

Summary of Press Conference Comments Made by Kazuhiro Ikebe, FEPC  
Chairman on April 14, 2023

I am Kazuhiro Ikebe, Chairman of the Federation of Electric Power Companies (FEPC). Today, I will first talk about our response to the Fair Trade Commission's request, about industry-wide initiatives to ensure compliance with conduct regulations, and about deliberations over the GX decarbonized power sources bill.

<Response to the Fair Trade Commission's request>

First, I will talk about our response to the Fair Trade Commission's request.

On March 30, the Fair Trade Commission issued a cease and desist order and surcharge payment order in accordance with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Anti-monopoly Act) to a few utilities.

As we have noted before, though the FEPC will refrain from commenting on specific incidents as we are not involved nor understand the specifics of individual incidents, we apologize as an industry for causing concern and distress as a result of these series of incidents.

Kyushu Electric Power Co., Inc., which I head as president, has also received a cease and desist order and a surcharge payment order. I apologize to our customers and parties concerned for the immense concern and distress we are causing. Having examined and confirmed the details of the orders, Kyushu EPCO is currently carefully deliberating over our response, which we will explain further once it is finalized.

While the FEPC has not received any orders to do with the violation of the Anti-monopoly Act, we have received request from the Fair Trade Commission on preventing the recurrence of such violations. On March 30—on the day that we received this request—I, as FEPC Chairman, immediately told utility presidents to

ensure compliance with the Anti-monopoly Law and other related laws and regulations, properly manage competitive information, ensure that information is not exchanged inappropriately, and refrain from setting up meetings among companies that may arouse suspicion.

The FEPC has also assembled an expert team of lawyers from outside the organization to conduct an investigation into whether companies exchanged information on their retail sales policies in response to the request from the Fair Trade Commission. The team will conduct hearings on companies found to be in violation of the Anti-monopoly Act and ask people selected based on the information gathered in the hearings to answer questionnaires. Preparations are underway to have the team up and running as soon as possible.

Through this investigation, necessary measures will be identified, stipulated in conduct regulations and reflected onto the operations of the companies and FEPC. We will further ensure operations are in compliance with the Anti-monopoly Act and under fair transparent competitive conditions.

<Industry-wide initiatives to ensure compliance with conduct regulations>

Next, I will talk about industry-wide initiatives to ensure compliance with conduct regulations.

In the Chairman press conference last month, I introduced our Compliance Promotion Headquarters comprised of external experts that will be the spear that will pierce through organizations as a check and balance system. Today, the Corporate Ethics Committee agreed that on the structural front, the Compliance Promotion Headquarters will confirm that the companies' "three lines of defense" comprised of the operational departments, risk management division, and internal audit division are functioning as a structure to manage risk. The three most important items—risk identification, clearly defined roles for the three lines of defense, periodic monitoring—will be prioritized in this confirmation to be completed

by the end of June 2023. The issues identified will be explored on a deeper level and PDCA cycles run appropriately.

Meanwhile, on the transmission and distribution front, all general transmission and distribution operators will implement recurrence prevention measures, such as system-side and structural measures. The Transmission & Distribution Grid Council has set up a Transmission and Distribution Compliance Committee with external experts to share the inappropriate incidents and recurrence prevention measures among companies, and discuss ways to improve in order to secure the neutrality and fairness of general transmission and distribution operators. Through these measures, the industry as a whole will work to address these series of incidents.

The electricity industry will continue to work sincerely and untiringly on ensuring compliance to recover trust from society.

<Deliberations over the GX decarbonized power sources bill>

Next, I will talk about deliberations over the GX decarbonized power sources bill.

The GX decarbonized power sources bill that aims to promote the maximal deployment of renewable power in coexistence with the local community while encouraging the safe nuclear power plants and decommissioning those that have been retired from operation based on the “GX Basic Policy”, was submitted to the Diet and is currently being deliberated.

To achieve carbon neutrality in 2050, society needs to be electrified using electricity generated from renewable and nuclear and other decarbonized power sources. To promote renewable energy, the bill aims to establish a business environment to raise the necessary funds for building the grid, encourage additional investment into maximally utilizing existing renewable energy sources, and strengthen rules for deploying renewables in a way that coexists with the local community.

In terms of nuclear power, the bill seeks to revise the Atomic Energy Basic Act to clarify the value of nuclear power in stable energy supply and realizing decarbonization in addition to the principle of putting safety above all. The bill lays out the maintenance and strengthening of the industrial base such as nuclear technology and human resources, and the steady implementation of reprocessing, decommissioning, and final disposal as measures to be taken by the government to properly utilize nuclear power. Other related bills seek to tighten regulations on aging reactors, establish rules regarding operating periods, and smoothly and steadily promote of decommissioning.

These proposals laid out in the bill are very meaningful for the stable supply of energy given Japan's unique energy situation and in realizing decarbonization with stable supply. We as electricity utilities will continue to work on both the supply and demand side to secure stable supply and realize carbon neutrality by 2050 by maximally using renewable power and safe nuclear power plants, decarbonized thermal power, and promoting electrification.

<Finally>

Those are my three main topics for the day. Finally, I want to address electricity supply and demand for summer.

The energy conservation period for this winter ended on March 31. I want to take this opportunity to express my deepest gratitude to those who have cooperated with conserving energy, as well as the media for calling for conservation. This summer, the reserve rate in the Tokyo area is projected to be a 3%. While the minimum necessary reserve rate for stable supply has been secured, the risk of fuel supply disruption continues to exist as the War in Ukraine remains unsolved, and we need to prepare for increases in electricity demand as temperatures may rise beyond projections. We will continue to do our utmost on the supply side, for example by securing additional supply, and we ask that the public use energy efficiently.

This concludes my remarks for today.

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