

Activity Report of the Electricity and Gas Market
Surveillance Commission
(FY2024)

May 2025
Electricity and Gas Market Surveillance Commission

Pursuant to the provisions of Article 66-16 of the Electricity Business Act (Act No. 170 of 1964), the Electricity and Gas Market Surveillance Commission hereby releases a report on its administrative operations carried out during the period from April 1, 2024 to March 31, 2025.

May 12, 2025

Electricity and Gas Market Surveillance Commission

Akihiko Yokoyama, Ph.D, Chairman

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Introduction: Electricity and Gas Market Surveillance Commission

In accordance with the Act for Partial Revision of the Electricity Business Act (Act No. 47 of 2015; hereinafter referred to as the “Third Revising Act”), the Electricity Market Surveillance Commission was established on September 1, 2015. This new regulatory organization, directly subordinated to the Minister of Economy, Trade and Industry (hereinafter referred to as the “METI Minister”), was granted a high degree of independence and specialized expertise. Its establishment aimed to enhance the monitoring of electricity transactions and ensure fair trading practices in the electricity market as part of the Electricity System Reform. On April 1, 2016, responsibilities related to the gas business and heat supply business operations were added, leading to the organization being renamed the Electricity and Gas Market Surveillance Commission (hereinafter referred to as "the Commission" for both the Electricity Market Surveillance Commission and the Electricity and Gas Market Surveillance Commission).

I. Organizational structure

The Commission comprises one chairperson and four commissioners, all appointed by the METI Minister. These individuals have specialized knowledge and experience in law, economics, finance, or engineering, enabling them to make impartial and neutral judgments in the execution of their duties. The chairperson and members are required to exercise their authority independently.

The term of office for the chairperson and commissioners is three years, as stipulated in Article 66-8 of the Electricity Business Act. At the end of August 2024, Kaeko Kitamoto (Certified Public Accountant) and Masanori Maruo (Managing Director, SMBC Nikko Securities Inc.) left the Commission upon maturity of their three-year term. From September 1 of the same year, the Commission was changed to have the following chairperson and commissioners.

List of commissioners (as of March 31, 2025)

Chairperson:

Akihiko Yokoyama, Ph.D Professor Emeritus, The University of Tokyo

Commissioners:

Yumiko Iwafune, Ph.D Professor, Institute of Industrial Science, The University of Tokyo

Kuninobu Takeda, Ph.D Professor, Department of Law and Political Science, Graduate School of Law and Politics, Osaka University

Toshihiro Matsumura, Ph.D Professor, Institute of Social Science, The University of Tokyo

Kumiko Muramatsu Director, PricewaterhouseCoopers Japan LLC

II. Subordinate organizations

The Commission has several subordinate organizations, including the “Specialized Meeting for Policy Design” to deliberate policy designs necessary for monitoring electricity and gas transactions, the “Expert Meeting on the Rate System” to deliberate policy designs relating to rates, and the “Working Group for Transmission and Distribution Efficiency and Project Progress Monitoring” to review management efficiency improvement

initiatives undertaken by general electricity transmission and distribution utilities associated with the commencement of the Revenue Cap System.

In FY2024, the Commission held five sessions of the Specialized Meeting for Policy Design, ten sessions of the Expert Meeting on the Rate System, and eight sessions of the Working Group for Transmission and Distribution Efficiency and Project Progress Monitoring (see Reference 2 for details).

III. Reorganization of the Specialized Meeting for Policy Design

At the 532nd Commission Meeting held in September 2024, the Specialized Meeting for Policy Design that began to primarily discuss detailed designs pertaining to rules to promote competition and protect consumers was reorganized to the Specialized Meeting for Policy Design and Monitoring to cover from policy designing to verification of monitoring systems for the purpose of enhancing its verification functions including IT governance. In FY2024, the Commission held seven sessions of the Specialized Meeting for Policy Design and Monitoring.

Chapter 1. Initiatives for Retail and Wholesale Electricity Transactions

1.1. Examination of registration applications for electricity retail and retail service

[Overview of this section]

- As a result of the examination conducted for registrations of electricity retail and retail service, the number of registrations was 761 for electricity retail and 38 for retail service as of the end of March 2025.

