

Today, I would like to say a few words on the following two topics: the request for saving electricity this winter, and our views on the Basic Energy Plan.

#### 1. Request for cooperation in saving electricity this winter

First, I would like to say a few words on the request for cooperation in saving electricity this winter. The supply and demand outlook for this winter was reported at last month's press conference. Then, at the meeting of the Electricity Supply-Demand Verification Subcommittee held on November 1, the measures for this winter, including the request for saving electricity, were officially announced.

This winter, it seems that all electric power companies will manage to secure a minimum reserve margin of 3% needed for a stable supply of electricity. However, with no clear prospects for restarting the nuclear power plants, the supply remains tight, and the power companies are struggling to secure electricity supply by depending heavily on thermal power plants, by measures such as putting off periodic inspections of thermal power plants and using aged thermal power plants, while asking our customers to help in saving electricity.

In particular, in Hokkaido, where power demand peaks in the winter, the situation is expected to remain very tight as a trouble or shutdown of even a single generator could affect the reserve margin of the area, and because it cannot receive much electricity from other power companies in an emergency due to the limited capacity of transmission lines.

Consequently, the government decided to set a numerical target for the Hokkaido area to cut electricity consumption by 6% from 2010 levels from 4pm to 9pm on weekdays from December 9 to March 7, and to require all other areas except Okinawa to save electricity on weekdays from December 2 to March 31 without specifying numerical targets.

It is with great reluctance that we must ask our customers, especially those under the severe weather conditions of Hokkaido, to reduce their electricity consumption for a prolonged period. We apologize for the significant inconvenience and trouble this will cause, and ask for their understanding and cooperation. We will continue to make utmost efforts on both the supply and demand sides.

#### 2. Our views on the discussions on the Basic Energy Plan

Next, I would like to present our views on the Basic Energy Plan which is currently being formulated. I would like to repeat and explain what I said at the Basic Policy Subcommittee meeting this week on November 12. The handout is the document that we submitted at the meeting.

The electric power companies have made utmost efforts to make life more comfortable for customers and to contribute to their economic activities, remembering that the fundamental duty of the electric power companies is to provide high quality and inexpensive electricity to customers in a stable manner. To do so, it

is extremely important to achieve simultaneously the “S+3E’s policy”, which stands for safety, energy security, economic efficiency and environmental conservation, throughout all phases of production, distribution and consumption of electricity, based on the major premise of ensuring safety. In particular, in the production stage, the power companies have worked for a long time since the Oil Shocks to establish a well-balanced energy mix.

However, since the Great East Japan Earthquake, due to the prolonged shutdown of the nuclear power plants and the increased dependence on thermal power, the energy mix is becoming unbalanced.

In terms of ensuring a stable supply of electricity, we are being forced to review our supply and demand forecasts each summer and winter and to ask our customers to reduce electricity consumption. In terms of economic efficiency, fuel costs for thermal power have almost doubled since before the earthquake disaster, resulting in a vast outflow of national wealth. Further, in terms of the environment, CO<sub>2</sub> emissions from electricity generation have increased significantly. In summary, Japan is now facing serious challenges in terms of all the 3Es.

To deal with this situation, we must take various measures to secure diverse options for the energy mix.

Specifically, we will promote diverse efforts on both the supply and demand sides, such as setting new tariff plans that help reduce energy consumption, and deploying smart meters, in addition to improving the efficiency of thermal power and diversifying the sources of fuel procurement.

Further, for Japan, which has limited energy resources, nuclear power plays a critical role with its excellent 3E balance, and we believe that it is essential to continue to utilize nuclear power generation premised on safety.

To do so, the power companies must make voluntary efforts to improve the safety and reliability while fully meeting the new regulatory requirements, with an absolute commitment to avoiding a repetition of the Fukushima Daiichi accident.

Based on these views, I would like to emphasize three points regarding the formulation of the Basic Energy Plan, as summarized on pages 6 and 7 of the [handout](#).

First, we ask the government to clearly state that nuclear power is an essential power source for achieving a well-balanced energy mix and should be continuously promoted, including the nuclear fuel cycle.

Second, it is important to continue to use a certain level of nuclear power in order to maintain the technological and human resources base, and to secure bargaining power in procuring fossil fuels. Thus, we ask the government to clearly point out the need to utilize the existing power plants that have been proven to be safe, including those that have been operating for more than forty years, as well as the need to rebuild existing plants and construct new ones.

The third point concerns the relationship between nuclear power and the reforms of the electric power system.

On November 13 this week, the draft revisions of the Electricity Business Act were passed into law. The reforms are critical for ensuring that electricity is supplied inexpensively in a stable manner for the future. Thus, the electric power companies are committed to actively cooperating with the detailed reviews to create an electric power system that truly benefits the users.

