



## Flash Note: CLP Holdings (00002 HK)

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# Lower Retail Power Tariffs in Australia Possible in 2H2019

澳洲的零售电价可能在2019年下半年降低

- **The Australian Energy Regulator ("AER") formally began the process to set a default market offer ("DMO") price for retail electricity which will likely lead to lower retail prices beginning July 1, 2019.** The AER published its position paper in response to the Australian government's request for the AER to develop an electricity price cap as recommended by the Australian Competition and Consumer Commission ("ACCC") in its retail pricing report in June, 2018. According to the AER's timeline, a formal decision will be made on April 30, 2019.
- **The AER has indicated that it would prefer to use a "top-down" approach to determine the DMO due to its simplicity and transparency.** Whereby the DMO would be determined based on observing current competitive market prices and expectations. The AER will also evaluate a traditional "bottom-up" approach through cost-based analysis, but has expressed concerns about accessibility of accurate detailed cost information and limited time.
- **The ACCC reported average residential electricity price in Australia had risen 55.8% to AU29.6 cents/kWh from AU19.0 cents/kWh during the period 2007-2008 to 2017-2018.** Average residential electricity price in the U.S. over the same period was US10.0 cents/kWh (approx. AU13.7 cents/kWh). Average residential electricity price in the EU over the same period was EUR13.0 cents/kWh (approx. AU20.4 cents/kWh).
- **We think the DMO will likely negatively impact CLP's EnergyAustralia retail business.** Our TP for CLP Holdings (00002 HK) is HK\$95.00, investment rating is "Accumulate". Due to our expectation that CLP's EnergyAustralia retail business will suffer as a result of the DMO and considering increased regulatory risk in Australia's energy sector due to the removal of the National Energy Guarantee, we will lower our TP in our next company report. We will maintain our investment rating as CLP remains an attractive defensive stock with stable operations in its main Hong Kong market.
- **澳大利亚能源监管机构 ("AER") 正式开始设定零售电力的默认市场报价 ("DMO")，从 2019 年 7 月 1 日开始可能导致零售价格下降。** AER 公布了其立场文件，回应澳大利亚政府要求 AER 根据澳大利亚竞争和消费者委员会 ("ACCC") 在 2018 年 6 月的零售价格报告中建议的电价上限。根据 AER 的时间表，正式决定将于 2019 年 4 月 30 日作出。
- **AER 表示，由于其简单性和透明性，AER 倾向于采用“自上而下”的方法来确定 DMO。** 因此，DMO 将根据观察当前竞争市场价格和预期来确定。AER 还将通过基于成本的分析，以传统的“自下而上”方法进行评估，但对准确详细的成本数据的可获取性和有限时间表示担忧。
- **ACCC 报告称，2007-2008 至 2017-2018 期间，澳大利亚的平均住宅电价从 19.0 澳分/千瓦时上涨 55.8% 至 29.6 澳分/千瓦时。** 同期美国的平均住宅电价为 10.0 美分/千瓦时 (约合 13.7 澳分/千瓦时)。欧盟同期的平均住宅电价为 13.0 欧分/千瓦时 (约合 20.4 澳分/千瓦时)。
- **我们认为 DMO 可能会对中电控股的 EnergyAustralia 零售业务产生负面影响。** 我们对中电控股 (00002 HK) 的目标价为 95.00 港元，投资评级为“收集”。由于我们预期中电控股的 EnergyAustralia 零售业务将因 DMO 而受到负面影响，并考虑到由于取消国家能源保障 ("National Energy Guarantee") 而增加澳大利亚能源行业的监管风险，我们将在下一份公司报告中降低我们的目标价。因为中电控股仍然是一个具有吸引力的防御性股票，其主要香港市场运营稳定，我们将维持投资评级。

**Company Rating Definition**

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

**Sector Rating Definition**

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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