

Summary of Press Conference Comments Made by Makoto Yagi, FEPC Chairman,
on April 17, 2015

Thank you for taking the time to be here. Today, I would like to say a few words on the following three topics: supply and demand outlook for electricity for this summer, our views on the formulation of the energy mix, and the launch of the Organization for Cross-regional Coordination of Transmission Operators.

1. Supply and demand outlook for electricity this summer

First, I would like to say a few words on the supply and demand outlook for electricity this summer. Yesterday, each electric power company reported to the Minister of Economy, Trade and Industry its supply and demand outlook for electricity for this summer. The reports will be reviewed accordingly by the Electricity Supply and Demand Verification Subcommittee, to determine whether it is necessary to ask customers to save electricity and to take further measures.

The reports of all the electric power companies are based on the assumption that no nuclear power plants will be in operation, since it is still not possible to clearly foresee when the plants will restart. As a result, we are likely to be able to just secure a minimum supply reserve margin of 3% by making utmost efforts to increase the supply capacity mainly by utilizing thermal power generation, for example, by continuously using old plants and adjusting the interval between their periodic inspections, while taking the electricity-saving effects into account that have taken root thanks to our customers' cooperation. However, a reserve margin of 3% is virtually negligible, considering risks such as sudden fluctuations in demand due to high temperature and unplanned outages of the power plants.

Based on the results of the government review, we will continue to make utmost efforts on both the supply and demand sides, and do everything we can to fulfill our mission of providing a stable supply of electricity.

As shown in [the handout](#), the total thermal fuel consumption of the 10 power companies for FY 2014 measured 16.17 million kL for oil, and 56.61 million tonnes for LNG. Though lower than last year, oil consumption was still 50% higher than before the earthquake disaster, and LNG consumption, which was approx. 40% higher in FY 2014 than before the disaster, marked a record-high for the fourth consecutive year. All nuclear power plants remained shut down throughout FY 2014, and thermal fuel cost remained extremely high, once again highlighting the great role played by nuclear power not only in the supply and demand for electricity, but also in lessening the public burden.

Currently, our response to the safety assessment by the Nuclear Regulation Authority is making steady progress, such as the Authority's approval of the licensing application for the construction plans of Sendai Unit 1, and the start of the plant's pre-service inspection. We are determined to take all possible measures to ensure that other plants, too, will be restarted as early as possible, placing safety as the overriding priority.

2. Our views on the formulation of the energy mix

Next, I would like to say a few words on our views on the formulation of the energy mix. Vigorous discussions are continuing on the characteristics and challenges of each power source in various meetings such as the Subcommittee and the cost verification working group, so once again we would like to present our views.

Having very few energy resources and an extremely low energy self-sufficiency rate, Japan has been constantly exposed to risks regarding fuel procurement and price fluctuations. Further, the extremely high dependence of the energy mix on thermal power since the earthquake disaster has caused energy costs to soar, resulting in a considerable impact on people's lives and industrial activity. Furthermore, Japan is required to urgently tackle the global warming issue, which is closely connected with energy. Against this backdrop, the Strategic Energy Plan expressly states the need to avoid depending excessively on a particular electricity or fuel source, to ensure an inexpensive and stable baseload energy source that matches the level of other countries, and to build a well-balanced combination of power sources.

As we have said repeatedly, in selecting energy sources, it is important to simultaneously achieve the "S+3Es", which stands for safety plus energy security, economic efficiency and environmental conservation, and to this end, it is essential to use nuclear, thermal and renewable energies in a well-balanced combination and make the best use of each energy source. In particular, we think that it is indispensable to secure a certain amount of nuclear power, which is a base source of electricity with a good 3E balance, in order to secure a high level of safety and to maintain the level of technological skills and human resources.

Regarding the optimum combination of power sources for 2030, many proposals are being made by the LDP and industry, in addition to the discussions being made in the Subcommittee. We hope that wide-ranging discussions will continue to take place toward the implementation of a realistic energy policy.

3. Establishment of the "Organization for Cross-regional Coordination of Transmission Operators"

Lastly, I would like to comment on the Organization for Cross-regional Coordination of Transmission Operators established this month. This Organization is expected to play a central role in nationwide power operation, including frequency adjustment and ordering power interchange across areas in a supply-demand emergency, as well as planning and building inter-area connection lines.