Meanwhile, to make the electric power system more effective than it currently is, it is important to ensure that the nuclear power policy is consistent with the reforms, both in terms of its content and schedule. To continue to run the nuclear power business which has been promoted under a government policy, we ask the government to take this opportunity to redefine the roles of the private and public sectors, and to clarify that it is necessary to improve the business environment for private businesses to be responsible for nuclear power generation.

These are the three points that we would like to emphasize. Energy policy is a key policy of a nation, and thus, we ask the government to promote it steadily without vacillating in the medium- to long-term, by discussing various factors including the impact on the lives of the people and economic activity.

Current status of industry-wide support for the contaminated water issue of the Fukushima Daiichi Nuclear Power Station

Lastly, I would like to report on the contaminated water issue of the Fukushima Daiichi. The entire electric power industry is making every effort to deal with this issue, and both personnel and technical support are being considered in the “Contaminated Water Response Project” set up under the Fukushima Support Headquarters of the FEPC.

So far, the power companies have dispatched eleven radiation management personnel to Tokyo Electric, as well as three personnel to the International Research Institute for Nuclear Decommissioning.

Further, various technical measures proposed by the power companies are being discussed by a committee set up within the FEPC. There are some highly promising ideas such as technologies for mitigating the seepage of rainwater into the ground water and accelerating the discharge of ground water. The proposals will be reviewed by Tokyo Electric based on the situation at the site.

The power companies are planning to consider further measures, based on how the situation develops and considering the intentions of Tokyo Electric.

This is all for today.

Thank you for your kind attention.

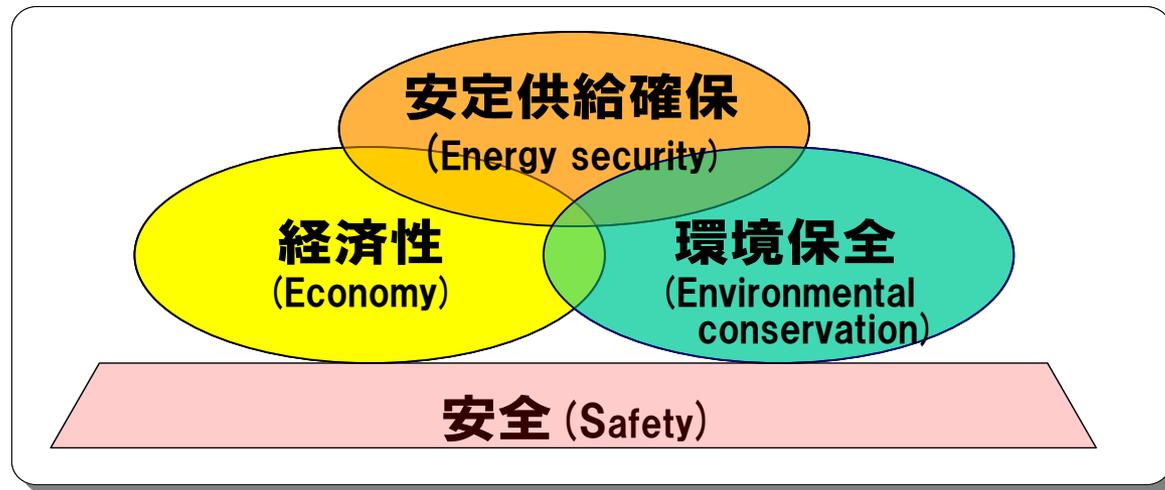
Submitted by the FEPC at the Ninth Meeting of the Basic Policy Subcommittee, Advisory Committee for Natural Resources and Energy (November 12, 2013)

# Formulation of the Basic Energy Policy

November 12, 2013

Federation of Electric Power Companies (FEPC)

- Our key mission is to provide high quality, stable electricity at a low price.
- This requires a well-balanced energy mix from the S+3E perspective, particularly during production.



