronger than a simple glance at the above chart might indicate.

First, tariff levels must also be judged by reference to supply reliability, since lower tariffs can be achieved at the expense of reliability. CLP offers world-class reliability combined with reasonable tariff levels.

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

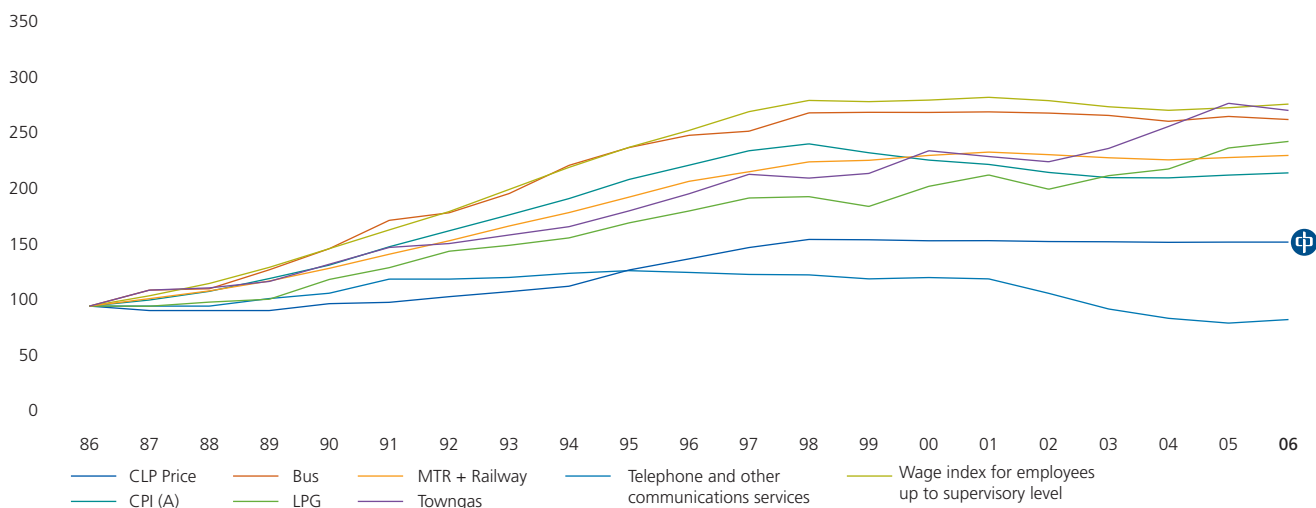
Comparisons of industrial and commercial tariffs are difficult because of variations in tariff structures, possible cross-subsidies and the limited public availability of information. We consider that our tariffs are comparable to Guangzhou, Shenzhen and Macau. Given lower supply reliability and environmental performance in Guangzhou and Shenzhen, our tariffs to industrial and commercial customers are good value for money.

Price Comparison between Hong Kong and Pearl River Delta Cities



CLP's performance in tariff management compares extremely well not only with electricity providers world-wide, but also with other Hong Kong utilities. Over the past 20 years, the average cost of electricity has decreased in real terms (i.e. taking into account inflation and deflation) by about 28%. CLP's electricity tariff will remain the lowest in Hong Kong in 2007, by an estimated margin of about 38%. Our tariff performance has been better than all other Hong Kong public utilities (including those in which Government itself owns a major stake) with the exception of telephone and other communications services, where rapid technological change has played a major part in reducing costs.

Price Comparison of Public Utilities and Consumer Price Index (1986=100)

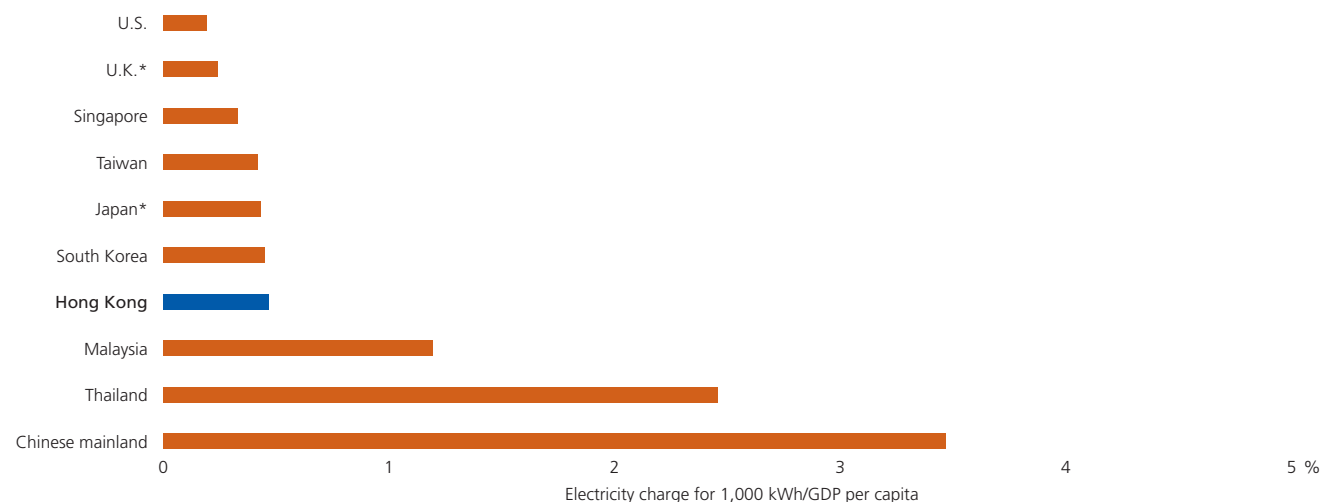


Note: Data for Wage index are up to September 2006.

