

Summary of Press Conference Comments Made by Makoto Yagi, FEPC Chairman,
on January 23, 2015

Thank you for taking the time to be here. Today, I would like to say a few words on the following two topics: our goals and challenges for 2015 and the outlook for the national energy policy discussions.

1. Goals and challenges for 2015

First, I would like to mention the goals and challenges for this year. Last year, the Japanese economy began finally to see its way out of deflation, which is the top priority of the Abe administration, despite a temporary slowdown after the consumption tax hike. This year, we are hoping that the emerging recovery will take hold so that the public will actually feel that the economy is recovering. We hope that Japan will, under the Abe administration, continue to deal steadily with the key issues of the country, including recovery from the earthquake disaster, the financial and social security systems, and also issues concerning energy and foreign affairs, not to mention economic revitalization.

Regarding electric power, the situation remained extremely tough last year with no nuclear power plants in operation. Nevertheless, we slowly started to see the light at the end of the tunnel, such as progress in the reviews of several nuclear power plants including Sendai Units 1 and 2. In 2015, we aim to overcome the tough situation and achieve results. The electric power companies are deeply sorry for the inconvenience and enormous burden caused by asking our customers to save electricity and by raising electricity tariffs due to the long-term shutdown of nuclear power. We are determined to take all possible measures to achieve our goal of restarting our nuclear power plants early next year, in order to improve the situation and put our business back on track. To continue to utilize nuclear power, the power companies will make an industry-wide effort to improve safety, including the use of the Nuclear Risk Research Center established last year, while of course fully complying with the new safety requirements.

Meanwhile, the power companies need to prepare for the full liberalization of the retail market due to be launched next year, including preparing the organization for the licensing system and registering the transportation service provisions for the low-voltage sector. As the era of full-scale competition with the numerous newly-registered PPSs begins, the power companies will work hard to be chosen by customers by consolidating our business base and improving our services. We will also continue to serve our customers by fulfilling our unswerving mission to ensure a stable supply of energy, no matter how the business environment may change.

2. Outlook for the national energy policy discussions

Next, I would like to say a few words on the outlook for the energy policy discussions in 2015. Last April, the Basic Energy Policy was formulated, setting the basic policy of the government. Since the summer, there were lively discussions in each area, such as nuclear power and renewable energies, for developing specific plans.

Regarding nuclear power, a draft interim report was presented by the relevant subcommittee at the end of last year. The report clearly indicated the need for policy measures to enable private power companies to take the initiative to operate their businesses with foresight amid the increased competition with less emphasis on nuclear power. Among the various topics, regarding the revision of the accounting system on nuclear plant decommissioning, the direction of specific measures was indicated by a separate working group just last week. We ask yet again that specific measures for improving the business environment, including stronger government involvement in the nuclear fuel cycle business and revision of the Nuclear Damage Compensation System, be addressed before full-scale deregulation.

Regarding renewable energies, the government policy for improving the FIT system was presented last December based on the estimated renewable electricity capacity that can be connected to the grid. Further, as a measure for controlling solar PV output more accurately, a revised ministerial order was issued yesterday announcing a shift from the 30-day rule to a new hour-based system and applying the rule additionally to facilities smaller than 500 kW. Under the new rule, the power companies will resume accepting applications where appropriate from the parties concerned, who were greatly concerned when their applications were put on hold.

Moving forward, we understand that the discussions will be continued beyond these operational improvements to such topics as the fundamental revision of the system, in order to maximize the introduction of renewable energies while controlling the cost burden on the public. The power companies will continue to work actively to introduce more renewable energies.

This year, we understand that the discussions for formulating the energy mix will finally make headway, based on the outcome of area-specific discussions such as nuclear power and renewable energies and taking into account the climate action target of Japan. Already, a subcommittee on the outlook for the long-term supply and demand of energy and a working group for verification of power generation costs are set to be established. We hope that a new and realistic energy mix consistent with Japan's lack of energy resources will be considered as soon as possible, together with measures for achieving the energy mix.

The third phase of the reforms of the electric power system is scheduled to be discussed in the next ordinary Diet session due to start soon. The power companies will continue to actively cooperate to ensure that the reforms truly benefit the customers. However, we still believe that there are issues and concerns about the separation of electricity transmission and distribution. First, to prevent any disruption to supply stability, which so far has been maintained under the integrated system of the power companies, it is essential to develop rules and systems to complement the separation. Further, for the reforms to be effective, there are two prerequisites: ensuring a stable supply-demand condition by restarting the nuclear power plants, and finalizing the plans for improving the nuclear business environment currently being considered.

We will continue to make utmost efforts to resolve these issues and concerns. On that basis, in implementing the third phase of the reforms, we believe that it is necessary to check and verify the achievements of the efforts and feasibility of the measures for addressing the issues, and to advance the reforms in a flexible manner, including changing the timing of implementation in the event that any technical issues or problems in the supply, demand and business environment are identified.

This closes my comments on our goals and challenges for 2015 and the outlook for the national energy policy discussions. This is all for today. Thank you for your kind attention.