## Production (procurement) phase

Achieving a well-balanced energy mix

## Distribution phase

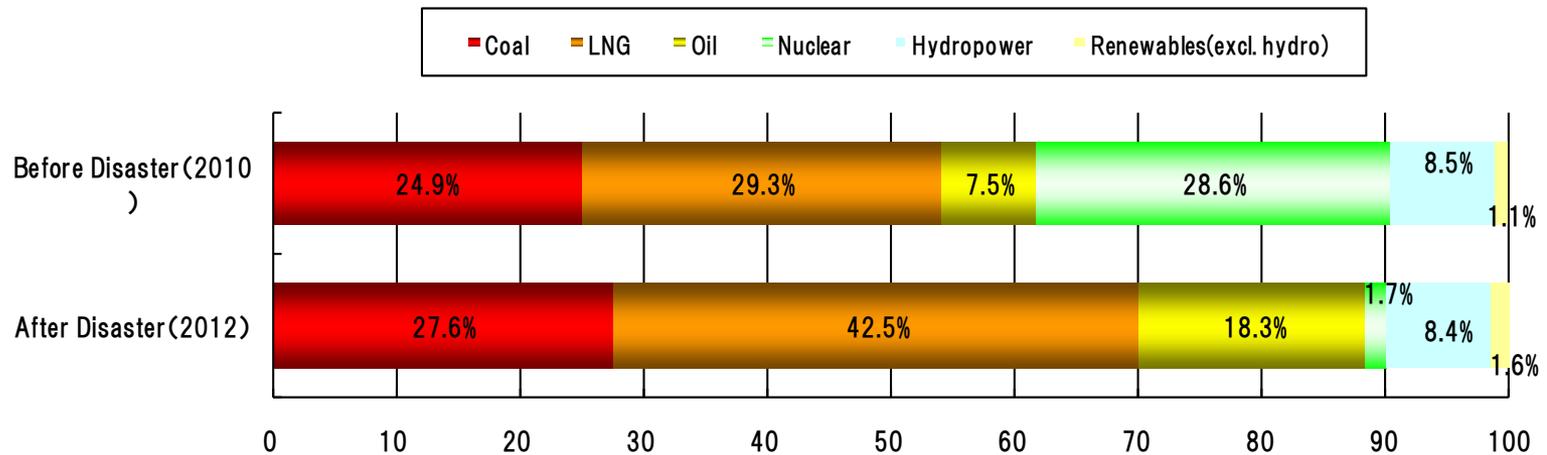
Improving the quality of electricity through effective plant planning and operation

## Consumption phase

Promoting energy saving

- The energy mix was well balanced before the disaster.
- Since the disaster, nuclear power plants have not been allowed to restart due to safety (S) concerns, so the energy mix is unbalanced, damaging all three Es.

[ Generation Mix of Power Sources ]



### Supply stability

Destabilization of the supply and demand of electricity  
 (Requesting electricity saving every summer and winter)

### Economic efficiency

Sharp increase in fossil fuel costs  
 (3.6 trillion yen → 7.0 trillion yen)

### Environment-friendliness

Increase in CO<sub>2</sub> emissions  
 (374 million t-CO<sub>2</sub> → 486 million t-CO<sub>2</sub>)

Comparison of FY 2010 and FY 2012

Comparison of FY 2010 and FY 2012

- The problems will worsen if we do not use nuclear power and replace it with other alternatives in the energy mix.
- For the S+3E, it is important to secure diverse options, including nuclear power.

Continue depending on thermal power?

- Higher fuel costs will cause the outflow of national wealth and increased CO<sub>2</sub> emissions, while significantly increasing the risk of fuel procurement.  
⇒ Cannot be depended on excessively

Replace with renewable energies?

- Issues such as unstable output and high costs remain unsolved.  
(Burden on citizens is increasing in other countries.)  
⇒ Renewables offer potential as technologies develop, but cannot serve as a base source of electricity without solving the current issues, which must be addressed in the long term.

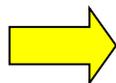
Expectations for saving energy and electricity?

- While the environment for saving energy and electricity will improve, efficiency has already been greatly increased in Japan. Future growth strategies could push up demand.  
⇒ Excessive expectations on reducing demand could affect supply stability.

- It is important to make various efforts for securing diverse options for the energy mix.

## Production (procurement)

### Raising nuclear safety



5

### Advanced use of coal, LNG and thermal power

#### Stable fuel procurement

- Achieving the highest thermal efficiency in the world
- Securing upstream interests
- Diversifying procurement sources
- Introducing unconventional natural gases (e.g. shale gas)

### Expanding the use of renewable energies

- Promoting the development and introduction of renewable energies
- Improving the infrastructure through technological development (e.g. using interchange lines and forecasting output)

## Consumption

### Promoting energy saving

- Electricity tariffs that help save energy
- Improving the efficiency of energy use through energy-saving solutions

