

Summary of Press Conference Comments Made by Satoru Katsuno, FEPC Chairman,
on January 19, 2018

I am Satoru Katsuno, Chairman of the Federation of Electric Power Companies. I would like to begin by wishing everyone a very Happy New Year. Today, I would like to talk about the issues that we face in 2018 and our aspirations for this coming year.

<Looking back on 2017>

As we look back on 2017, the past year saw a gradual but continuing nationwide recovery which was bolstered by a strong world economy.

In the electricity industry, the year saw the creation of a foundation for effectively reforming electricity and gas systems, during which the electricity industry embarked on a new era of competition transcending traditional energy barriers. Solutions have begun to be worked out to address public interest issues, such as the provision of stable supplies and other challenges, and particular consideration has been given to the creation of various markets which will further stimulate competition.

In addition, the year also saw steady steps made as companies cooperated with reviews verifying their compliance with new regulatory requirements. Permission for Changes in Reactor Installation was granted to Kyushu Electric Power Company's Genkai Nuclear Power Station Units 3 and 4, Kansai Electric Power Company's Ohi Nuclear Power Station Units 3 and 4, as well as for the first BWR plant, Kashiwazaki-Kariwa Nuclear Power Station Units 6 and 7 owned and operated by Tokyo Electric Power Company Holdings.

At the end of last year, a temporary injunction was handed down during hearings before the Hiroshima High Court, ordering operation of Shikoku Electric Power Company's Ikata Power Station to be suspended. This was a very unfortunate development, and Shikoku Electric Power Company immediately filed an objection to the order.

<Issues and aspirations for 2018>

Next, I would like to discuss the issues that we face in 2018 and our aspirations for the coming year.

This year will be an important one as concrete preparations are made in advance of legal separation of the power transmission and distribution sector, which is scheduled to take effect in 2020. Also, we expect to see companies earnestly attending to the intensified energy competition.

As we appropriately perceive and respond to these changes in the business environment, we will create and provide new value, which was elusive under the conventional electricity business framework, to include progressive efforts at digitalization, such as the use of big data, Internet of things, and artificial intelligence, as well as the development of products and services that improve customer convenience and streamline business activities.

As for energy policy, I believe that debate will proceed toward consolidation of consideration given to the basic energy plan and the long-term energy vision, which has been ongoing since last summer.

With geopolitical risks in the Middle East and elsewhere creating an unpredictable global energy situation, I hope that as we proceed to consider the energy policy, upon which our country operates, that a realistic discussion will take place which takes into account our current resource-poor situation.

Above all, it is important that we realize a balanced energy mix in line with the “S+3E” perspective (Safety + Energy security, Economic efficiency and the Environment). From this standpoint as well, it is necessary that we also utilize nuclear power, a quasi-domestically produced energy, as a key baseload energy source for the future.

With regard to nuclear power generation, we will spare no effort as we continue to focus on reviews verifying compliance with new regulatory requirements in the aim of restarting reactors as soon as possible. Also, in collaboration with the CRIEPI’s Nuclear Risk Research Center (NRRC), Japan Nuclear Safety Institute (JANSI) and other outside organizations, we will steadily move forward with efforts to assure an even higher level of safety that surpasses what is mandated under the regulatory framework.

As has already been announced in press releases, the “Nuclear Risk Research Center Symposium 2018,” which is sponsored by the NRRC, will be held on February 8.

At this symposium, discussions will be held on the significance of utilizing risk information to improve the safety of nuclear power generation, and other topics. We will be presenting goals for operators to aim for as they make use of risk information, strategic plans toward that end, and the status of efforts undertaken so far.

We will strive to provide conscientious and comprehensible explanations so that not only the people who live in communities where power plants are sited, but also the broader society are able to understand these efforts.

