

Summary of Press Conference Comments Made by Satoru Katsuno,
FEPC Chairman, on October 13, 2017

I am Satoru Katsuno, Chairman of FEPC.

Today, I would like to talk about the following two topics: measures to expand the installation of renewable energy, and the energy supply and demand outlook for this upcoming winter.

<Measures to expand the installation of renewable energy>

First, I would like to talk about the measures to expand the installation of renewable energy.

Currently, in the Strategic Policy Committee of the Advisory Committee for Natural Resources and Energy and the Energy Situation Roundtable Conference, discussions are underway about the Strategic Energy Plan and the long-term energy supply and demand outlook.

As I have mentioned in last month's press conference, considering that the energy policy will serve as a national backbone to support the daily lives of people and economic activities, we would like for the government to have realistic discussions that take into account the scarcity of resources in Japan.

Also, in view of S+3E, it is important to realize an ideal energy mix by constructing a well-balanced energy supply scheme that includes nuclear, thermal, and renewable energy, without relying on a specific power or fuel.

We have been working to introduce renewable energy as much as possible under the FIT (feed-in tariff) scheme. While the cumulative installation before the implementation of the FIT scheme in the end of June 2012 was approx. 20.6 million kW, approx. 35.4 million kW worth of power generation facilities newly commenced operation since the implementation of the scheme to the end of March 2017. The installed capacity has grown by about 2.7 times, indicating the steady increase of installment.

On the other hand, renewable energy is an unstable power source that is affected by the weather. In order to match the energy supply and demand and maintain the frequency

and voltage at a steady level, backup from thermal power generation is essential.

Also, since power generation amount cannot be controlled, the electric utilities are responding to the increase in renewable energy generated power by taking measures such as limiting thermal power generation, and at pumped-storage hydroelectric power stations, pumping the water for power generation with surplus electricity during the day instead of the more conventional night.

Furthermore, the utilities are working to maintain the supply and demand balance by taking measures such as using tie lines to connect the utilities and transmit electricity to external areas.

Additionally, since areas suitable for wind power generation is uneven, interconnection requests tend to concentrate in certain areas, causing technical limitations.

Under such circumstances, the electric utilities have been taking measures to further promote the installation of renewable energy. On September 27, in the Power Grid Working Group of the New and Renewable Energy Subcommittee, response status were presented regarding the “application process for projects to connect to the grid”, which is a process that gathers operators that wish to “utilize the grid energy storage” or to connect to the power grid of power generation facilities, and allows them to mutually share the necessary costs with other neighboring connection projects.

In order to achieve the “dual objective of expanding the installment of renewable energy and suppressing the burden of the people”, which is the main objective for the amended FIT scheme which was enacted in April this year, we would like to actively take measures to expand the installment of renewable energy with the stable electricity supply as a premise.

<Supply and demand outlook for this upcoming winter>

Next, I would like to talk about the supply and demand outlook for this upcoming winter.

General power transmission and distribution operators will report to the Organization for Cross-regional Coordination of Transmission Operators, and hold discussions at the Electricity/Gas Strategic Policy Subcommittee within the government.

Regarding the supply and demand outlook for this upcoming winter, each utility is expecting to be able to secure the reserve margin necessary for stable supply.

However, this report reflects the consumers' efforts to save energy on the demand side, and in addition, the supply side still heavily depends on thermal energy, which includes the operation of aged thermal power generation facilities.

Taking into account the future deliberations by the government, we would like to continue making our best efforts for measures on both the supply side and demand side such as providing energy saving information and reinforcing maintenance at thermal power stations, in order to prepare for risks such as increased demand due to lowering temperature or reduced supply due to facility troubles.

With such issues in mind, the role that nuclear power generation plays is significant, also from the standpoint of securing a sustainable and safe power supply. We would like to work towards the earliest possible restart of nuclear power stations by continuing to sincerely correspond with the review for compliance confirmation to the New Regulatory Requirements, along with providing careful explanations to the wide public including the people around the site locations.

<Measures to improve quality assurance at JNFL>

Lastly, I would like to say a few words about the measures to improve quality assurance at Japan Nuclear Fuel Limited.

JNFL has been working to improve their quality assurance activities in order to correspond to the Order for Reports issued by the Nuclear Regulation Authority last December. Amidst such activities, new issues were found such as rainwater leaking in the reprocessing plant, and damage at ducts in the uranium enrichment plant.

JNFL has been criticized by Mr. Seko, Minister of Economy, Trade and Industry and the Nuclear Regulation Authority. We would like to sincerely apologize for making the wide public worry, including the residents in Aomori.

JNFL is working swiftly recognize the overall number of facilities important for safety and verify their robustness, in addition to reinforce improvement measures for these

issues such as “deploying persons in charge for implementing self-checks” and “establishing a company-wide monitoring team”.

JNFL is taking a company-wide effort for these improvement measures, and we are also dispatching 20 people required to reinforce the safety management system at JNFL. We would like to continue extending our support necessary for JNFL’s measures by leveraging our accumulated insight and experience.

This will conclude my segment today.