When the METI Minister intends to register an electricity retail and a retail service by a registered specified electricity transmission and distribution utility, the Minister shall consult the Commission for its opinion in advance. Upon receiving such a request, the Commission examines whether the applicant meets the requirements or falls under the grounds for refusal as stipulated in the Electricity Business Act (e.g., from the perspective of protecting the interests of electricity users). The Commission then submits its findings to the METI Minister. As a result of these examinations, 53 new registrations for electricity retail were processed (previous FY: 32). However, taking into account 21 terminations* (previous FY: 24), the total number of registrations as of the end of March 2025 stood at 761 (previous FY: 729). As for retail service, there were four new registrations (previous FY: four) but one termination*, resulting in a total of 38 registrations as of the end of March 2025 (previous FY: 35).

* Decrease in the number of registrants due to discontinuation, dissolution, cancellation, or succession

1.2. Publication of electricity transaction reports

[Overview of this section]

- The Commission collected information necessary for monitoring electricity retail transactions from electricity utilities and other entities and published the findings on a monthly basis.

Under the provisions of the Electricity-Related Reporting Regulations (Order of the Ministry of International Trade and Industry No. 54 of 1965), the Commission periodically receives reports from electricity utilities and the Japan Electric Power eXchange (JEPX) on information necessary for the monitoring of electricity retail transactions. Among the reported data, certain information, such as the electricity sales volume, was published monthly.

1.3. Responding to various inquiries

[Overview of this section]

- A consultation service (information desk) was established to provide advice to consumers on issues such as disputes related to retail service contracts. The service also accepted reports of legal violations by businesses and provided appropriate guidance as necessary.

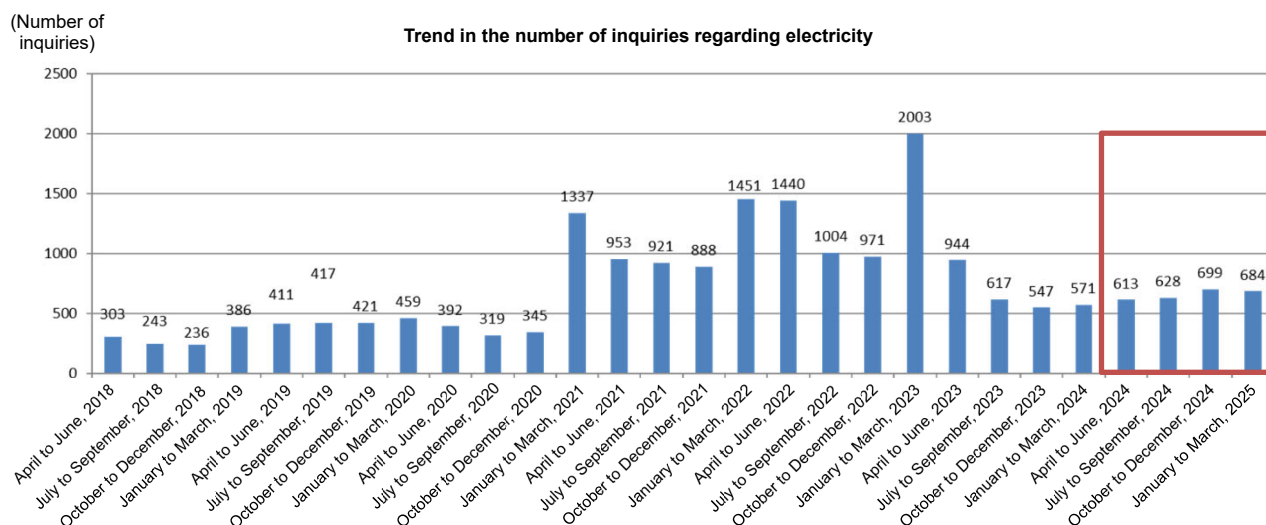
The Commission established a consultation service, responding to inquiries from electricity consumers and other stakeholders by providing answers to questions and offering advice. The number of inquiries received in FY2024

was 2,624.

