

25 April 2017

Mrs Betty Yuen
Vice Chairman
CLP Power Hong Kong Limited
8 Laguna Verde Avenue
Hung Hom, Kowloon
Hong Kong

Mr Paul Poon
Director
Castle Peak Power Company Limited
8 Laguna Verde Avenue
Hung Hom, Kowloon
Hong Kong

Dear Mrs Yuen and Mr Poon,

Amendments to the earning of the Energy Efficiency Incentive Amount under the Scheme of Control Agreement

1. Concurrent with the execution of a new scheme of control agreement to come into effect on 1 October 2018 and to facilitate the uninterrupted continuation of benefits to the community from energy efficiency initiatives, the Government, CLP Power Hong Kong Limited (“CLPP”) and Castle Peak Power Company Limited (“CAPCO”) have agreed to amend the scheme of control agreement dated 7 January 2008 (“SCA”) entered into amongst the Government, CLPP, CAPCO and ExxonMobil Energy Limited (which ceased to be a party to the SCA with effect from 12 May 2014 pursuant to the supplemental agreement mentioned immediately below) as amended by (i) the supplemental agreement dated 23 April 2014 entered into amongst the Government, CLPP, CAPCO and ExxonMobil Energy Limited; and (ii) the “2013 SCA Review – amendments to the SCA” side letter agreement dated 19 December 2014 entered into amongst the Government, CLPP and CAPCO.
2. Unless otherwise defined in this letter, capitalised terms used herein shall have the meanings as defined in the SCA.
3. Under the SCA, the Energy Efficiency Incentive Amount (defined in paragraph 5A.2 of Schedule 6) is applicable to full calendar years only. The incentive was put in place to encourage performance by the Companies in relation to the promotion of energy efficiency and conservation and it has been agreed between the Government and the Companies that the application of such incentive would be extended to the nine months ending 30 September 2018. This letter sets out the agreement reached between the Government and the Companies on amendments to the SCA as described in paragraph 4 below. These amendments to the SCA shall become effective on and from the date of signing of this letter.

4. Energy Efficiency Incentive

- 4.1 The words “which is a full calendar year” shall be deleted from the first sentence of paragraph 2 of Schedule 6 to the SCA.
- 4.2 The words “(or for the period from 1 January 2018 to 30 September 2018, is equal to or greater than 9 GWh)” shall be inserted after “12GWh” in sub-paragraph 2(a) of Schedule 6 to the SCA.
- 4.3 The words “which is a full calendar year” shall be deleted from the first sentence of both paragraphs 3 and 4 of Schedule 6 to the SCA.
- 4.4 The words “(or for the period from 1 January 2018 to 30 September 2018, is equal to or greater than 113)” shall be inserted after “150” in sub-paragraph 4(a) of Schedule 6 to the SCA.
- 4.5 Paragraph 5A.2 of Schedule 6 to the SCA shall be deleted and replaced with the following new paragraph:

“5A.2 The Companies shall make a non-refundable contribution to the Energy Efficiency Fund (an “EEF Contribution”) of an amount equal to the sum of the Energy Saving Incentive Factor (if positive) and the Energy Audit Incentive Factor (if positive) to be determined as specified in this Schedule 6 multiplied by the total value of the Companies’ Average Net Fixed Assets for that Year (collectively, the “Energy Efficiency Incentive Amount”) that may be added to the Permitted Return in respect of each Year falling within the period from 1 January 2014 to 30 September 2018 pursuant to clause 4(1) and clause 4(3)(h) of this Agreement. Provided that for the period from 1 January 2018 to 30 September 2018, the Energy Efficiency Incentive Amount shall be calculated based on the average of the opening balance at 1 January 2018 and closing balance at 30 September 2018 of Net Fixed Assets, pro-rated to nine months. To the extent that there is no Energy Efficiency Incentive Amount to be added to the Permitted Return in respect of a Year, the Companies shall have no obligation to make an EEF Contribution in respect of that Year.”

- 4.6 The words “The Energy Efficiency and Renewables Incentive Amount shall be zero for any Year which is not a full calendar year.” shall be deleted from the last sentence of paragraph 14 of Schedule 6 to the SCA.
- 4.7 The following new paragraph shall be inserted into Schedule 6 of the SCA as paragraph 15:

“15 In relation to the Year from 1 January 2018 to 30 September 2018, the Energy Efficiency and Renewables Incentive Amount shall be the sum of:-

- (a) the Energy Saving Incentive Factor for that Year determined in accordance with paragraphs 2 to 3;
- (b) the Energy Audit Incentive Factor for that Year determined in accordance with paragraph 4; and

(c) the Renewable Energy Incentive Factor for that Year shall be zero,

multiplied by the average of the opening balance at 1 January 2018 and closing balance at 30 September 2018 of Net Fixed Assets, pro-rated to nine months.”

5. Notwithstanding any provision elsewhere in the SCA to the contrary, if there is any inconsistency or discrepancy between this letter and the SCA, the content of this letter shall prevail.
6. The SCA and this letter shall be read and construed as one single document. Save as expressly amended by this letter, all terms and conditions of the SCA shall remain in full force and effect.
7. This letter shall be governed by and interpreted in accordance with the laws of Hong Kong. Any dispute, controversy or claim arising out of or relating to this letter, or the breach, termination or invalidity thereof, shall be settled by arbitration as provided for and contemplated under clause 9 of the SCA, which shall be deemed to have been incorporated into this letter, mutatis mutandis.

IN WITNESS whereof the parties hereto have hereunto set their hands and affixed their seals on the date of this letter which was executed as a deed.

SIGNED SEALED AND DELIVERED by)
Wong Kam Sing)
Secretary for the Environment)
for and on behalf of the Government)
of the Hong Kong Special Administrative)
Region in the presence of:-)
) Wong Kam Sing
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)
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.....)
Vincent Liu)

The Common Seal of CLP Power)
Hong Kong Limited was hereunto)
affixed by authority of the directors)
in the presence of:-)
) William E. Mocatta
) Chairman
)
)
)
)
)
.....)
Joseph Law) Richard Lancaster
) Director

The Common Seal of Castle Peak
Power Company Limited was hereunto
affixed by authority of the directors
in the presence of:-

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Joseph Law

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) Betty Yuen
) Vice Chairman
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) Paul Poon
) Director