

# Electricity and Gas Market Surveillance Commission

**May 2024**

# WHO ARE WE ?

- The Electricity and Gas Market Surveillance Commission (EGC) was established in September 2015 in order to urge sound competition in the electricity market.
- Besides strictly monitoring transactions in the market, EGC makes recommendations to the Minister on necessary rule-making.

## ① Monitoring/Inspection

- ◆ Consumer protection  
ex. Demanding extremely high cancellation fee
- ◆ Prevention of monopolistic power  
ex. Setting extremely low retail price to block new entrants
- ◆ Neutrality of transmission operators  
ex. Leaking the information of other generators/retailers obtained through the transmission operation to the generation/retail sections in the company/group

## ② Assessment of the registration of new retailers

## ③ Assessment of the application of tariffs

## ④ Policy Recommendation

- ◆ Rule-making from the viewpoint of competition as well as consumer protection
  - \* Rule-making on securing stable supply under jurisdiction of ANRE

# Electricity and Gas Market Surveillance Commission Operation Philosophy



電力・ガス取引監視等委員会  
Electricity and Gas Market Surveillance Commission

## Energy System that the Commission aims for (Mission)

**Providing low-cost, stable, and diverse energy to all customers through fair and diverse business opportunities for all businesses.**

As a result of both consumers and suppliers taking proactive and rational action through the appropriate use of market mechanisms, efficient and robust electricity and gas systems are built that are economical, stable, and environmentally compatible over the medium to long term.

These will enrich people's lives, strengthen the competitiveness and international reach of the energy industry, and lead to sound and sustainable development.

## The Commission's vision for organization

### Protecting confidence in the market

- Remedy behavior that undermines confidence
- Protect consumers' interests
- Dialogue with the market, accurate information

### Utilization of market mechanism

- Clarify issues, propose and implement measures to ensure that markets and systems function consistently as a whole with a view to the ideal future systems.

### Ensure appropriateness of Network

- Ensure neutrality, fairness, and efficiency in network where is a regional monopoly
- Improvement of performance and service levels with the emerging new technologies

## The values that the Commission focuses on

### Independence and expertise

Focus on the origins as an independent professional organization

### Transparent operation

Emphasize transparency and proactively publish data used for decision-making

### Essence and future-oriented

See the overall structure from an overhead perspective, and examine issues

### Data-driven

Collect a wide range of data, analyze them and do not overlook any information.