When reports of inappropriate sales activities or other concerns were received, the Commission verified the facts and, where necessary, issued guidance to the relevant electricity retailers.

Additionally, in June 2024, September 2024, December 2024, and in March 2025, the Commission issued an alert jointly with the Consumer Affairs Agency (CAA) and the National Consumer Affairs Center of JAPAN (NCAC) regarding improper solicitation practices in the electricity market. The Commission also provided consumers with precautionary information about signing electricity contracts via the Ministry of Economy, Trade and Industry (METI)'s X account (formerly Twitter).

○ Trend in the number of inquiries received by the consultation service (electricity)



1.4. Monitoring of retail transactions

[Overview of this section]

- The Commission provided guidance to utilities engaging in problematic practices under the Electricity Business Act with regard to the retail sales of electricity.
- As part of its key initiatives to monitor retail transactions, the Commission provided guidance to electricity retailers and conducted the focused retail market monitoring.

In April 2016, entry into the electricity retail business was fully liberalized, allowing all consumers, including households, to freely choose their electricity provider and pricing plans. Under these circumstances, the Commission has been working to ensure fair practices in retail electricity transactions. Guided by the Guidelines for Electricity Retail Business, the Commission monitors the business activities of utilities, including the provision of information to consumers and the form and content of contracts, and provides guidance to utilities engaging in practices that violate the Electricity Business Act.

In FY2024, the Commission carried out guidance and oversight activities. Specific examples are as follows:

(1) Business improvement recommendations (April 2024)

Haluene Inc., an electricity retailer, received 13,912 requests for providing the contract number from its electricity consumers during the period from January 1 to August 31, 2023, via the inquiry form on its website or via its contractor to receive phone calls from consumers. In response to these requests, Haluene Inc. provided the consumers with the contract number by sending a written document including the contract number from its contractor responsible for sending written documents to its consumers. However, among them, 606 cases were confirmed to have been provided at least three weeks after receiving the request.

The contract number is essential information for a consumer to switch the provider, and not providing consumers with the contract number swiftly inhibits the switching and associated processes such as cancellation of the retail service contract. As such, this is a serious issue from the viewpoint of the protection of consumer interests and the healthy development of the electricity business.

For that reason, under the authority of the Electricity Business Act, the Commission issued a business improvement recommendation to Haluene Inc., requiring taking necessary measures to prevent delays in the provision of the contract number to consumers (e.g., cause analysis, company structure improvement) and informing consumers of the measures taken.

(2) Examples of guidance

(1) Guidance to electricity retailer A (October 2024)

Company A, when concluding retail service contracts over the phone, provided consumers with information regarding the names of its rate plans that could mislead them into believing the service was provided by a former general electricity utility. Such information, which directs consumers to its own services, may cause consumers to make decisions based on misperceptions and may also undermine fair competition among electricity retailers.

Additionally, Company A obtained consumers' consent for being provided with written or electronic documentation necessary for concluding retail service contracts by recording their verbal agreement during phone calls, despite the requirement that such consent must be obtained in writing or electronically. The method of obtaining consent is stipulated by relevant laws and regulations from the viewpoint of allowing consumers to make a careful decision on whether to consent after receiving sufficient information and clarifying whether consent was given after the fact, and obtaining consumers' consent by recording their verbal agreement during phone calls is not permitted.

In response, the Commission directed Company A to implement necessary remedial measures to uphold the integrity of electricity transactions and protect consumer interests.

(2) Guidance to electricity retailer B (January 2025)

Company B, when concluding retail service contracts with consumers, failed to provide them with mandatory pre-contract and post-contract documentation. At Company B, each sales representative was to prepare and issue mandatory documentation according to the details of the contract with the consumer, but some failed to issue mandatory documentation due to their lack of understanding, misrecognition, or other reasons.

Provision of consumers with documentation at the time of concluding a contract is essential in preventing possible future problems between the electricity retailer and the consumers, and failing to provide such mandatory documentation is a violation of the Electricity Business Act.

In response, the Commission directed Company B to implement necessary remedial measures to uphold the integrity of electricity transactions and protect consumer interests.

