

Summary of Press Conference Comments Made by Shigeki Iwane, FEPC Chairman,
on July 19, 2019

I am Shigeki Iwane, Chairman of the Federation of Electric Power Companies. Today will be my first press conference as chairman.

I look forward to working with the Energy Press Club and the media going forward.

Today, I will talk about the “G20 Osaka Summit”, “discussions regarding the revision of the wheeling charge system”, and “results of the review before the enactment of the third stage of the electricity system reform and response to the legal unbundling of the transmission and distribution division”.

<G20 Osaka Summit>

First, I would like to talk about the G20 Osaka Summit held on June 28 and 29, the first G20 Summit to be hosted by Japan.

The G20 Osaka Leaders’ Declaration adopted in the Summit recognized the importance of energy transitions to realize S+3E and global energy security.

In advance of the meeting in Osaka, the Energy Ministers’ Meeting (G20 Ministerial Meeting on Energy Transitions and Global Environment for Sustainable Growth) was held in Karuizawa, Nagano on June 15 and 16. Progress on renewable energy, the realization of a stable, low cost and resilient electricity system, promotion of nuclear innovation, investment into progressive, and cleaner fossil fuel technology were discussed and a communique issued.

We as operators will remain committed to restarting nuclear power plants with safety as the basic premise, further introducing renewable energy, building a next generational network to achieve long-term and stable energy supply, and pursuing highly efficient thermal power generation.

The energy ministers reached an agreement on establishing the “International Roundtable on Final Disposal of High-Level Radioactive Waste” for the first time at the Energy Ministers’ Meeting in order to realize the final disposal of high-level radioactive waste which is a common concern for all countries that make use of nuclear power generation.

In this “International Roundtable on Final Disposal of High-Level Radioactive Waste”, countries will share their experience and knowledge in promoting understanding of final disposal of radioactive waste among the public, discuss possibilities of international research collaboration in underground research laboratories and personnel exchanges, formulate a basic strategy for international cooperation in realizing final disposal, and compile best practices.

We, as nuclear operators, believe that the final disposal of radioactive waste is an important issue that cannot be passed on to the next generation. We hope that these initiatives will further the public’s understanding and trust in final disposal in Japan.

We have a basic responsibility as generators of high-level radioactive waste. With this in mind, we will strive to gain the public’s interest and understanding of the issue through dialogue with the local community to realize the final disposal of the radioactive waste.

<Discussions regarding the revision of the wheeling charge system>

The second point I would like to talk about is the discussions regarding the revision of the wheeling charge system.

The government’s Subcommittee on Electricity Resilience towards a Decarbonized Society held discussions on June 28 regarding the revision of the wheeling charge system in transitioning to a next generational electricity transmission and distribution network system.

With regard to the environment surrounding the operators' electricity transmission and distribution network, various issues have emerged, including reduced investment predictability, as the operators need to take aging degradation measures while the uncertainty in electricity demand going forward increases.

Flexible and proportionate action is also needed in increasing electricity resilience, turning renewable energy into a main power source, and digitalizing transmission and distribution facilities and equipment. We understand that these factors, in addition to the changing environment, are being taken into consideration in discussing the revision of the wheeling charge system.

In building a next generational electricity transmission and distribution network system, the ideal state of Japan's wheeling charge system needs to be discussed, balancing "managing citizens' burden" with "securing necessary investment" as a basic premise. Issues such as responding to the liberalization of the market and expanding renewable energy use need to be addressed using the knowledge from and lessons learned by other countries that have undergone this reform, while also building necessary systems to maintain a stable energy supply by securing reserve capacity and adjustment capacity.

We, as general transmission and distribution operators, believe that transitioning to a next generational electricity transmission and distribution network system is necessary in continuing to provide stable energy and realize S +3E. We are prepared to actively engage in these discussions.

<Results of the review before the enactment of the third stage of the electricity system reform and response to the legal unbundling of the transmission and distribution division>

Finally, I would like to address the "results of the review before the enactment of the third stage of the electricity system reform and response to the legal unbundling of the

transmission and distribution division”.

The government’s “Subcommittee on Electricity and Gas Basic Policy” has reviewed the current state of the electricity business including responses to public interest issues such as electricity demand and supply, stable supply of electricity, and global warming measures. Based on this review, on June 26, the legal unbundling of the transmission and distribution division was indicated to start in April of next year as planned as the final step of the electricity system reform.

As a liberalized electricity market develops, it is extremely important for all operators from generation, transmission and distribution, through to retail to perform their roles adequately in addition to building a system necessary in securing reserve capacity and adjustment capacity in order to maintain stable supply.

All the utilities have had their absorption split agreements approved in the general shareholders' meetings held at the end of last month. These agreements will allow operators to succeed their transmission and distribution business to newly established preparatory companies for the legal unbundling of the transmission and distribution division in April of next year.

We will continue to steadily prepare for the smooth legal unbundling to ensure that the stable energy supply that has been maintained under the existing integrated system will not be impaired.

This will conclude my segment today.

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