

Summary of Press Conference Comments Made by Satoru Katsuno, FEPC Chairman,
on December 15, 2017

I am Satoru Katsuno, Chairman of the Federation of Electric Power Companies.

This is my last press conference for this year. Today, I will be reflecting back on situations surrounding the electric power industry over the past year.

< Tough competitive environment >

First of all, this year marked the launch of the full liberalization of the retail gas market, which followed a similar development in the retail electricity market. We found ourselves in the age of new competition transcending energy boundaries.

This was the second year of the full liberalization of the retail electricity market. With new electricity suppliers gradually expanding their market share, we are renewing our recognition of the arrival of a tough competitive environment.

In the given circumstance, the retail gas market was also fully liberalized in April. We will continue all-out efforts to remain competitive, attracting customers from the perspective of providing comprehensive energy services beyond electric energy.

< The year of building the foundation for effective electricity / gas system reform >

In March, a government taskforce began exploring specific measures concerning the creation of various energy markets to resolve issues of public interest (e.g. supply stability) and sparking further competition. Indeed, it was the year of building the foundation for effective electricity / gas system reform.

We will continue to make active contribution to the process as an industry body involved in day-to-day administration of electric power, in order to ensure that the new markets are developed to ensure stable electricity supply as a whole (including market

trading that has already been introduced), and designed in a way that pass benefits back to customers.

< Debate on the Strategic Energy Plan, etc. >

With regard to the government's energy policy, METI's Strategic Policy Committee and Energy Situation Roundtable Conference began examining the nation's Strategic Energy Plan and long-term energy vision for the future in August.

Energy policy represents one of the government's fundamental policies that underpin the lives and economic activities of Japanese citizens, and therefore requires practical debate based on Japan's reality as a resource-poor nation. From the perspective of "S+3E," in particular, Japan must establish a balanced energy mix that does not excessively rely on specific power sources or fuels.

Nuclear power generation provides quasi-domestic energy with excellent 3E balance. It is essential to maintain its use as a "key baseload power source."

< Operation resumption of nuclear power stations >

As for the operation resumption of nuclear power stations, we received permission for changes in reactor installation concerning Units 3 and 4 of Kyushu Electric Power Company's Genkai Nuclear Power Station in January, and Units 3 and 4 of Kansai Electric Power Company's Ohi Nuclear Power station in May. Furthermore, in October, the draft review for Units 6 and 7 of TEPCO Holding's Kashiwazaki-Kariwa Nuclear Power Station received the first approval as BWR in October, indicating steady progress in handling compliance reviews.

So far, five nuclear plants have resumed their operation. Safety is the top priority for these plants and they are aiming to steadily build up a track record of operation safety. Other plants are also making all-out efforts to clear the review, clearing the way for operation resumption as soon as possible.

On the 13th of this month, the appeal court of the Hiroshima High Court awarded a provisional injunction to halt the operation of Unit 3 of Shikoku Electric Power Company's Ikata Nuclear Power Station. It was a truly regrettable decision.

The New Regulatory Requirements currently in place demand a very high level of safety measures. We must continue to strive to meet all requirements appropriately.

Furthermore, efforts must be made to steadily implement initiatives to achieve an even higher level of safety assurance. Information about these initiatives will be circulated to local communities and the rest of our society at large to attain public understanding.

< Nuclear Fuel Cycle >

For a resource-poor nation like Japan, the Nuclear Fuel Cycle program has extremely strong significance from the perspectives of effectively utilizing uranium resources, reducing the bulk of radioactive waste and lowering the level of its hazard.

However, safety management issues have arisen at the Rokkasho Reprocessing Plant and Uranium Enrichment Plant of Japan Nuclear Fuel Limited (JNFL). The company was reprimanded by the Nuclear Regulation Authority.

JNFL is currently making company-wide efforts for improvement as its top priority task.

In order to ensure reinforcement of JNFL's safety management structure and improvement of its practical administration, we have sent a total of 20 experts, two each from nine electric utilities and Japan Atomic Power Company, over a period up to December. It has been also decided to additionally send a total of 13 management officials to enhance the company's organizational strength and comprehensive capability.

We will tap into our insight and experiences to continue offering necessary assistance.

< Final disposal of high-level radioactive waste >

With regard to the final disposal of high-level radioactive waste, the government released the “Nationwide Map of Scientific Features for Geological Disposal” in July.

The unveiling of the “Nationwide Map of Scientific Features for Geological Disposal” attracted strong public attention, creating an opportunity to deepen understanding.

We will continue to make voluntary and active efforts to gain far-reaching public understanding on the necessity of geological disposal and our approach to safety assurance.

At the same time, in response to NUMO’s announcement last month about the use of inappropriate participants in opinion exchange meeting regarding the Nationwide Map of Scientific Features for Geological Disposal, an investigation team set up by NUMO’s councilors is currently investigating facts surrounding the case and exploring measures for preventing recurrence.

We will continue to oversee the electric power industry as a whole with heightened commitment, and provide support necessary for NUMO’s initiative.

< New Year’s resolution for next year >

I have covered various developments over the last year so far. Next year will be an important year for accelerating the preparation for and actualizing the legal separation of power transmission and distribution from power generation, due to be enforced in 2020.

We must also make full-fledged efforts to counter the ever-intensifying competition between various energies.

As the electricity system reform enters into a new phase, the electric power industry must think outside the box in adapting to dynamic changes in the business environment surrounding us, e.g. change of the demand-supply structure, intensification of competition, and tide of digitization as seen in the use of Big Data, IoT and AI.

At the same time, despite those major changes, our basic mission will continue to be to “ensure stable, affordable and safe supply of electricity.”

We will maintain our full commitment to achieving “stable power supply” and “response to changes” at the same time.

This will conclude my segment today.

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