It is thanks to the vigorous efforts of volunteers and other concerned parties in spite of their tight schedule that the Organization was launched as planned. Once again, I express my deep respect for their efforts.

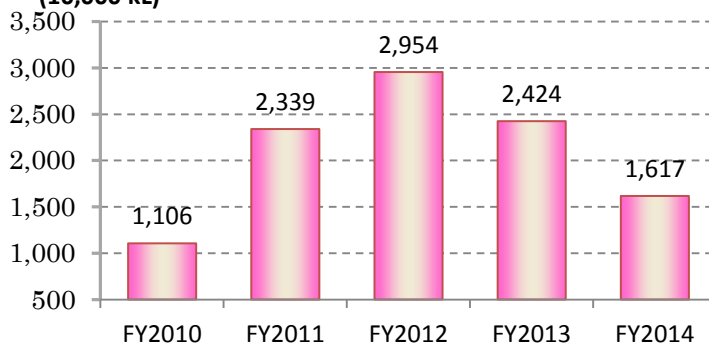
Going forward, with the expected progress in complete deregulation and expansion of renewable energies, the Organization will play an increasingly important role in improving the stability of network functions. The most important challenge for the future is to build a system for securing both short-term and medium- to long-term supply and adjustment capacities, so that a stable supply of high-quality electricity will continue even amid the increasingly competitive environment. Further, to broaden the options for customers without hindrance, it is necessary to establish a switching system and to formulate rules. As it is important for the Organization to work closely with the member companies to tackle these challenges, we will continue to fully cooperate with the studies on the challenges.

This is all for today. Thank you for your kind attention.

Combined Thermal Fuel Consumption of the Ten Electric Utilities

Oil

(10,000 kL)

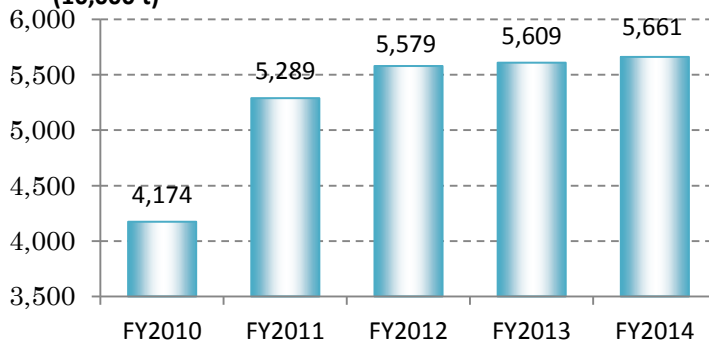


Oil consumption for FY 2014: 16.17 million kL

⇒ **Up approx. 50%** from FY 2010
(146%)
(67% Y-o-Y)

LNG

(10,000 t)



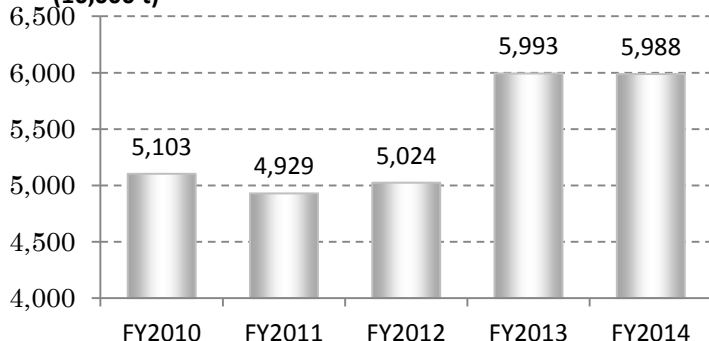
LNG consumption for FY 2014: 56.61 million tonnes

(record high for 4 consecutive years)

⇒ **Up approx. 40%** from FY 2010
(136%)
(101% Y-o-Y)

Coal

(10,000 t)



Coal consumption for FY 2014: 59.88 million tonnes

⇒ **Up 20%** from FY 2010
(117%)
(100% Y-o-Y)

Reference: Fuel cost of the ten electric utilities and the capacity factor of nuclear power plants (NPPs)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Fuel cost	3.6 trillion yen	5.9 trillion yen	7 trillion yen	7.7 trillion yen	5.4 trillion yen (till Q3)
Increase from FY 2010	—	+2.3 trillion yen	+3.4 trillion yen	+4.1 trillion yen	—
Capacity factor of NPPs	67.3%	23.7%	3.9%	2.3%	0.0%