

Summary of Press Conference Comments Made by Makoto Yagi, FEPC Chairman,
on May 22, 2015

Thank you for taking the time to be here. Today, I would like to say a few words on the following four topics: supply and demand outlook for electricity for this summer and the financial results for FY 2014, discussions on the energy mix, revision of the basic strategy for the final disposal of designated radioactive waste, and the Revised Electricity Business Act which is being deliberated in the Diet.

1. Supply and demand outlook for electricity this summer and the financial results for 2014

First, I would like to say a few words on the supply and demand outlook for electricity this summer and the financial results for FY 2014. Last month, each electric power company reported to the government its supply and demand outlook for electricity this summer. Following the review by the Subcommittee, today, the government finalized its supply-demand measures. We must again ask everyone to cut back on electricity at a reasonable level. We apologize for the inconvenience and trouble this will cause.

This summer, we are likely to be able to just secure a minimum supply reserve margin of 3%. However, a reserve margin of 3% is virtually negligible, considering risks such as sudden fluctuations in demand due to high temperatures and unplanned outages of power plants. Despite the tight situation, the power companies will continue to make utmost efforts on both the supply and demand sides, in order to fulfill their mission of providing a stable supply.

Meanwhile, the financial results of the power companies for FY 2014 announced at the end of last month showed improvements, mainly due to the increased revenue from the raised electricity tariffs and reducing costs by increasing business efficiency and deferring them. However, the result owes much to temporary factors such as deferring repair works to the years ahead, and the current earnings structure cannot be considered sustainable.

Last year, nuclear power accounted for 0% of the generation mix for the first time as all nuclear power plants remained shut down throughout the year, while, like the previous fiscal year, thermal power remained at

extremely high levels at 88% in total. As a result, the fuel cost of the ten companies remained extremely high at 7.2 trillion yen, which is slightly lower than FY 2013 (7.7 trillion yen) but is twice as high as that before the 2011 earthquake disaster (3.6 trillion yen in FY 2010).

Despite the difficult business environment, we will continue to strive for improving the efficiency of our businesses and to reduce costs. However, we continue to believe that the role of nuclear power remains very important not only for ensuring electricity supply but also for mitigating the burden on the public. We will continue to do our best to restart the nuclear power plants as soon as possible with safety as the first priority, with the understanding of the public.

2. Discussions on the Energy Mix

Regarding the second point, the Energy Mix, vigorous discussions have been held in a government subcommittee to develop specific proposals based on the new Strategic Energy Plan, and recently, a draft proposal was presented for the generation mix for 2030.

We believe that energy policy is a core policy of a nation, and must be approached from a medium- to long-term standpoint, based on a broad perspective in terms of the S+3E policy (safety, energy security, economic efficiency and environmental conservation), especially as Japan has few energy resources. In this regard, we consider that the draft proposal indicates a well-balanced generation mix overall for achieving all the three Es. For nuclear power, the new draft proposal sets a clear numerical capacity to be secured, in line with the Strategic Energy Policy which stated earlier that the "necessary capacity of nuclear power must be determined". We consider this an important step forward.

The key in moving forward is how to implement the new Energy Mix that the government has set. The power companies will meet the S+3E policies and contribute to the energy policy of Japan by maintaining and establishing power generation facilities as appropriate, fully in line with the government's policies. We ask the government to consider what kind of policies and environment are required to formulate an optimum Energy Mix.

3. Revision of the basic strategy for the final disposal of designated radioactive waste

Next, I would like to say a few words on the "revision of the basic strategy for the final disposal of designated radioactive waste". Please look at [Document 1](#). The revised basic strategy sets new policies concerning the designation of scientifically-promising regions by the government, the system for forming regional consensus, and guaranteeing reversibility and retrievability, to ensure that nuclear waste can be carried out from the repository until it is closed.

Final disposal is an issue which cannot be avoided for operating nuclear power plants, and it is important for the government, NUMO and the power companies to fulfill their respective responsibilities while collaborating closely with each other. Having a basic responsibility as generators of nuclear waste, the power companies will make an industry-wide effort to gain the understanding of customers, including actively disseminating information to the public.

4. Revised Electricity Business Act

Lastly, I would like to say a few words on the Revised Electricity Business Act, which is currently being deliberated in the Diet. On April 28, I was given the opportunity to present the opinions of the power companies at the Committee on Economy, Trade and Industry of the House of Representatives. The comments are shown in [Document 2](#).

The power companies will work hard to ensure that the reforms of the electric power system are truly beneficial for users. Meanwhile, we still see challenges and concerns regarding the unbundling of the transmission and distribution department, and for the reforms to be effective, we think that three issues need to be addressed: "building a mechanism and rules for ensuring supply stability", "improving the supply-demand situation of electricity", and "improving the business environment for nuclear power".

We will make every effort to resolve these issues. We also ask the government to verify the progress in solving these issues at various points, and to take necessary measures. In case unsolved issues are identified in the process, we ask the government to advance the reforms in a flexible manner.

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

Revision of the basic strategy for the final disposal of designated radioactive waste

May 22, 2015

Federation of Electric Power Companies

Makoto Yagi, Chairman

The basic strategy for the final disposal of designated radioactive waste was revised for the first time in seven years. The revised basic strategy newly sets policies for the designation of scientifically-promising regions by the government, the system for forming regional consensus, and guaranteeing reversibility and retrievability.

To gain public understanding on final disposal, we believe that it is important for the government, the Nuclear Waste Management Organization of Japan (NUMO) and the power companies to fulfill their respective responsibilities while collaborating closely with each other.

As the power companies have a basic responsibility as generators of nuclear waste, we will actively work to gain the understanding of customers, including actively disseminating information to the public, in order to form a public consensus on the final disposal project.

Views on the Revision of the Electricity Business Act (Phase 3)

- An inexpensive and stable supply of electricity is the foundation of the public life and industrial activity of Japan, and **the power companies will work hard to ensure that the reforms of the electric power system are truly beneficial for users.**
- Meanwhile, for the reforms to be effective, we think that three issues need to be addressed: **(1) building a mechanism and rules for ensuring supply stability, (2) improving the supply-demand situation of electricity, and (3) improving the business environment for nuclear power.**
- We will make utmost efforts to resolve these issues. We also **ask the government to verify, at various points in the course of the reforms, the progress in solving these issues, and based on the result, ensure that necessary measures are taken.** In case unsolved issues are identified in the process, we ask the government to **advance the reforms in a flexible manner, including reviewing the timing of their implementation.**

(Issue to be resolved (1): Building a mechanism and rules for ensuring supply stability)

- It is **essential to build a mechanism and rules to complement the unbundling, including rules for collaboration between electricity producers and transmitters,** so that supply stability will not be disrupted by the legal unbundling of the transmission and distribution department.

(Issue to be resolved (2): Improving the supply demand situation)

- **Sufficient supply capacity and stable supply-demand situation are prerequisites** for the reforms of the electric power system to be effective, and at least the ongoing emergency supply-demand situation must be resolved.

(Issue to be resolved (3): Improving the nuclear power business environment)

- To be able to use nuclear power as an important base load power source even under an increasingly competitive environment, it is critical to **consider the new role of private operation under government policy, and to indicate the long-term direction prior to deregulation,** taking into account the unique nature of nuclear power, to ensure that the nuclear power business can continue to operate safely and stably on a long-term basis.