

Summary of Press Conference Comments Made by Satoru Katsuno, FEPC Chairman,
on December 13, 2019

I am Satoru Katsuno, Chairman of the Federation of Electric Power Companies. This is the last press conference of this year. Today I would like to address “initiatives to recover the publics’ trust in the electricity industry” and “2019 from the electricity industry’s perspective”.

1. On the “initiatives to recover the publics’ trust in the electricity industry”

I would first like to address “initiatives to recover the publics’ trust in the electricity industry”.

As discussed in past press conferences, the Federation of Electric Power Companies established the Corporate Ethics Committee as of October 18 at the General Policy Committee that was attended by utility presidents given the Kansai Electric Power Company’s gift reception problem.

The third Corporate Ethics Committee meeting was held today and Presidents recommitted to each other as top management to continue to ensure compliance based on best practices in other industries and the stipulations and guidelines published by the Kansai Electric Power and Chubu Electric Power.

We will strive to recover the trust of society in the electricity business and in nuclear power generation by making a concerted effort as an industry to sincerely and unceasingly ensure compliance. To this end, we will continue to hold Corporate Ethics Committee meetings every month and improve the compliance framework and action guidelines based on responses to challenges identified in the Kansai Electric Power’s Third-Party Committee discussions.

2. On “2019 from an electricity industry’s perspective”

I will like to reflect on 2019 as I address the second point, “2019 from the electricity

industry's perspective".

<Reflecting on 2019>

Competition across types of energy intensified this year as the era changed from "Heisei" to "Reiwa", and discussions toward further strengthening electricity infrastructure resilience and building a sustainable electricity system gathered momentum.

<Intensifying competition>

More specifically, competition has further intensified in the fourth year of the full liberalization of retail electricity. PPSs have further increased their market share, switching plans among utilities have become more common place for consumers, and operators have begun new services to respond to households whose FIT term, the period in which excess power generated by residential solar photovoltaic was guaranteed to be bought at a fixed rate, has begun to end starting in November 2019.

2019 was also the third year of the full liberalization of retail gas and there have been examples of collaboration across sectors and industries—looking back, the intensification of competition across industry borders seems ever more significant.

<Initiatives to strengthen electricity infrastructure resilience>

Continuing on from last year, major damage was wrought across Japan due to natural disasters. Typhoon Faxai (15th typhoon of the season) and Hagibis (19th typhoon of the season) made landfall one after the other on the Japan coast from September to October of this year and caused long-term outages broadly across Japan, centering on east Japan.

Given last year's outages due to the string of natural disasters, we as electric operators have conducted a thorough inspection of the state of electricity resilience and have implemented countermeasures such as building a framework to swiftly dispatch support to other utilities in a disaster and using many channels to disseminate

information to customers.

While such measures were deemed effective in recovering from outages caused by this year's Typhoon Faxai (15th typhoon of the season) and Hagibis (19th typhoon of the season), the government's "the Electricity Resilience WG" has been deliberating over a set of measures to further enhance electricity resilience given the new lessons learned in the typhoons of this year.

Measures are being discussed from a diverse set of perspectives—specifically, accelerating initial response to a disaster, strengthening ties with the Self-defense Force and municipalities, securing alternate power supply sources to last until power recovery, and strengthening the resilience of the electricity network. A report on these measures will be submitted to a government verification team by the end of the year.

We, as electric utilities, will continue to closely cooperate among utilities and do our utmost to deliver electricity stably to customers and further enhance electricity resilience given the TEPCO HD's verification results regarding their response to Typhoon Faxai (15th typhoon of the season).

<Developments in energy policy>

In August of this year, the government, in its Strategic Policy Committee, introduced its policy to drastically revise the FIT scheme and review the state of price support systems with electricity market transactions in mind to make renewable energy into a main power source and realize sustainable investments into the electricity system to develop a sustainable energy system.

The necessity of deliberately developing power systems and reforming the wheeling fee system in building a next-generation electricity grid was also confirmed. Discussions regarding energy policy are coming down to the homestretch in the Subcommittee on System Reform for Renewable Energy as Main Power Source and the Subcommittee for Sustainable Power Systems.