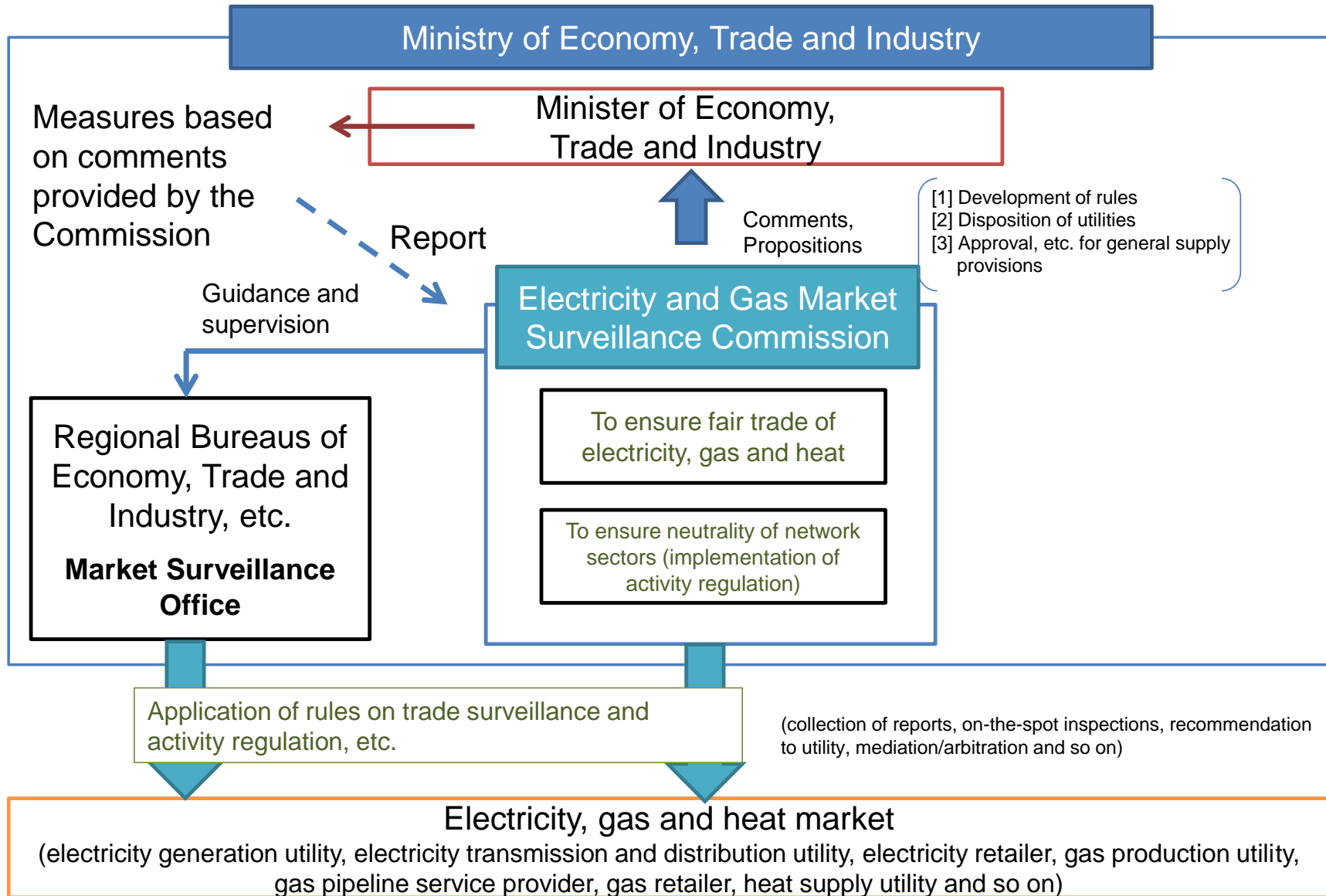
### Effective Action

Promptly clarify the facts of the problem and take firm action in accordance with the rules.

### To a higher level

Aiming for higher goals by gathering and disseminating information with global trends and future visions.

## Role of the Commission



# Achievements thus far (As of December, 2023)

## 1. Strict Monitoring of Transactions

### ① Monitoring for improper actions

- Business improvement orders, recommendations for business improvement, collection of reports, on-site inspection in information leakage cases between retail companies and transmission companies.
- Collection of reports in cases where utilities form cartels.

### ② Examination of fees, etc.

- New Network Tariff Regulation called "Revenue Cap" has been introduced. EGC reviewed intensively the new network tariff.
- Examination of retail regulated electricity tariff for households submitted by 7 out of ten major utilities.

## 2. Recommendation of New Rules, etc.

### ① Creating rules to promote competition and protect consumers

Rules proposed to the Minister of Economy, Trade and Industry

- Revision of the "Balancing Market Guideline".
- Revision of the Guidelines for Proper Electric Power Trade
- Institutional measures concerning information leakage incidents by general transmission and distribution companies

### ② Public relations & consumer protection initiatives

- Call for attention for misleading websites
- Creation of public relations material for Revenue Cap

## 3. Deeping of International Cooperation

- Promote exchange and knowledge sharing with the regulatory authorities of other countries

