Summary of Press Conference Comments Made by Makoto Yagi, FEPC Chairman,
on October 17, 2014

Thank you for taking the time to be here. Today, I would like to say a few words on the following two topics: the supply and demand outlook for electricity this winter and the launch of the Nuclear Risk Research Center.

1. Supply and demand outlook for electricity this winter

First, I would like to say a few words on the supply and demand outlook for electricity this winter. On October 1, each electric power company reported to the Minister of Economy, Trade and Industry its supply and demand outlook for electricity this winter as part of the collection of reports required under the Electricity Business Act. The reports are currently being reviewed by the Electricity Supply-Demand Verification Subcommittee, and based on the result, the government is expected to announce its policy measures, including the need to request electricity saving.

This winter, all electric power companies are expected to be able to just secure the minimum reserve margin of 3%. However, the situation remains extremely tight: on the demand side, the supply-demand outlook already factors in the electricity saving by companies and households that has now taken root, and on the supply side, the situation remains reliant on the overuse of thermal power, including adjusting the interval between periodic inspections of thermal power plants and restarting the thermal power plants that had been shut down, since it is still not clear when the nuclear power plants will restart.

In particular, for Hokkaido, where power demand peaks in the winter, the situation is expected to remain very tight even though it has in theory secured the necessary reserve margin, as the area has a relatively small demand, making it vulnerable to unforeseen supply disruptions, and because it cannot receive much electricity from other power companies in an emergency due to the limited capacity of transmission lines.

Despite these circumstances, we will continue to make utmost efforts on both the supply and demand sides, while preparing for an increase in demand in case of an exceptionally cold winter and the risk of fluctuated supply due to facility troubles. However, to achieve our goal of securing a stable, sustainable supply of electricity and to provide it as cheaply as possible, nuclear power is essential as a base source of electricity. Thus, we will strive to ensure the safety of nuclear power stations and gain the understanding of the hosting communities and the people of Japan, so that the plants can be restarted as soon as possible.

2. Launch of the Nuclear Risk Research Center

Next, I would like to say a few words on the launch of the Nuclear Risk Research Center. The document includes our comment released on October 1 when the Center was launched.

Being primarily responsible for ensuring nuclear safety, the power companies need to make voluntary, ongoing efforts to raise the level of safety beyond the regulatory framework. To do so, it is necessary to face nuclear risks head-on and position safety as the most important management issue, and thus optimize the allocation of management resources to risk reduction.

The Nuclear Risk Research Center is the first institute in Japan to perform the R&D needed for risk reduction in a centralized manner. Specifically, the Center will use Probabilistic Risk Assessment PRA) to study and evaluate the impact on the plants of incidents such as great earthquakes and tsunami which, though rare, could cause a massive impact once they occur. The Center is expected to help the power companies to improve safety by proposing solutions based on R&D, and to provide technical assistance in introducing these solutions into the plants.

The newly launched Center will be led by Dr. George Apostolakis, a leading expert on Probabilistic Risk Assessment and a former a member of the US NRC until this June. Further, with the participation of senior experts including, as advisor, Dr. Richard A. Meserve, former chairman of the NRC, and Dr. John W. Stetkar, chairman of the NRC's Advisory Committee on Reactor Safeguards, as chairman of the technical advisory committee, the Center is expected to provide advice and assistance on a broad range of issues. Collaboration between the power companies and the Center will be ensured through clear management-level commitment, by means of regular dialogs between the presidents of each power company and the head of the Center, and meetings between the power companies' nuclear power divisions. We plan to fully respect the Center's activities, and reflect them on the business activities of the power companies.

In addition to the Center, we have other external organizations such as JANSI, which is modeled after INPO in the US and which leads the efforts of the entire nuclear industry. The purpose of JANSI is to present a "model" for the power companies to follow by learning from the best practices and the latest findings and information of Japan and other countries, and to strongly lead the power companies to achieve a higher level of safety and improvements by encouraging friendly competition.

I believe that there is no end point in improving nuclear safety beyond which no further efforts are needed. We will continue to work tirelessly to improve safety by using these external functions actively and earnestly, in addition to the efforts of each power company.

* Withholding answers to applications for connecting renewable energy capacities

Lastly, I would like to comment on the withholding by some power companies of answers to applications for connecting renewable energy capacity. As already reported, there has been a sudden surge nationwide in the number of applications for licensing renewable energy facilities and for connecting them to the grid based on the feed-in tariff system. This causes the output of renewable electricity to exceed the daytime demand in spring and autumn when demand is low, throwing the supply-demand situation out of balance and threatening the stability of electricity supply.

Accordingly, the power companies are now withholding from answering the applications, in order to determine the quantity of renewable energy facilities that each company can accommodate. We ask for the understanding of all those involved who are now very concerned, as the power companies are planning to fully explain the situation.

Going forward, each company will investigate which measures it can take, including the use of thermal power and pumped-storage hydroelectric power as adjustment power sources, and the possibility of using inter-area connection lines. Further, the power companies will actively cooperate with the verifications and studies by the government expert working group.

We agree that the use of environment-friendly renewable energies should be maximized to raise the energy self-sufficiency rate, but there are substantial cost and technical issues that will take time to address. The New and Renewable Energy Subcommittee is discussing these issues, and we consider that the expansion of renewables should be addressed based on a long-term schedule, while minimizing the burden on consumers.

This is all for today.

Thank you for your kind attention.

Launch of the Nuclear Risk Research Center in CRIEPI

October 1, 2014
Federation of Electric Power Companies
Makoto Yagi, Chairman

The Nuclear Risk Research Center (NRRC) in the Central Research Institute of Electric Power Industry (CRIEPI) was launched today.

The Center will conduct comprehensive risk assessments using probabilistic risk assessment (PRA) based on extensive expertise and technologies which CRIEPI has accumulated, and suggest measures to solve problems at plants to reduce the risks from low-frequency external incidents such as earthquakes and tsunami.

Experts with abundant experience in organizations such as the NRC in the U.S. will serve as executive advisors of the NRRC and as chairman of the Technical Advisory Committee, while Dr. George Apostolakis will serve as Head of the NRRC. We expect them to demonstrate strong leadership based on their sophisticated expertise in nuclear safety.

As nuclear power operators primarily responsible for ensuring nuclear safety, we fully recognize the importance of ensuring safety voluntarily and continuously.

Each power company will strive to develop the systems to strengthen risk management and improve risk communications, and will fully reflect the outputs of such activities in its own business activities while highly respecting the NRRC's activities to mitigate the risks of infrequent external incidents, which is a common issue for all nuclear operators.

(Reference) Efforts of the entire nuclear industry for improving safety