

THIS SUPPLEMENTAL AGREEMENT is executed as a deed on the 10th day of January of Two Thousand Twenty Four.

BETWEEN:-

- (1) The Government of the Hong Kong Special Administrative Region of the People's Republic of China ("**Government**")
- (2) The Hongkong Electric Company, Limited 香港電燈有限公司, a company incorporated and existing under the laws of Hong Kong ("**HEC**")
- (3) HK Electric Investments Limited 港燈電力投資有限公司, a company incorporated and existing under the laws of the Cayman Islands and registered as a non-Hong Kong company under the former Companies Ordinance (Chapter 32 of the laws of Hong Kong), the predecessor ordinance to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) ("**HKEIL**")

WHEREAS:-

(A) The parties entered into the Scheme of Control Agreement ("**SCA**") on 25 April 2017 (as amended by the letter agreement dated 28 September 2018).

(B) Having conducted an interim review of the provisions of the SCA in 2023, the parties have agreed to make certain modifications to the SCA pursuant to clause 7(3) thereof and hereby record the agreed modifications by this supplemental agreement ("**this Agreement**").

THE PARTIES HAVE AGREED AS FOLLOWS:-

1. Definitions and construction

- 1.1 The terms defined in the SCA shall have the same meanings herein unless the context otherwise requires.
- 1.2 The SCA and this Agreement shall be read and construed as one single document. Save as expressly amended by this Agreement, all terms and conditions of the SCA shall remain in full force and effect.

- 1.3 Notwithstanding any provision elsewhere in the SCA to the contrary, if there is any inconsistency or discrepancy between this Agreement and the SCA, the content of this Agreement shall prevail.

2. Special Tariff Relief in the event of energy crisis

- 2.1. A new clause 3(5) is added after clause 3(4) as follows:-

“The parties have agreed on a special tariff relief mechanism as set out in Schedule 7.”

- 2.2. A new Schedule 7 is added after Schedule 6 as follows:-

“Schedule 7

SPECIAL TARIFF RELIEF IN THE EVENT OF AN ENERGY CRISIS

1. In this Schedule:-

“**Special Tariff Relief**” means the tariff relief in the form of tariff credit per unit of electricity consumption to be provided to Targeted Customers in accordance with this Schedule 7.

“**Targeted Customers**” means low consumption residential customers who are most in need of support as agreed between HEC and the Government.

“**Total Tariff**” means the sum of the Basic Tariff Rate and the fuel clause charge.

“**Trigger Point**” means, where an energy crisis as a result of geopolitical situation, natural disaster or unusual market volatility has led to a persistent surge in fuel prices in a Year, the point at which the increase in the Total Tariff as compared with January of that Year exceeds 20%. The Trigger Point will be reviewed by the Government and HEC when there is a significant change in fuel mix and / or related arrangements.

2. If during a Year the Trigger Point is reached, the arrangements set out in paragraphs 3 to 7 below will apply to that Year.

3. HEC will provide, from its non-Scheme of Control account and subject to the Cap set out in paragraph 4 below, a Special Tariff Relief to Targeted Customers to mitigate the impact of the sharp rise in fuel costs. The Special Tariff Relief does not aim to subsidise normal electricity consumption.
4. In the event the Special Tariff Relief is triggered in a Year, the sum of HEC's contributions to the Special Tariff Relief and HEC's contributions to the HEC Community Energy Saving Fund in accordance with the provisions of the SCA and other tariff-relief measures for disadvantaged customers in the Year shall be capped at 100% of the financial incentives earned by HEC under Schedules 4 and 5 to the SCA in that Year ("**Cap**").
5. The Special Tariff Relief will be in the form of tariff credit per unit of electricity consumption for each Targeted Customer. The specific amount of tariff credit and the payment mechanism will be determined by HEC in consultation with the Government, taking into account the magnitude of increase in the fuel clause charge and other actual circumstances when the Special Tariff Relief mechanism is triggered.
6. The Special Tariff Relief in the form of tariff credit shall be provided until end of that Year or when the Total Tariff drops below the Trigger Point during the Year, whichever is the earlier.
7. If the Special Tariff Relief offered exceeds the Cap for that Year, the excess will be treated as deficit in the Fuel Clause Recovery Account."

3. New penalty scheme for large-scale electricity supply interruption based on Customer Interruption Duration

3.1 The title of Schedule 4 is deleted and replaced with:-

**"CUSTOMER PERFORMANCE INCENTIVES/PENALTIES
AND CUSTOMER INTERRUPTION DURATION
MECHANISM"**

3.2 Paragraph 1 of Schedule 4 is deleted and replaced with:-

“1. This Schedule sets out the financial incentives and penalties in respect of HEC’s performance in supply reliability, operational efficiency, customer services and supply restoration (each of these four categories being a “**Customer Performance Category**”), and the financial penalties for large-scale electricity supply interruption.”