Source: Census and Statistics Department of the Hong Kong Government

As well as being reasonable and competitive, CLP's tariffs are highly affordable for our Hong Kong customers. Electricity accounts for only 1.9% of monthly household expenditure in Hong Kong. The affordability of CLP's average electricity charges compares well with that of developed countries, after adjusting for the effects of currency fluctuation and different living standards.

2005 Affordability of Electricity



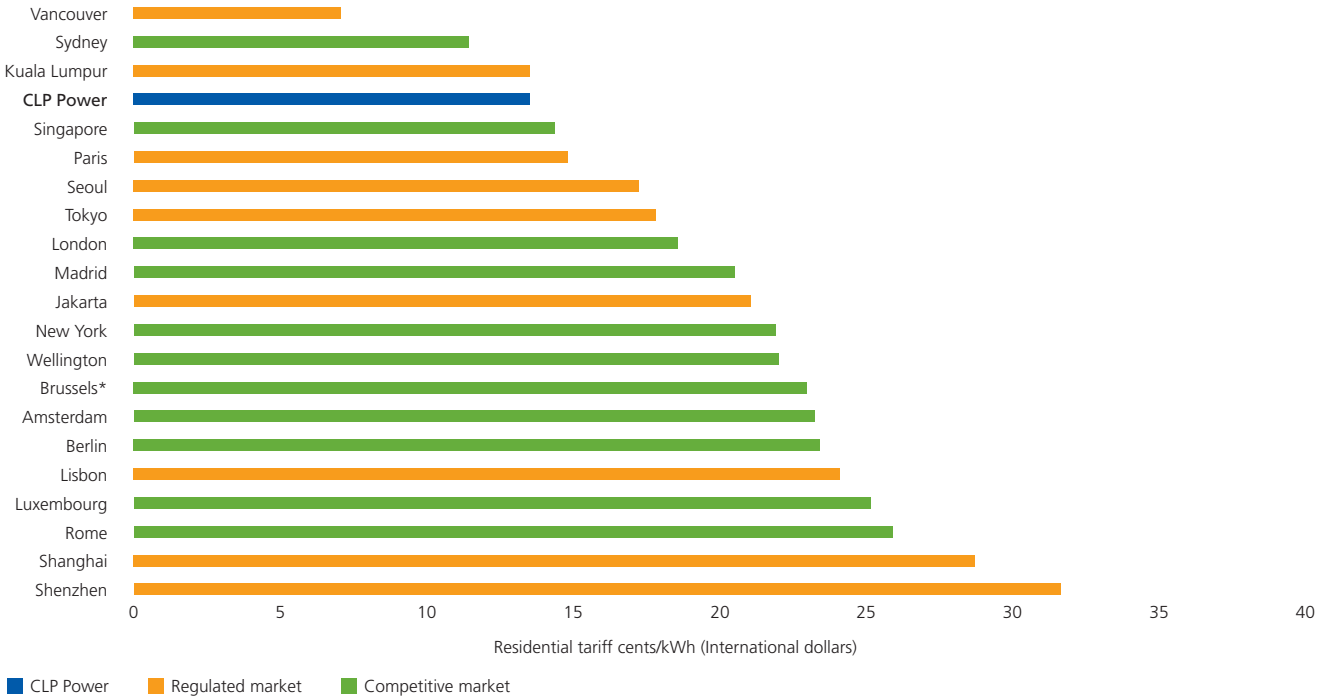
* 2004 data which are latest published information.

Source: Web search and survey

The chart below compares residential electricity prices in major world cities using a method known as Purchasing Power Parity ("PPP"). This is widely used by economists to compare more fairly the real 'cost' which a consumer bears when paying for various goods and services, including electricity tariffs.

As the chart shows, CLP's electricity charge is affordable even after adjusting for the effects of currency fluctuation and differing living standards using PPP.

2007 Household Electricity Charges – Comparison with Utilities in Major World Cities, adjusted for Purchasing Power Parity



Notes: Comparison based on annual domestic consumption of 3,300 kWh and tariff at January 2007, except * December 2006. Purchasing Power Parity (PPP) conversion factors are derived from 2005 figures from The World Bank. PPP is used to compare the purchasing power of the consumer when paying for goods and services – one US\$ is 'worth' more spent in China than spent in the U.S. When adjusted for PPP, CLP's tariff is even more reasonable. Source: Web search

Are electricity costs in Hong Kong contributing to the departure of its manufacturing industry?