## **3. Record of committees, etc. held**

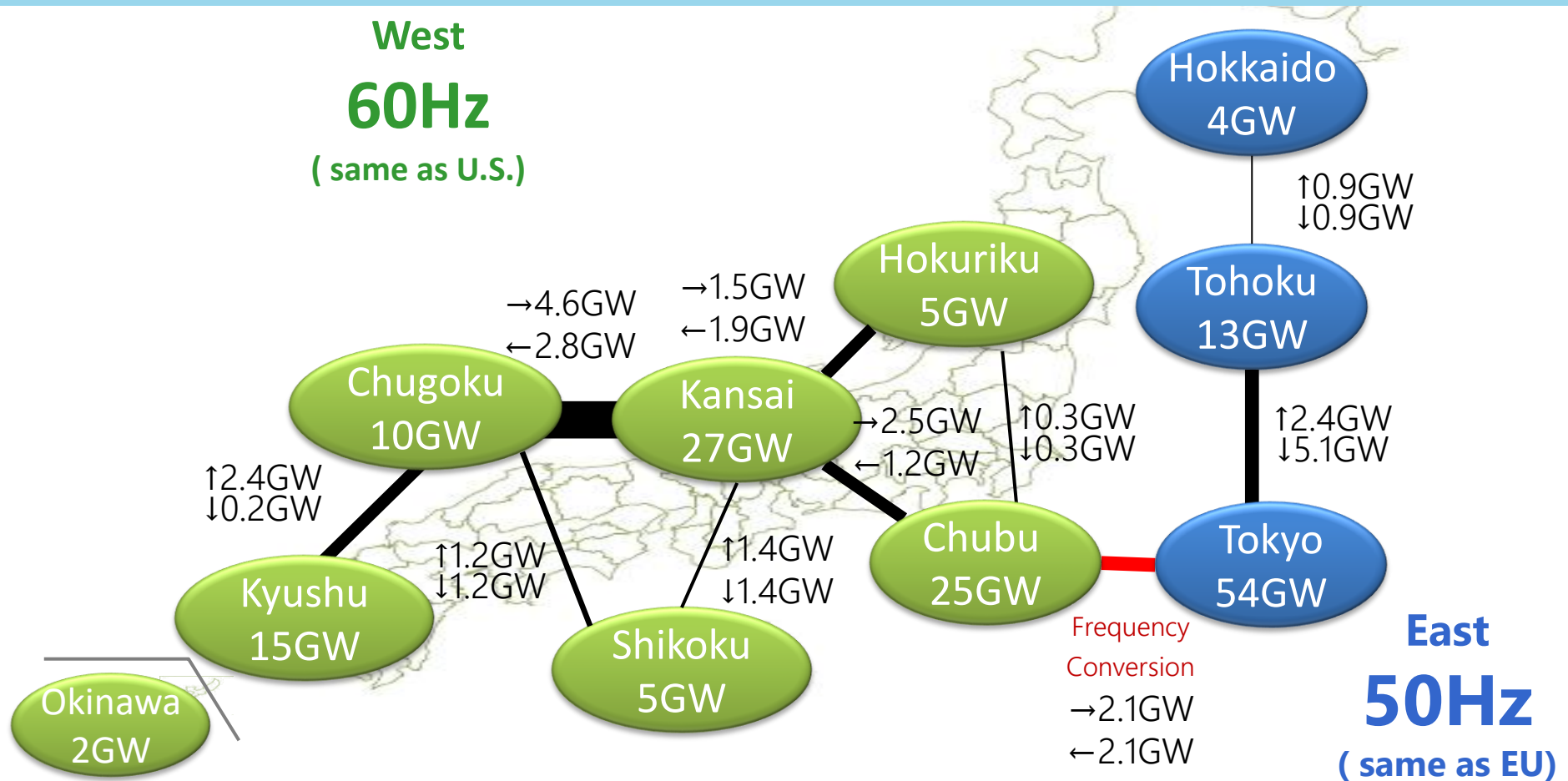
(From September 2015)

Major Meeting Name	Times Held
Electricity and Gas Market Surveillance Commission	507
Meeting for System Design	96
Meeting for Fee System Technical Meeting	55

**(Supplementary Materials)**

# Power Grid in Japan

- 10 vertically integrated power companies dominated the electricity market in Japan.
- The market is divided into two by different frequencies.
- In the context of potential risks of large-scale disasters as well as increasing demands for decarbonization, it is essential to drastically enhance the resilience of electric power networks in Japan.



\* The figures above indicates the maximum electricity demand in 2022.

# History of System Reform in the Electricity Market in Japan

- METI has been advancing system reforms in the Electricity Market in Japan, such as the introduction of competition to the wholesale market and the expansion of retail customer choice, since 1995.

## 1<sup>st</sup> System Reform: 1995

- ✓ IPP and bidding system for General Electric Utility (GEU)
- ✓ Customer choice menu in GEU

## 2<sup>nd</sup> System Reform: 1999

- ✓ Retail choice for special high voltage customers (Over 2000 kW)
- ✓ Expansion of flexibility for GEU's retail menu at reduction

California Electricity Crisis in 2000

## 3<sup>rd</sup> System Reform: 2003

- ✓ Expansion of retail choice to high voltage customer (Over 50kW)
- ✓ Establishment of the wholesale market and ESCJ

## 4<sup>th</sup> System Reform: 2008

- ✓ Establishment of hourly ahead wholesale market
- ✓ Introduction of stock taking method in network tariff

