

## **Trends Surrounding Electric Power Industry**

Jun-ichi Ogasawara, Group Leader  
Strategy and Industry Research Unit  
Institute of Energy Economics, Japan

In 2008, the basic report is scheduled to be fixed in March after the basic report is put together at the Electricity Industry Committee and going through the public comment procedure at the end of January. The outline proposal for the basic report showed (1) no expansion of the scope of retail liberalization including the household sector, (2) vitalization of transactions at the wholesale electric power exchange and investigation of compatible products, and (3) a review of the wheeling system. The detailed system design is scheduled to be moved in the future. In the detail design, in addition to the investigation by the Electricity Industry Committee System Reform Working Group (chair: Kanemoto, professor of Tokyo University), the wholesale electric power exchange is scheduled to review the product design and the method of market monitoring, and the Electric Power System Council of Japan (ESCJ) will review the rules for construction of interconnection transmission line. The results of the investigations by the private sector affect the competitive environment and the stable supply and represent important features in the current electric power system reform.

Higher crude oil prices are expected to continue in 2008, but as supply resources of the Power Producers and Suppliers (PPS) is mainly based on thermal electric power plants, it appears that the situation of deteriorating financial viability will continue. In the latest system reform, a measure to vitalize the wholesale electric power exchange was implemented, and attention is being drawn as to how this will affect the competitive environment. Many pessimistic viewpoints, however, have been expressed by the PPS, and thus there is the possibility that this year will be a very difficult year in terms of continuing the business. In addition, the items relating to environmental conservation, such as CO<sub>2</sub> and RPS, are subject to evaluation in the tenders by government and other public offices, and the CO<sub>2</sub> emission factor of producers and suppliers has started to affect the selection of producers and suppliers by customers. In this regard, attention is drawn to the results of designs and experiments for environmentally compatible products (CO<sub>2</sub>-free products) to be investigated at the wholesale electric power exchange.

In terms of stable supply, the Kashiwazaki-Kariwa Nuclear Power Plant is still shut down due to the Niigataken Chuetsu-oki Earthquake that occurred in July 2007. It is forecast that a certain degree of stable supply can be secured through the additional supply capability of the current winter, but the unpredictable situation will continue. In addition, it is not possible to forecast for the summer of 2008 as the time for restarting the operation has not been announced as of this writing. There may be a difficult demand and supply situation just like in the summer of 2007 depending on the weather conditions. In that case, the situation may be one where commercial-scale utility customers and general households may be asked to save electric power.

Contact: [report@tky.ieej.or.jp](mailto:report@tky.ieej.or.jp)