In other developments, Japan Nuclear Fuel Limited announced at the end of last year that the schedule for completing the Rokkasho Reprocessing Plant and MOX Fuel Fabrication Plant had been revised. It is very regretful that the schedule for completion has once again been extended. However, by no means does this alter the importance of the nuclear fuel cycle from the perspectives of effectively utilizing uranium resources, reducing waste volume, and lowering hazard levels.

I hope that Japan Nuclear Fuel Limited will continue to be prudent as it addresses reviews verifying compliance with new regulatory requirements and implements construction of safety measures, and that they will do their utmost as they move toward completion under the new schedule.

We will steadfastly provide any necessary support in addition to reinforcing the system of safety controls.

Also, with regard to the final disposition of high-level waste, we will continue to take the initiative in actively working so that the people of Japan have an extensive understanding of the necessity of geological disposal projects, the way geological disposal safety will be assured, and other aspects.

At the end of last year, NUMO released the report of its investigation into the “inappropriate solicitation of participants for opinion exchange meeting regarding the Nationwide Map of Scientific Features for Geological Disposal.”

We also feel it was regrettable that NUMO employees solicited people from the electricity industry to participate in these sessions, thereby fostering doubts about the fairness of such proceedings.

From our position where we have a basic responsibility as generators of such waste, we have been engaging in a variety of dialogues. We will share this report and the measures that NUMO is taking to prevent any such recurrence with companies, and we will continue to appropriately address the situation.

Furthermore, with regard to renewable energies, we have also been doing our utmost in preparation for adoption of renewable energies under the revised FIT Act.

Since the FIT system was launched, there has been rapid growth in the amount of solar and other renewable energies, whose energy generating capacity is uncontrollable. In order to maintain the balance between electricity demand and supply, various adjustments have been made, including having thermal power plants curb output and pumped-storage power plants drawing water for power generation, which has ordinarily been done at night using surplus electricity, during the day using electricity from renewable energy sources.

The uneven distribution of suitable locations for solar and wind power along with other factors have created a situation in which applications for renewable energy connections have been concentrated in specific areas, which has conjointly brought to light the issue of the use of electricity networks in some areas.

From the standpoint of delivering a stable supply of electricity to customers and ensuring fairness for all energy sources, we have been conducting a review of a new energy source connections, which takes into account not only currently-operational energy sources but also those whose connection is planned for the future, pursuant to the rules specified by the Organization for Cross-regional Coordination of Transmission Operations, Japan (OCCTO).

In March 2017, the OCCTO significantly shifted the approach taken toward electricity network operation and facility configuration by presenting a direction where “maximum use would be made of existing electricity networks to comprehensively minimize long-term electricity source and distribution costs while continuing to meet electric source connection needs through expanded adoption of renewable energies and other measures.”

Following this declaration, the OCCTO and the Subcommittee on Large-Scale Renewable Energy Adoption and Next Generation Electricity Networks, which was established at the end of 2017 to serve as a central government expert committee, have proceeded to discuss the topic of the “Japanese-version of connect and manage.”

More specifically, so that the existing electricity networks are effectively utilized to their maximum capability and even more power sources, including renewable energies, may be

connected, these institutions have proceeded to give consideration, which includes technical and operational aspects, to:

- Methods for utilizing accrued capacity by reconsidering anticipated power flow over electricity networks so that it matches power source operation,
- Methods for skillfully utilizing available capacity for cases where electricity networks break down, and
- Methods that make it possible to transmit power when there is available capacity.

We will actively cooperate with these reviews aimed at adoption to the maximum extent possible of renewable energies, and we will continue our efforts for stably supplying electricity.

<In closing>

This year again, the electricity business faces a wide range of issues. Even so, our basic mission of “stabilizing and safely delivering good quality and inexpensive energy that takes the global environment into consideration” has not changed.

We will continue to maintain a high awareness of our mission and responsibilities as a participant in the electricity business. We will change things about ourselves that should be changed and boldly take up the challenge of new activities surpassing previous ideas so that we fulfill our basic mission. We will also steadfastly address changes that need to be made as we transition to a new age.

This will conclude my segment today.

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