Great East Japan Earthquake and Fukushima Daiichi Accident in 2011

## 5<sup>th</sup> System Reform: 2015

- ✓ Establishment of OCCTO and EMSC/METI
- ✓ Full retail choice (From April 2016)
- ✓ Legal Unbundling from 2020

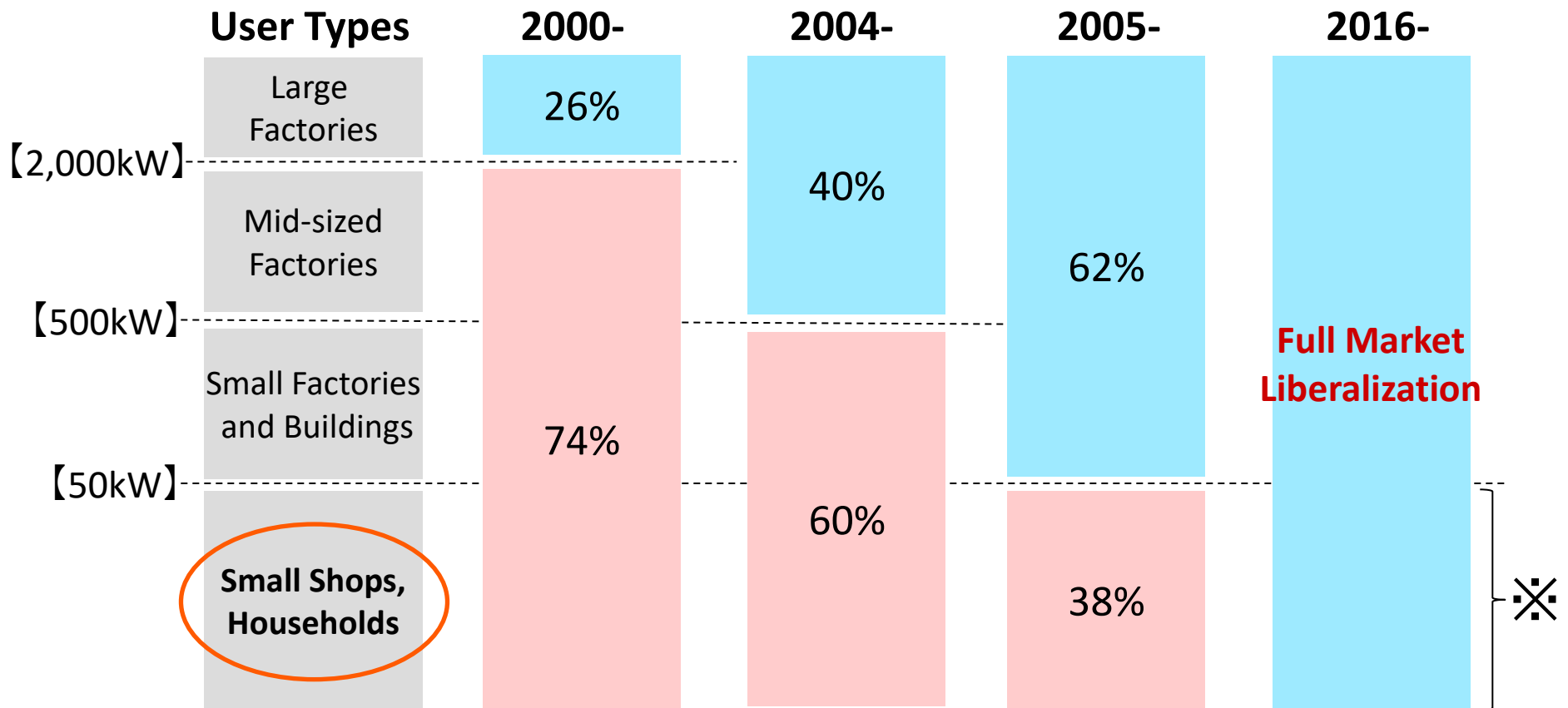
# Japan's Electricity related Markets

- JEPX established Day-ahead Market and Forward Market in 2005, and Hour-ahead Market in 2009.
- Methodical, systematic introduction of nation-wide Balancing Market started in 2021.
- The introduction of capacity market system was decided in 2017 and the first auction was held for FY2024 in FY2020.

