

Total Deregulation of Electricity Market to Be Postponed

On July 30, the Advisory Committee for Natural Resources and Energy's Electric Power Utility Industry Subcommittee took up the results of deliberations by its system-reform working group on expanding the scope of deregulation in the retail power market. The working group had concluded that "expansion is not appropriate at this time," and the subcommittee concurred. In the event of total deregulation of nuclear power generation, it said, the effect on investment in new reactors, and other factors, should first be prudently addressed.

There were many comments by subcommittee members cautious about total deregulation of the retail power market, raising points that the system-reform working group had considered, especially three items: (1) the assurance of options for consumers, (2) the need for cost-benefit analyses, and (3) the effects of expansion on corporate behavior by the electric power utilities.

As its conclusion, the working group had noted that options for consumers in those sectors already deregulated have not been fully ensured, and that expansion could not be expected to bring advantages to households under prevailing circumstances. More than that, it concluded that the well-being of society as a whole might even be impaired, and that the costs from expansion could substantially exceed the benefits. The subcommittee thus agreed to consider systematic reform, including that of the grid system, as well as the revitalization of the wholesale power market.

Although no clear relationship was found between total deregulation and overall investment in power-generation facilities, there remains the possibility of effects on power-source composition. In that respect, three items – long-term investment in nuclear power plants, the risks of long-term contracts, and particularly the effect on investment in new generation capacity – should be fully addressed when implementing total deregulation. In addition, the subcommittee noted that Europe and the U.S. had both seen a growing campaign toward a revival of nuclear power, as nuclear competitiveness has been improving and deregulation progressing, in light of environmental issues and rising primary energy prices.

At the meeting, the members made various comments, including President Tsunehisa Katsumata of the Tokyo Electric Power Co. (TEPCO), who said, "I agreed with the conclusion of the working group. Points that should be improved will be improved, and electric utilities should be more competitive." In contrast, President Tsutomu Takei of ENNET Corporation, mentioned, "We, the power producers and suppliers (PPS), are disappointed by the decision. While we concur basically with the working group's conclusion, consumers have high expectations for deregulation, and there should have been presented a rough estimate of when the issue will be discussed next."

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