The Federation of Electric Power Companies also views the revising the system,

taking further into consideration the burden on the public, and reforming the wheeling fee system to strengthen electricity resilience in making renewable energy into a main power source as critical efforts in realizing stable supply now and in the future and realizing S+3E. As such, we will be actively cooperating in these discussions.

<On nuclear power generation>

Regarding our initiatives for the restart of nuclear power plants, there has also been steady progress on the BWR front on responding to the new regulatory requirements conformance review. A draft of the review results for Tohoku Electric Power Onagawa Nuclear Power Station Unit 2 was put together on November 27 and the review of the Chugoku Electric Power Shimane Unit 2 is also progressing steadily.

We will do our utmost to build a record of safe and stable operation for the nine restarted PWR plants. While PWRs are currently preceding BWRs in restart, we will continue to tackle conformance reviews with full force to restart BWRs as soon as possible.

There was also progress in discussions regarding the new regulatory requirements to further improve the safety of power plant—in June of this year, a response policy for specialized safety facilities that not completed within the legally stipulated time frame was decided and in September, the evaluation method for the “evaluation of ground motions without the identification of seismic sources” was revised.

We, as nuclear operators, will continue to respond sincerely to these challenges with the awareness that nuclear safety must be further improved. We will cooperate actively with ATENA and other external organizations to promote initiatives to secure safety at a higher level beyond regulatory requirements.

<Nuclear fuel cycle>

Japan Nuclear Fuel Limited is doing its utmost to pass the new regulatory

requirements conformance review for the Rokkasho Reprocessing Plant. Other utilities are providing support by dividing up and checking among utilities the “organized materials (summarized materials)”, in which conformance status in regards to each article is summarized.

Considering the energy situation in resource-poor Japan, the nuclear fuel cycle is critical from the perspectives of effectively utilizing uranium, reducing the volume of waste and reducing the toxicity of waste. This project needs to be pursued consistently from a long-term perspective.

We will continue to pursue the realization of the Spent Fuel Measures Promotion Plan and the steady reduction of the plutonium stockpile.

<Final disposal of high-level radioactive waste>

In regards to the final disposal of high-level radioactive waste, during the Radioactive Waste WG hosted by the government on November 29, a specific policy was established for literature research in multiple locations, which includes actively supporting the regions formulate a regional development vision, in addition to the policy of promoting understanding to a broad audience and providing more information based on needs.

We recognize that we have a basic responsibility as generators of high-level radioactive waste and based on these policies, will continue to collaborate with the government and Nuclear Waste Management Organization of Japan (NUMO) to deepen interest and understanding regarding final disposal of high-level radioactive waste through dialogue activities with the people of various regions.

<Initiatives to reduce greenhouse gases>

In regards to our greenhouse gas reduction efforts, the CO2 emissions for FY2018 published by the Electric Power Council for a Low Carbon Society (ELCS) show that CO2 emissions fell approximately 9.6% and the emissions factor fell approximately 6.7% compared to FY2017.

We, as electricity utilities, will continue to pursue the optimal energy mix from an

S+3E perspective, steadily implement global warming countermeasures, and run PDCA cycles steadily to realize a low carbon society.

<Resolutions for next year>

I have covered many topics in looking back on 2019. In 2020, we will start the year under a new framework—in addition to recovering trust through unending efforts to enforce compliance, we will promote appropriate preparations to sustain the stable power supply that the utilities have been maintaining for the legal unbundling of the transmission and distribution divisions scheduled in April as the final stage of electricity system reform.

In 2020 and onwards, the livelihoods of the people and the economy and society in general will change ever more rapidly to realize Society5.0, which will include the utilization of the latest digital technology such as IoT and AI.

In light of this, we will aim to build a sophisticated energy platform that is reliable and efficient. By building a next-generation transmission and distribution network, we will create a platform that contributes to solving a variety of societal problems today and in the future which include realizing a low carbon society and providing new services that tackle the challenges posed by a declining birth rate, in addition to providing a stable supply of electricity and digitalizing systems.

In July of next year, Japan will host the Olympic and Paralympic games, which will be held domestically mainly around Tokyo.

We as electricity utilities will do our utmost to provide stable electricity so as not to disrupt the games.

This will conclude my segment today.

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