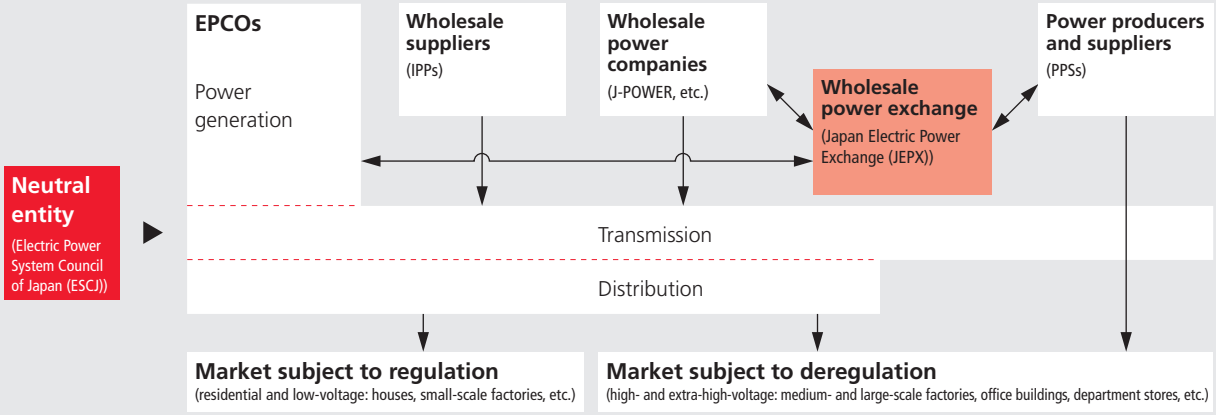
Japan's Electric Power Supply System

The Japanese electric power industry comprises the traditional, vertically integrated general electric utilities (EPCOs); wholesale electric utilities, including J-POWER, and wholesale suppliers (IPPs) that supply electricity to EPCOs; and power producers and suppliers (PPSs) that have entered the new retail sector.

Amid the trend to the increasing liberalization of electric power industry regulations, the revision of the Electricity Business Act created systems from 1995 that enabled the creation of IPPs and PPSs and allowed companies other than electric power companies to engage in the wholesale supply of power to electric power companies and the retail distribution of power. Since 2005, electric power transactions have been carried out at the Japan Electric Power Exchange (JEPX).

Organizational Structure



Progress of Deregulation

Phase 1 — 1995
- Introduction of wholesale electric power bidding system

Phase 2 — 2000
- Partial deregulation of electric power retailing (approximately 30% of power sales)

Phase 3 — 2004
- Expansion of retail deregulation (approximately 40% of power sales)

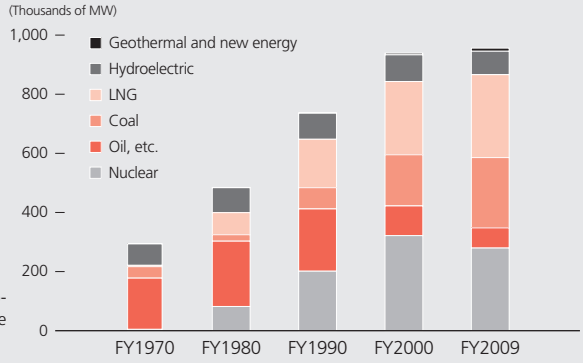
Phase 4 — 2005
- Expansion of retail deregulation (approximately 60% of power sales)
- Transactions began on the Japan Electric Power Exchange (JEPX)

Phase 5 — 2008
- Priority given to promoting the establishment of a competitive environment
- To re-examine the advantages and disadvantages of expanding the scope of retail liberalization in around five years' time

* As designing specific systems for the ideal form of an electricity system has been regarded as an urgent issue ever since the Great East Japan Earthquake, an Electricity System Reform Committee was established under the Ministry of Economy, Trade and Industry's Coordination Subcommittee of the Advisory Committee for Natural Resources and Energy in February 2012. The subcommittee is making progress with expert studies into an electricity system, including full retail liberalization (as of September 2012).

Composition of Total Generating Output by Fuel Type

While hydroelectric power previously accounted for the bulk of electric power generating capacity in Japan, there was a shift to the use of abundant and inexpensive oil to fuel thermal power plants. Since the oil shocks, coal- and natural gas-fired thermal power generation as well as nuclear power have been advocated and plans made to diversify power generation methods.



Note: Figures for oil, etc., include figures for other kinds of gas and bituminous substances (including power received). Figures for total power generation volume are for the 10 EPCOs (including power received).
Source: Agency for Natural Resources and Energy