3.3 New paragraphs 13 to 15 are added after paragraph 12 of Schedule 4 as follows:-

“13. Adopting a new performance index of Customer Interruption Duration (“CID”) for a single large-scale electricity supply interruption incident:-

(a) CID is the total sum of the product of “number of customers whose electricity supply is interrupted” and “duration of power interruption expressed in minutes” for each group of affected customers in each single large-scale electricity supply interruption incident, determined using the formula in paragraph (b) below. An example is set out as follows:-

A single large-scale electricity supply interruption incident has caused interruptions to three different groups of affected customers with different interruption durations, details as below:-

Number of customers whose electricity supply is interrupted (AA)	Duration of power interruption expressed in minutes (BB)	(AA) x (BB)
10 000	900	9 000 000
20 000	600	12 000 000
30 000	300	9 000 000
CID of the incident in minutes: (total sum of the above)		30 000 000

(b) CID is determined in accordance with the following formula:-

CID = the sum of [AA x BB] for each group of affected customers whose electricity supply is interrupted by a single large-scale electricity supply interruption incident

Where:-

AA means the number of customers in a group of affected customers whose electricity supply is interrupted by that single large-scale electricity supply interruption incident

BB means the duration of power interruption expressed in minutes for that group of affected customers whose electricity supply is interrupted by that single large-scale electricity supply interruption incident

(c) The penalty for each single large-scale electricity supply interruption incident in any Year shall be that specified in the “Penalty Adjustment on Permitted Return” column according to the severity of each large-scale electricity supply interruption incident determined in accordance with the “Threshold” column of the table below:-

Threshold	Penalty Adjustment on Permitted Return
CID is equal to or greater than 5 000 000 minutes but less than 10 000 000 minutes	-0.015%
CID is equal to or greater than 10 000 000 minutes	-0.03%

(d) In determining the CID, no account shall be taken of any interruption to the supply of electricity to a customer where:-

- i. the interruption is due to severe weather conditions, including but not limited to, Typhoon No. 8 or above and Black Rain Storm;
- ii. the interruption is at the request of the customer concerned or agreed by the customer concerned for any improvement works on equipment owned and operated by HEC to supply this customer or caused by equipment owned or operated by any customer;
- iii. the interruption is caused by a third party;
- iv. the interruption is caused by any other planned interruption to facilitate the improvement of HEC's transmission and distribution facilities which the Government approves as being, or having been, fair and reasonable; or

- v. the interruption is caused by any force majeure event(s).

(e) For the purpose of this paragraph 13:-

“force majeure event” means any event which is beyond the control of HEC, including but not limited to, any terrorist attack, war, hostilities (whether war be declared or not), invasion, acts of foreign enemies, rebellion and revolution affecting Hong Kong, overthrow (whether by external or internal means) of the Government, and acts of God.

“large-scale electricity supply interruption” means an electricity supply interruption incident with CID equal to or greater than 5 000 000 minutes.”

“14. In relation to any Year which is a full calendar year, the Customer Interruption Duration Penalty Amount for each single large-scale electricity supply interruption incident shall be the Penalty Adjustment on Permitted Return determined in accordance with paragraph 13 multiplied by the total value of HEC’s Average Net Fixed Assets for that Year.”

“15. Notwithstanding anything else in this Schedule 4, if HEC has been penalised in an incident under the CID mechanism, such incident will not be included in the calculation of incentives or penalties for HEC’s performance in supply reliability or supply restoration measured by ASAI or Average GSRT as defined in paragraphs 3 and 9 above, respectively.”

3.4 Clause 4(3)(f) of the SCA shall be deleted and replaced with:-

“(f) adjustment in the form of the Customer Performance Incentive / Penalty Amount and deduction of the Customer Interruption Duration Penalty Amount for that Year calculated in accordance with Schedule 4;”

- 4. Notwithstanding the last sentence of clause 7(3) of the SCA, the changes to the provisions of the SCA as provided for by this Agreement shall be deemed to have come into effect on 1 January 2024. To the extent of any inconsistency between this clause and the last sentence of clause 7(3) of the SCA, this clause shall prevail.

5. This Agreement shall be governed by and construed in accordance with the laws of Hong Kong.
6. Nothing in this Agreement confers, or purports to confer, on any third party any benefit or any right to enforce any term of this Agreement pursuant to the Contracts (Rights of Third Parties) Ordinance (Cap. 623).
7. Any dispute, controversy or claim arising out of or in relating to this Agreement shall be settled by arbitration in accordance with clause 9 of the SCA.

IN WITNESS whereof the parties hereto have hereunto set their hands and affixed their seals on the date first above written.

SIGNED SEALED AND DELIVERED)
as a deed by Tse Chin Wan)
Secretary for the Environment and Ecology)
for and on behalf of the Government)
of the Hong Kong Special Administrative)
Region in the presence of a witness:-)
) Tse Chin Wan
)
)
)
)
.....)
Kwok Wai-ling, Polly)

Executed and delivered as a deed and)
the Common Seal of)
The Hongkong Electric Company, Limited)
香港電燈有限公司)
was affixed in the presence of)
Fok Kin Ning, Canning, Chairman and)
Cheng Cho Ying, Managing Director)
in the presence of a witness:-) Fok Kin Ning, Canning
) Chairman
)
)
)
)
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.....)
Alex Ng) Cheng Cho Ying
) Managing Director

Executed and delivered as a deed and)	
the Common Seal of)	
HK Electric Investments Limited)	
港燈電力投資有限公司)	
was affixed in the presence of)	
Fok Kin Ning, Canning, Chairman and)
Cheng Cho Ying, Chief Executive Officer)	Fok Kin Ning, Canning
and Executive Director)	Chairman
in the presence of a witness:-)	
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.....)	
Alex Ng)	
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)	Cheng Cho Ying
)	Chief Executive
)	Officer and Executive
)	Director