

Summary of Press Conference Comments Made by Satoru Katsuno, FEPC Chairman,  
on April 20, 2018

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

Today, I would like to talk about two topics: the arrival of the third year since full liberalization of the retail power market and the demand and supply outlook for this coming summer.

But first, I would like to make a statement about the proposal, which the Round Table for Studying Energy Situations issued the other day regarding the 2050 energy strategy.

I would like to express my profound respect to the Round Table members and everyone involved who intensively examined what Japan's energy situation should look like 30 years in the future and even past that.

The Round Table's recommendations are being considered in the discussions underway now on revising Japan's Strategic Energy Plan. It is very important from the "S+3E (Safety, Energy security, Economic efficiency and Environmental conservation)" standpoint that Japan, which has scarce energy resources and is unable to form electricity networks with neighboring countries, realize a balanced energy mix that is not overly dependent upon a particular power or fuel source.

At any rate, I believe it is essential that nuclear power be utilized as an important baseload energy source into the future on the principle that it is safe.

I would like to ask that there continue to be a realistic debate in future discussions which take into consideration the realities that Japan faces.

< Third year since full liberalization of the retail power market >

Next, I would like to express my sentiments on reaching the third year since full liberalization of the retail power market.

On the first day of April, we entered the third year since Japan's retail power market was completely liberalized. New power producers and suppliers have increased their market share based on the amount of electricity sold to approximately 13%, which is more than twice what it was when full liberalization was implemented. I see this market as one that is intensely competitive.

Also, full liberalization of the retail gas market, which began in April 2017, a year after the retail electricity market, is now in its second year.

It is once again my feeling that Japan's entire domestic energy market has been plunged into a period of full-scale competition in which we are seeing alliances transcending the barriers between the electricity and gas industries as well as other instances of collaboration.

In such an environment, we must be courageous in taking up the challenge of developing new products and services that enhance customer convenience and allow businesses to operate smoothly, along with formulating other initiatives not bound to previous concepts or ways of thinking.

Also, I believe that we should continue to do our utmost to provide customers with options, not just for electricity, but more comprehensively from the standpoint of all energies.

The environment, in which the electricity business operates, has undergone considerable change. Yet, even within that context, there has been no change in our basic mission of “delivering good quality and inexpensive energy safely, stably and in a manner that is conscious of the global environment.”

In that sense, as we do our utmost to confront the competition, utilities will continue to cooperate to properly address issues of stable supply.

#### <Demand and supply outlook for this summer>

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

Businesses operating power transmission and distribution networks have reported to the Organization for Cross-Regional Coordination of Transmission Operators their forecasts for demand and supply over the coming summer, and these forecasts are currently being reviewed.

Based on these estimates, each region is expected to be able to secure the necessary electricity capacity margin for the stable supply of electricity.

Even so, the effect of continuing calls on customers for cooperation in saving electricity have been incorporated into the demand forecast in advance. As far as supply is concerned, we have no other choice but to continue to utilize aged thermal power facilities, which means that we still maintain a considerable dependence upon power generated from fossil fuels.

Also, during the past winter, the strong cold wave caused lower-than-average temperatures to continue throughout January and February in TEPCO Power Grid’s power transmission and distribution area.

This strained both demand and supply as demand increased for electricity for heating and other such uses and the supply capacity was affected as snow accumulated on photovoltaic power generation facilities in addition to issues at fossil fuel power generation facilities.

TEPCO Power Grid adjusted customers’ electricity use pursuant to their contracts, made use of the interchange agreement with other utilities, and took other measures to ensure a stable supply.

We will take into account the results consolidated by the Organization for Cross-Regional Coordination of Transmission Operators as we continue to do our utmost to align demand and supply in anticipation and preparation of increases in demand due to higher temperatures this summer as well as any risks of a decrease in supply capacity due to equipment issues.

Meanwhile, as we take into consideration this situation, I have renewed my appreciation for the substantial role that nuclear power generation plays in stabilizing electricity demand and supply as a baseload power source.

We believe that it is very important to appropriately comply with the new regulatory requirements and endeavor to ensure an even higher dimension of safety that goes beyond the regulatory framework, while at the same time collaborating with the new organization to be

launched by the New Nuclear Power Organization Establishment Preparation Office, which was established this month.

As we properly explain these initiatives to people in siting communities as well as the broader public, we will aim to restart Japan's nuclear power plants as soon as possible.

This will conclude my segment today.

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