Mr. Clement Chen
Deputy Chairman,
Federation of Hong
Kong Industries

To better understand this issue, two years ago CLP helped to partly sponsor a survey carried out by the Chinese University of Hong Kong & Lingnan University to look at the cost competitiveness of Hong Kong companies when they were deciding on business relocation and expansion. The most important factors were found to be staff quality, the reliability of electricity supply, the reliability of communication devices, fairness of law enforcement and the judicial system and market development potential. Respondents emphasised that the reliability of the electricity supply and other public utilities was considered as more important than tariff levels in relocation and expansion decisions.



Chow Tang Fai
Director, Marketing and
Customer Services,
CLP Power Hong Kong

Australia

TRUenergy is licensed to sell gas and electricity to contestable customers in New South Wales (NSW), Victoria, South Australia (SA), Queensland and the Australian Capital Territory (ACT).

TRUenergy's retail business operates in the National Electricity Market (NEM), a wholesale market for the supply of electricity to retailers and end-users in six connected regions throughout Australia. The NEM facilitates the trade of electricity as a commodity through the operation of a trading pool. Output from electricity generators is aggregated and dispatched to meet customer demand. Retailers, such as TRUenergy, have the option of purchasing electricity through the pool at market prices, or by negotiating direct contracts with generators through private hedge arrangements.

The operation and administration of the NEM is overseen by the Australian Energy Regulator (market monitoring and rule enforcement), the Australian Energy Market Commission (rule-making and market development) and the National Electricity Market Management Company (daily operations of the NEM). The operation, planning and development of the gas supply market is managed by independent state-based agencies in each State.

Competition

TRUenergy aims to be the first choice for residences and businesses looking for straightforward, competitively-priced energy solutions.

A majority of markets in which we operate are contestable, meaning that customers are free to choose their energy retailer. There is flourishing competition for customers and market churn is a significant risk for all retail energy businesses. In Victoria, the first Australian state to launch customer contestability, more than 500,000 electricity and 300,000 gas

customers switched retailers in 2005/2006, equivalent to a gross switching rate of 22% of customers for electricity and 19% for gas.

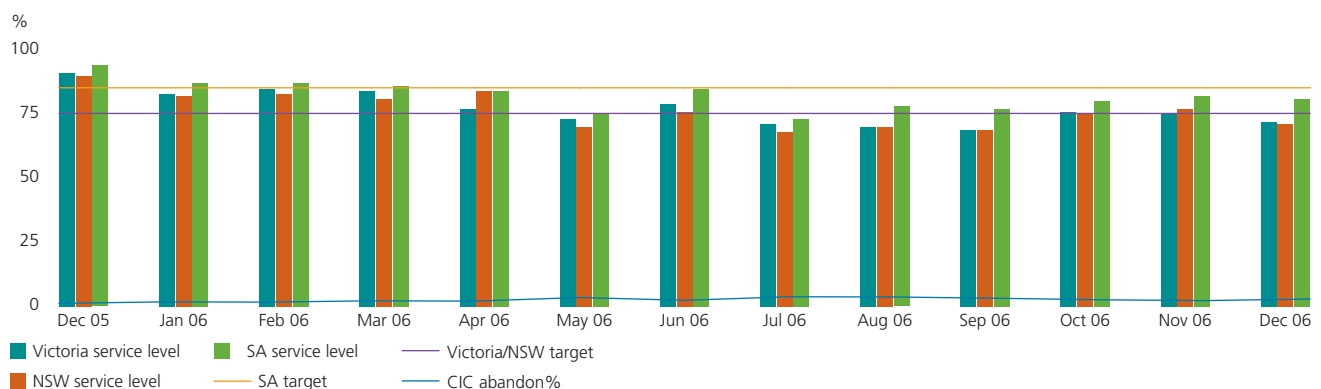
To capture market share, TRUenergy's retail business provides competitive energy products with other benefits or customer inducements. In 2006 we launched a new product range, the Go Range, to energise the market, raise the profile of our new products and leverage our brand positioning. Accompanied by an advertising campaign, for a six-week period we offered customers a choice of sign-up bonuses including petrol discounts and rewards for on time bill payments.

Customer Service

Customer satisfaction is a high priority for TRUenergy. Customers who choose TRUenergy do so after consideration of price, brand and the level of service we promise to provide and actually deliver.

In 2006, we answered 2.4 million customer enquiries. Recent studies by Accenture, McKinsey and Datamonitor rate our customer contact centres as world-class by reference to international benchmarks. Our customer management quality systems outline how we respond to customer enquiries and resolve issues and complaints which may arise. The full extent of our responsibility to customers is set out in our Retail Customer Charter (available on TRUenergy's website). Our customer services standards are overseen by independent bodies such as the Essential Services Commission, energy ombudsman schemes and consumer protection agencies. The following chart illustrates TRUenergy's service levels, using a measure which is an overall indicator of the average speed to answer, call handling time and call abandonment rate. The targets for service levels are set by the Essential Services Commission in Victoria and SA.

Customer Interaction Centre (CIC) Service Level & Abandonment



Throughout 2006, TRUenergy was successful in reducing the number of official complaints to the Ombudsman achieving a lower than industry average complaint rate.