## Distribution

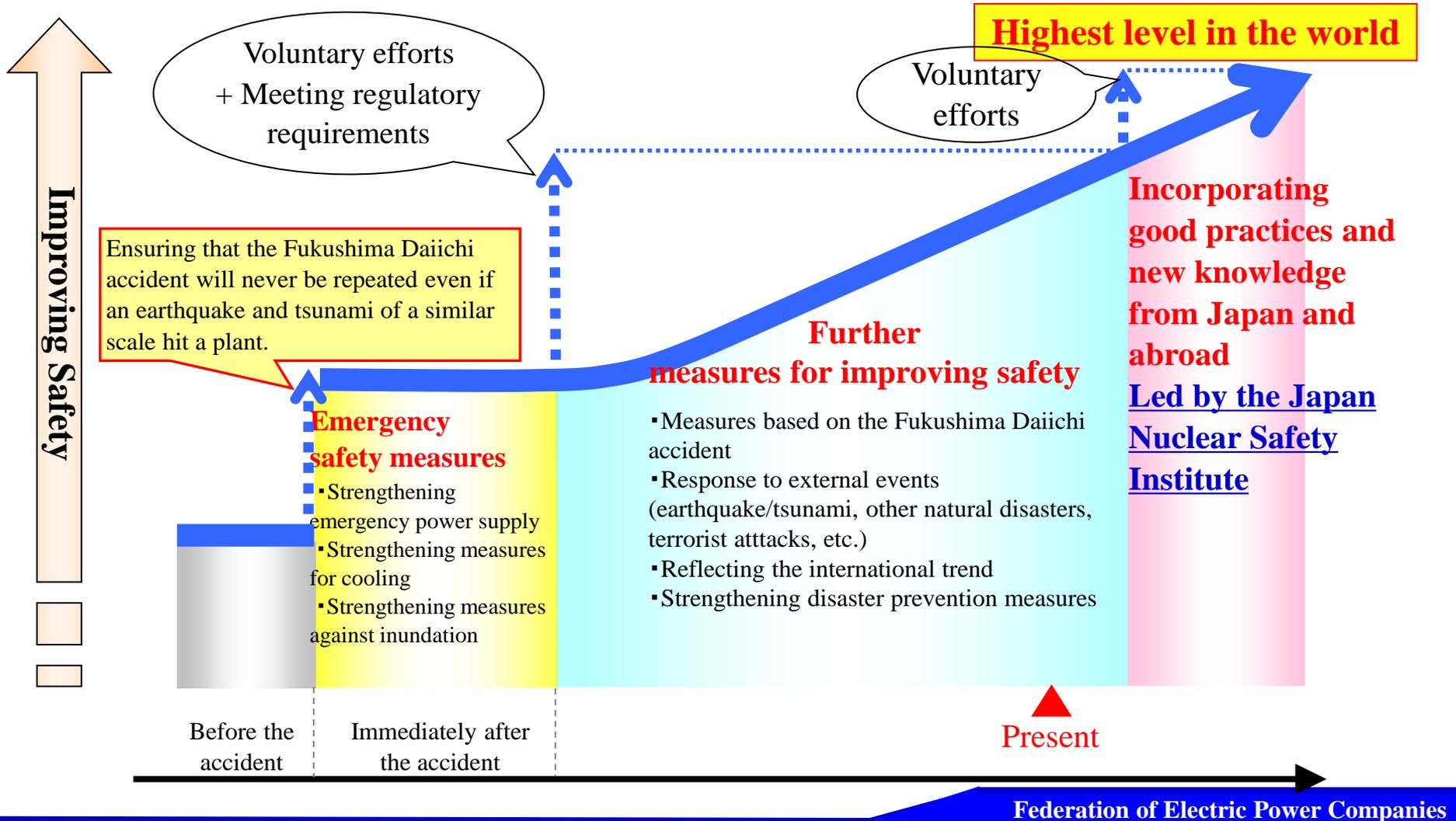
Wide-area distribution of electricity, facility maintenance...

### Introducing smart meters

Providing diverse services...

# Efforts for improving nuclear safety

○ Based on the lessons learned from the earthquake disaster, and with the primary responsibility for ensuring safety (S), the power companies will continue to make voluntary efforts for improving safety while meeting the regulatory requirements, to achieve the highest level of safety in the world.



## Position of nuclear power in the energy policy

- To achieve a well-balanced energy mix, we ask the government to clearly state that nuclear power is an essential power source, and that they will promote nuclear power, including the nuclear fuel cycle.

## Efficient use of nuclear power

- It is essential to continue to use a certain level of nuclear power in the future in order to maintain the technological and human resources base, and to ensure bargaining power in procuring fuels.
- The energy policy must clearly state the need to continue to utilize existing power plants that have been proven to be safe, including those that have been operating for more than forty years, as well as the need to rebuild existing plants and construct new ones.

### Consistency between the nuclear policy and the reforms of the electric power system

- In the reforms of the electric power system, the electric power companies are committed to fully cooperating with the detailed reviews to create an electric power system that truly benefits the users.
- To make the electric power system even more effective, it is crucial to ensure that the nuclear power policy is consistent with the reforms, both in content and schedule.
- To continue to run the nuclear power business which has been promoted under a government policy, we ask the government to take this opportunity to **redefine the roles of the private and public sectors, and to clearly state that it is necessary to improve the business environment of the nuclear industry for private businesses to be responsible for nuclear power generation**, while promptly reviewing the reforms.