

Summary of Press Conference Comments Made by Satoru Katsuno, FEPC Chairman,
on December 14, 2018

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

This is the last press conference of the year. As such, I will be reflecting on the environment surrounding the electricity business this year.

<Reflections of 2018>

Competition grew fiercer across the various types of energy with the liberalization of electricity and gas retail sales. In this environment, the energy mix and power composition were determined with an eye toward the future and initiatives to increase the electricity infrastructure's resilience toward increasingly violent disasters were launched.

<An increasingly competitive environment>

This was the third year of the fully liberalized retail electricity market. Competition is intensifying—existing utilities are taking on consumers in each other's historic supply areas, in addition to new electricity suppliers gradually expanding their market shares.

Also, in this second year of the full liberalization of the gas retail market, I am seeing competition across energy sources as companies collaborate across sectors and industries.

<Cabinet decision on the Fifth Strategic Energy Plan>

In July, the "Fifth Strategic Energy Plan" was approved in a cabinet meeting. The Plan reaffirmed the basic policy, namely the energy mix and power composition in 2030, and outlined an ambitious multiple track scenario that pursues all possibilities for energy transition and decarbonization looking toward 2050.

In energy resource poor Japan, realizing a balanced energy mix that doesn't rely too heavily on a particular electric power source or fuel source is critical from an "S +3E"

standpoint.

To realize this energy mix, we will expand the deployment of renewable energy with the aim of making it a major power source, accelerate efforts to restart nuclear power plants and further increase safety and economic efficiency, build a next generational network system, and improve the efficiency of thermal power plants.

<Initiatives to strengthen electricity infrastructure resilience>

In light of the wide-ranging and long-term blackouts that have occurred as a result of this summer's natural disasters such as torrential rains, typhoons and an earthquake, the government's "Electricity Resilience WG" has been discussing measures to increase the resilience of electricity infrastructure.

We, as utilities, have also conducted comprehensive inspections on electricity resilience, ensured that the whole network will not suffer a blackout by establishing network operating measures to be implemented as necessary, and confirmed the integrity of thermal power plants, transmission and distribution facilities, and other electricity infrastructure-related facilities.

A report on the emergency inspection results and corresponding response measures for important infrastructure including electricity was presented at the "Ministerial Conference on the Emergency Inspection of Important Infrastructure" held on November 27, where it was determined that these measures were to be reflected in the "Fundamental Plan for National Resilience".

We will implement "emergency measures" which include working toward early recovery and the swift and accurate dissemination of information to customers in an outage, and as "mid-term measures" or cooperating in discussing in depth ways to avoid blackouts as much as possible.

<Restart of nuclear power plants>

Ohi Units 3 and 4 of Kansai Electric Power Company's and Genkai Units 3 and 4 of Kyushu Electric Power Company have restarted commercial operation from April to

July of this year. Steady progress has been made in responding to the new regulatory requirements conformity review for BWRs with the Tokai Daini plant of the Japan Atomic Power Company. It has received permission for changes in reactor installation in September and approval to extend the operational life in November.

In regards to the provisional disposition against the operation of Shikoku EPCO's Ikata Power Station Unit 3 running on MOX fuel, High Courts and Regional Courts in various regions have issued the decision to allow plant operation.

Nine units across the country have restarted commercial operation thus far. In addition to safely and stably operating the restarted PWR plants, we will do our utmost to comply with the review for the early as possible restart of BWRs as well as PWRs.

In addition, the "Atomic Energy Association" was established in July of this year and discussions on nuclear safety are being had. The nuclear industry as a whole will work together to solve various issues to recover the trust of society while continuously striving to reduce risks.

<Nuclear fuel cycle>

Progress has been made on checking conformity to new regulatory requirements for the Rokkasho Reprocessing Plant of Japan Nuclear Fuel Limited (JNFL). In October of the year, JNFL has submitted an amendment reflecting content reported in the review meetings to the Nuclear Regulation Authority.

We believe that the nuclear fuel cycle is extremely important in terms of using uranium effectively and reducing the volume and toxicity of waste. I encourage JNFL to put in their all toward passing the review.

We, as nuclear utilities, will fully support JNFL as an industry and work toward realizing the Spent Fuel Measures Promotion Plan and steadily reduce the plutonium stockpile through the introduction of MOX fuel.

<Final disposal of high-level radioactive waste>

Last month, Nuclear Waste Management Organization of Japan (NUMO) released the “Comprehensive Technical Report (for review)” that aggregates scientific knowledge and technology and comprehensively compiles the methods and their rationale to realize safety geological disposal.

We bear a fundamental responsibility as generators of high-level waste. With this understanding, we will continue to work on raising the interest and gaining the understanding of the public through dialogue with the local community so as to realize final disposal.

<Resolution for next year>

I have touched on various developments in looking back on the past year. 2019 will be the year to complete preparations for the smooth legal unbundling of the transmission and distribution sectors scheduled in 2020, in addition to responding to the increasing competition among energy sources.

Active discussions are being held on electricity system reform: on network investment which covers electricity wheeling system reform, and a scheme to recover investment into power sources to secure supply capacity and load balancing capability, as well as disaster response costs. We, as operators involved in the implementation of these measures, will actively cooperate in such discussions.

Amongst such large changes, our fundamental mission of “delivering stable and affordable electricity safely” remains unchanged, and we will continue to do our utmost to balance stable supply while maintaining our competitiveness.

We will aim to realize the 2030 energy mix by restarting nuclear power plants, expanding the use of renewable energy with the intention of making it a major power source, and other efforts.

This will conclude my segment today.

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