		Year ahead	Month – Week ahead	Day ahead	Hour ahead	Real time
kWh	Financial	Future Market(TOCOM) From 2019(Trial), 2022(Full) (EEX)				
	Physical	Base-Load Market (JEPX) From 2020	Forward Market (JEPX) From 2005	Day-ahead Market (JEPX) From 2005	Intra-day Market (JEPX) From 2009	
Balancing Market ( Δ kW)		Balancing Power Public Offering (each TSO) From 2016 ➔ Balancing Market (EPRX) start From 2021, all products from 2024.				
kW		Capacity Market (effective from 2024)				
		Long-term Decarbonized Power Resource Auction (From 2024)				
Ecological Value		Non-Fossil Trading Value Market (JEPX) From 2018 for FIT, From 2020 from non-FIT				

# Electricity Retail Market Liberalization in Japan

- Retail market gradually liberalized since 2000.
- Full market liberalization completed in 2016.

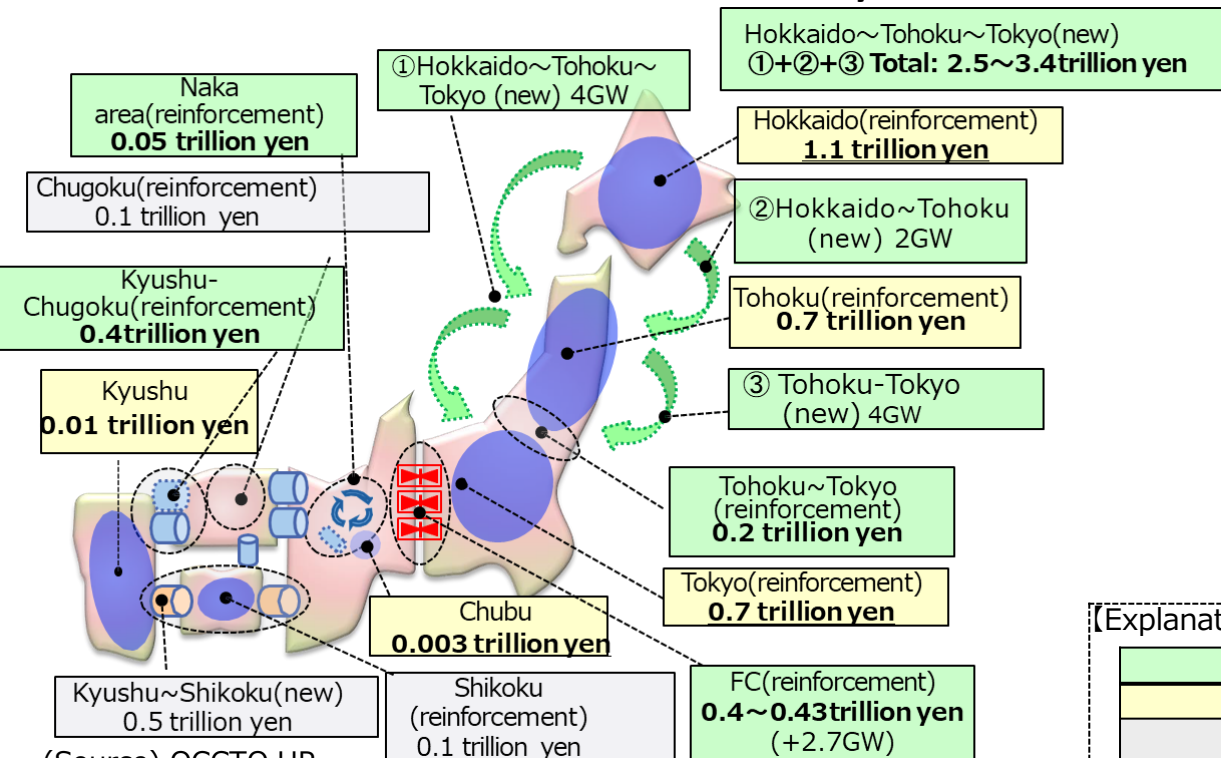


# Long-term Vision of Cross-regional Network Development

- In March 2023, the Organization for Cross-regional Coordination of Transmission Operators (OCCTO) formulated the “long-term vision of cross-regional network development” as a long-term vision to introduce mass renewable energy and strengthen resilience. It aims to achieve carbon neutrality in 2050.
- It shows that approximately 7 trillion-yen of investments will be necessary according to their base scenario based on the cost-benefit analysis.

## Base scenario

## Necessary investment 6-7 trillion yen



## Planning Process



## 【Explanatory note】

	Gird reinforcement
	Internal reinforcement
	Future options