(3) Follow-up on Kansai Electric Power Co., Inc., Chubu Electric Power Miraiz Co., Inc., Chugoku Electric Power Co., Inc., Kyushu Electric Power Co., Inc., and Kyuden Mirai Energy Corporation

Following the Commission's recommendations, the METI Minister issued business improvement orders in July 2023 to Kansai Electric Power Co., Inc., Chubu Electric Power Miraiz Co., Inc., Chugoku Electric Power Co., Inc., Kyushu Electric Power Co., Inc., and Kyuden Mirai Energy Corporation. In response, the Commission designated the one-year period from August 2023 as an "intensive improvement period" and has since followed up on the status of each company's recurrence prevention initiatives.

In FY2024, the Commission reported on the follow-up results regarding the effectiveness of education and training and behavioral changes in directors and employees at the 99th Specialized Meeting for Policy Design held in July 2024. Additionally, the Commission presented the final follow-up report at the 1st Specialized Meeting for Policy Design and Monitoring held in September 2024, confirming that the companies subject to the business improvement order had been steadily implementing improvement initiatives based on their submitted improvement plans and had declared their commitment to continuously undertaking effective recurrence prevention measures.

(4) Focused retail market monitoring

The Commission conducts "focused retail market monitoring" on retail contracts falling below a certain price level to selectively assess the market's actual state, including transaction conditions, based on competitor reports and public tender status. The Commission reported at the 1st Specialized Meeting for Policy Design and Monitoring held in September 2024 that no problematic retail contracts were found among those concluded in FY2023, and published these investigation results.

(5) Proposals for institutional measures related to electricity retail

Amid the ongoing digital transformation (DX) efforts for report forms used in the electricity retail business from the viewpoint of effective and efficient national government monitoring, the Commission summarized necessary actions, including format changes suitable for DX, regarding periodic reports under the electricity- and gas-related reporting regulations. The Commission then submitted it as a proposal to the METI Minister in July 2024.

1.5. Follow-up on initiatives to improve procurement practices at seven equivalent electricity retailers, etc.

[Overview of this section]

- Regarding the approval to amend the general provisions for specified retail service at seven equivalent electricity retailers, the Commission followed up their initiatives to improve the effectiveness of procurement implemented in FY2024.
- The Commission deliberated on matters requiring immediate updates regarding examination rules, such as the Rules for Calculating Charges under the General Provisions for Specified Retail Service for Deemed Retail Electricity Suppliers, and submitted a proposal to the METI Minister for making necessary amendments.

(1) Follow-up on initiatives to improve procurement practices at seven equivalent electricity retailers

In response to the approval of the amendment of regulated electricity tariffs for the seven equivalent electricity retailers (Hokkaido Electric Power Co., Inc., Tohoku Electric Power Co., Inc., TEPCO Energy

Partner, Inc., Hokuriku Electric Power Co., Chugoku Electric Power Co., Inc., Shikoku Electric Power Co., Inc., and Okinawa Electric Power Co., Inc.), the Commission designated the period from FY2023 to FY2025 as an “intensive improvement period” to monitor and follow up on each utility’s initiatives aimed at improving procurement practices.

In FY2024, the Commission reviewed the roadmap formulation status at the 55th Expert Meeting on the Rate System held in April 2024 and deliberated on the ideal follow-up methods. At the 63rd Expert Meeting on the Rate System held in November the same year, the Commission reviewed the progress status of “efficiency improvement measures incorporated into the roadmap” as well as the transition in the actual costs. As for the review of the transition in actual costs, focusing on the “total amount of fixed expenses such as repair costs,” the Commission is following up while comparing these total amounts with assessed values.

