Summary of Press Conference Comments Made by Kingo Hayashi, FEPC Chairman on June 20, 2025

I am Kingo Hayashi of the Federation of Electric Power Companies of Japan.

Today, I will talk about supply and demand for the summer of FY2025 and securing generating capacity in the medium term.

Electricity supply and demand projections for the summer of FY2025 was presented in government council deliberations last month. Compared to the projections as of March, there was a slight decrease in reserve rates in some areas as the latest operation plans including changes in repair plans were reflected onto projections. Even so, the reserve rate of 3% necessary for stable supply is projected to be secured in all areas.

However, the cross regional reserve rate for the Kanto area fell below projections this week as the region experienced high temperatures in between seasons. Supply and demand may tighten further should generating capacity fall due to issues with large-scale power sources and upswings in demand due to severe weather.

I also want to touch on annual Expected Unserved Energy, or EUE, which represents the annual probability of outages due to lack of sufficient generating capacity. The lower the EUE, the less likely an outage is to occur, and targets have been set for each area.

Unfortunately, the Tokyo and Kyushu areas have exceeded the targets for FY2025. We as utilities will continue to be vigilant and prepare for the transition period between seasons and the summer high-demand season by doing our utmost to secure generating capacity.

We will not be issuing a request to the public to conserve energy this summer but

ask that everyone use energy efficiently when possible by introducing new equipment and being creative with how to use electricity.

I also want to briefly touch upon our efforts to secure medium-term generating capacity. As you can see from the EUE, there is a continued concern that there will be a shortage in generating capacity after FY2027.

OCCTO, in the Study Meeting on Future Electricity Supply-Demand Scenarios, recently presented projections for electricity supply and demand balance. Balance projections for 2050 show, unless thermal power plants are replaced by decarbonized thermal power plants, there will be a generating capacity shortage (kW) in all scenarios.

In the scenario with the most growth in demand with a demand of 1.25 million MWh, there will not be enough generating capacity to meet demand even if all thermal power plants are replaced. This indicates that even if existing nuclear power plants have a 60-year operating life and all plants that have operated for the past 60 years are replaced, there will be a shortage in generating capacity or kW. We take this finding that stable supply may be compromised in the future seriously.

Going forward, necessary generating capacity needs to be secured with the demand expanding scenario in mind. To that end, predictability in recovering investments into decarbonized power sources and recovering costs associated with maintaining existing power sources must be secured. As I mentioned in last month's press conference, I hope fervently that this discussion of different scenarios will be reflected onto the design of various policy systems such as the Long-term Decarbonized Power Sources Auction.

In the meantime, generating capacity from existing power sources also need to be secured considering the lead times for the construction of new power sources. Currently, Japan has the capacity market as a mechanism to efficiently secure

necessary generating capacity (kW).

Existing thermal power plants including high-efficiency coal-fired thermal are especially critical for stable supply as renewable deployment continues to expand and in this period of transition to decarbonized power sources. The capacity market fulfills the role of procuring generating capacity for stable supply. To secure generating capacity for the future and predictability in cost recovery to maintain existing power sources, this market also needs to be reformed.

One of the challenges facing the capacity market from a generating capacity perspective lies in its ability to procure target capacity at an appropriate level as demand is projected to increase. The accuracy of demand projections used to calculate target procurement amounts needs to be improved and generating capacity, including balancing capacity necessary for expanded deployment of renewables, will need to be secured.

From the perspective of price, price levels need to be kept at a level where existing power sources can be maintained. Numbers presented in the Generating Cost Verification WG from ten years ago are still being used as the price index to determine the price levels in the capacity market auction. However, recently, the costs of maintaining power sources has been rising due to wage increases and rapid price increases, and a price index that is in line with the current reality needs to promptly be set.

OCCTO is currently leading a comprehensive verification to review the mechanism by which the purpose of the capacity market is fulfilled and to improve functionality.

As utilities on the ground, we will keep an eye on the discussions and provide input through public comment and fact finding surveys to ensure that it will become a system that can provide the necessary capacity for Japan at large.

The government also recently restructured the Subcommittee on Basic Policies for Electricity and Gas into the Subcommittee on Building a Foundation for Next-generation Electricity and Gas Businesses. The System Design WG Based on Electricity System Reform Verification under the Subcommittee has started discussing necessary system measures for building an electricity system for the future.

On the agenda are items regarding securing generating capacity, including clarifying the position of existing thermal power plants with stable supply as a premise and detailing how retail operators can secure quantitative generating capacity.

Discussions of concrete measures will continue going forward but I want to remind everyone that issues that have already come to the surface need to be addressed promptly. I hope the government will implement effective policies quickly and see to it that the plans don't fall through. As utilities, we will cooperate with the discussions as much as possible.

Finally, I want to show you our TV commercial and online video featuring the actress Mio Imada.

This TV commercial delivers the message of "Living with electricity, now and in the future," and communicates the warmth of family and electricity in daily life.

In the commercial, we talk about how we are using the different types of power sources in a balanced way while maximally utilizing nuclear power and renewable energy, and decarbonizing thermal power.

The online video features Mio Imada playing a police officer, talking about energy as she solves crimes. I'm sure you'll find the dichotomy between the tense situation and the topic she is talking about to be amusing. Both the energy mix version and the heat pump version of the video are available on the FEPC website and on various

social media platforms. We urge you to take a look.

This concludes my remarks for today.

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