

**Summary of Comments Made at a Press Conference
by Shosuke Mori, FEPC Chairman, on March 19, 2009**

Today I would like to outline the electric power industry's opinions about a newly proposed scheme for purchasing photovoltaic power. After that, I will report briefly on the electricity demand in February.

1. Electric Power Industry's Opinions about the Newly Proposed Scheme for Purchasing Photovoltaic Power

Let me first express our opinions about the newly proposed scheme for purchasing photovoltaic power.

On February 24, the Minister of Economy, Trade and Industry requested us, the electric power companies of Japan, to support the Ministry's initiative to introduce and implement successfully a new scheme for purchasing surplus power from photovoltaic generation.

We voluntarily arranged to purchase surplus power from photovoltaic generation 17 years ago, and we have since been facilitating the spread of photovoltaic generation. However, we have been and are still against the German model, which is a fixed-rate purchase scheme not only for surplus power but for all power produced at photovoltaic generation facilities at prices far in excess of actual costs. One problem we find with such an arrangement is the lack of incentives to reduce the cost of photovoltaic generation whereas electricity rates have risen. Another problem is the possibility of allowing profit-oriented installation of photovoltaic generation facilities.

This time we have been told, however, that the idea is to introduce a new scheme unique to Japan that takes into consideration such problems. Therefore, the electric power industry of Japan has decided to support the plan.

Details of the scheme are yet to be discussed, but we believe that due consideration will be given to four major requests we have made.

Firstly, it is necessary to give a sufficient explanation to the public. In the meeting last week of the New and Renewable Energy Subcommittee, there were many discussions on this topic of how to seek public understanding. We expect the government to clearly explain the purpose of the scheme and the burden to be shared by people so that our customers may understand and agree with the objective of the scheme.

Secondly, the new scheme should be designed so as to encourage all manufacturers of photovoltaic systems and their components to make more efforts to reduce prices, and motivate them to accelerate technological development. For example, the arrangement for purchasing photovoltaic power should be made available only for a definite period, and a stepwise reduction in the purchasing price should be stipulated to ensure that these manufacturers fulfill their responsibilities.

Thirdly, fairness among energy industries must be respected. Under the proposed arrangement, we will have to increase electricity rates to cover the cost of the photovoltaic power that we purchase. Therefore, some arrangements must be made to protect the competitiveness of the electric power industry against other energy industries, and to ensure that we will be able to recover the additional costs that are going to ensue.

Finally, as a matter indirectly related to the details of the proposed scheme, it must be emphasized that our major concern as we step up the introduction of photovoltaic power is its impact on the quality and stability of the power supply.

In the future, a major flow of intermittent photovoltaic power into the grid may start affecting the quality and stability of the power supply. This may require us to build major storage batteries at substations or elsewhere to buffer fluctuations. However, we have no experience of controlling power systems in the presence of such facilities. To steadily ensure the stable power supply, we will need sufficient verification and additional technological development.

2. Electricity Demand in February

Next, I would like to comment briefly on a bulletin report on the electricity demand in February, which we compiled today.

The large industrial electricity demand in February measured in terms of the total electricity sales of the 10 electric power companies of Japan fell from the same month of the previous year by 26.4%, which is the largest fall in history. This is the third consecutive month of largest falls. Even though this was partially because February last year was longer because it was a leap year, the major fall was mostly attributable to the slump in production due to the economic recession.

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