

Summary of Press Conference Comments Made by Satoru Katsuno,
FEPC Chairman, on April 14, 2017

I am Satoru Katsuno, Chairman of FEPC.

Today, I would like to talk about three things: “entering the second year since full liberalization of retail electricity”, “supply and demand forecasts for the coming summer”, and “establishment of Japan Electricity Information Sharing and Analysis Center (JE-ISAC)”.

Before talking about them, I would like to comment on the Kumamoto Earthquake.

Today marks one year since the Kumamoto Earthquake. I would like to extend my sympathy to those who have suffered from the earthquake. I truly hope that measures under the “restoration plan” will be steadily implemented so that the life of the victims and that the area will be restored as soon as possible. As an electric power company, we would like to continue constructing an electricity infrastructure that is resilient to disasters by implementing drills and taking precautions at the facilities’ level.

1. Entering the second year since full liberalization of retail electricity

Now I would like to talk about the first topic today, “entering the second year since full liberalization of retail electricity”.

April 1 marked the beginning of the second year since full liberalization of retail electricity. Since last April, each operator has been competing to provide various pricings and services catered to the customers’ needs. As for the progress of full liberalization of retail electricity so far, we can see from the expanding shares of new electricity operators that an increasingly competitive environment has arrived.

In the meantime, full liberalization of retail gas began a year after electricity. As it can be seen from the emergence of companies providing pricing options that combine both electricity and gas, we have entered an era of fierce competition that transcends the conventional boundaries of energy. We see this as an important turning point for us to develop as a general energy organization.

Also, a “gross bidding” system was introduced this month, which aims to stimulate the wholesale electricity market and improve transparency by dealing internal electricity through exchange markets.

Each company is working to increase sell biddings whenever they are prepared, and aims to contribute to forming a market environment.

Furthermore, electricity purchased through public procurement in the end of last year has started to become utilized. Also, “demand response”, a supply and demand balancing mechanism, will be available in the future. This is a mechanism in which energy saving incentives will motivate the consumers to save electricity during peak times.

As it can be seen, various measures are being taken this year through market mechanism under the new business environment. This does not change our mission at all, which is to provide quality electricity at a reasonable price.

We will continue to do our best in facing competitors so that the consumers can make decisions based on the overall energy situation, not limiting themselves to electricity. At the same time, we would like to work to cooperate with the

operators for items pertaining to the stable supply of electricity. In this way, we would like to work simultaneously on competition and cooperation.

2. Supply and demand forecasts for the coming summer

Next, I would like to talk about the “supply and demand forecasts for the coming summer”.

The ordinary transmission operators reported the coming summer’s supply and demand forecasts to the Organization for Cross-regional Coordination of Transmission Operators. Currently, the issue is under review by the “Committee for coordination and supply and demand balance evaluation, etc.” a committee within the Organization.

The operators are expected to be able to secure a capacity margin required for stable supply in the coming summer.

However, in the report, the demand side assumes a continued support from consumers in their efforts to save energy, and the supply side assumes a continued operation of aged thermal power plants. The current situation continues to rely heavily on thermal power generation.

We would like to consider the results of deliberation by the government in the future to continue our best efforts to optimize both the supply and demand situations, by hedging against risks such as increased electricity demand due to a hotter climate or decreased supply capacity due to facility failures.

At the same time, we recognize that the role of nuclear power, a base-load power source, is substantial for fulfilling our mission to provide electricity at a reasonable price as much as possible. We would like to aim for an earliest possible restart of the nuclear power stations by not only appropriately complying with the New Regulatory Requirements, but also by actively utilizing external functions that transcend the regulatory boundaries to secure safety at a higher level, and by thoroughly explaining such initiatives to the wide public including the local community.

3. Establishment of Electricity JE-ISAC

Lastly, I would like to talk about the “establishment of JE-ISAC”.

On March 28, twenty-seven entities including electric power companies of the willing and other organizations such as the Organization for Cross-regional Coordination of Transmission Operators took part to establish the “JE-ISAC”, an organization for sharing and analyzing information related to cybersecurity among electricity operators.

The electric power companies have independently taken cybersecurity measures and seminars in the past, but it is extremely significant to construct a framework for the operators to coordinate closely in this society where cyberattack threats are increasing. Understanding such circumstances, the “JE-ISAC” is an organization that is aimed so that the electricity operators those play important roles for a stable supply of electricity can share and analyze information related to cybersecurity, and prevent accidents or respond swiftly in case they occur. We would like to expand our activities in the future through measures such as collaboration with foreign organizations. We will continue to strive for a stable supply of electricity through such initiatives.

This will conclude my segment of the press conference today. Thank you very much.

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