(2) Review of examination rules in light of the examination of regulated electricity tariffs

Based on the examination findings pertaining to the applications submitted by seven equivalent electricity retailers to amend the general provisions for specified retail service that were approved in May 2023, the Commission deliberated on points that may require reviews at the 56th and 57th Expert Meetings on the Rate System held in May and June, 2024, respectively. In June 2024, the Commission submitted a proposal to the METI Minister for making necessary amendments for the “Rules for Calculating Charges under the General Provisions for Specified Retail Service for Deemed Retail Electricity Suppliers (METI Ordinance No. 23 of 2016),” “Rules for Calculating Balance by Sector for Deemed Retail Electricity Suppliers (METI Ordinance No. 45 of 2016),” “Examination Guidelines for Charges under the General Provisions for Specified Retail Service for Deemed Retail Electricity Suppliers (Examination Criteria Concerning Ruling by the Minister of Economy, Trade and Industry Based on the Supplementary Provisions of the Act for Partial Revision of the Electricity Business Act and Related Laws; Notice No. 20160325-12 dated March 28, 2016),” and other relevant laws and regulations.

During the course of the deliberation, the Commission also discussed the equity ratio that is used in the calculation of the regulated tariff business remuneration. Specifically, the Commission requested the Expert Meeting members to consider flexibly reviewing the equity ratio if a major change in the funding environment has been identified, provided that the current calculation rule of using an equity ratio of 30% shall be applied in principle. As a result, the Expert Meeting determined that the current calculation rule shall stand, but questioned the use of an equity ratio value that is higher than the current equity ratios of many utilities. Regarding that, the Expert Meeting requested the Commission Secretariat to review its validity and give more considerations to possible shortcomings in the reasoning.

In response to that, at the 521st Commission Meeting held in June 2024, taking the opportunity of the ex-post facto evaluation, the Commission Secretariat asked electricity retailers about the future course of action including their retained earnings and shareholder dividend trends and their thoughts about equity ratios, and announced that it would summarize its thoughts about the equity ratio and explain it at an Expert Meeting on the Rate System. Consequently, at the 63rd Expert Meeting on the Rate System held in November 2024, the Commission Secretariat stated that there is a need for increasing the equity ratio to mitigate existing business risks and as a means of funding, and that the marginal profits generated by using an equity ratio higher than the actual value have an effect to accumulate profits (surplus), and therefore has an effect to encourage improving the capital structure to be close to an equity ratio of 30%.

Meanwhile, at the Expert Meeting, the members agreed on ongoing monitoring as any activities to deliberately reduce the equity ratio would dilute the improvement effects, and considering reviewing the target level of the equity ratio to be used for calculating the business remuneration on confirmation of any activity, etc., that would evidently violate the intent.

1.6. Audits of equivalent electricity retailers

[Overview of this section]

- The Commission audited the operations and accounting practices of equivalent electricity retailers. Of the ten target utilities, necessary guidance was provided to one utility.

When the electricity retail market was fully liberalized in April 2016, regulated tariffs (transitional tariffs) for low-voltage retail rates (e.g., households) were maintained for the former general electricity utilities as a transitional measure.

Pursuant to Article 21 of the Supplementary Provisions of the Act for Partial Revision of the Electricity Business Act and Related Laws (Act No. 72 of 2014, hereinafter referred to as the "Second Revising Act"), the Commission conducted audits of ten equivalent electricity retailers subject to transitional tariff regulations.

As a result of the FY2023 audit, no issues were identified that warranted recommendations to equivalent electricity retailers under Article 25-6 of the Supplementary Provisions of the Second Revising Act, nor recommendations to the METI Minister under Article 25-7 of the Supplementary Provisions of the same Act. However, necessary guidance was provided to one utility (see Reference 4 for details). The audit findings were reported at the 519th Commission Meeting held in June 2024.

1.7. Ex-post facto evaluation after the conclusion of the cost calculation period for the regulated retail electricity tariffs subject to transitional measures

[Overview of this section]

- The Commission conducted an ex-post facto evaluation following the conclusion of the cost calculation period for the regulated retail electricity tariffs subject to transitional measures. Based on the findings, the Commission confirmed that none of the three target utilities required an order to submit an application for approval to amend their tariffs. This conclusion was reported to the METI Minister as an opinion.

With regard to the regulated retail electricity tariffs subject to transitional measures under the Supplementary Provisions of the Second Revising Act, the Commission conducts an ex-post facto evaluation annually after the conclusion of the cost calculation period to determine whether profit margins are excessively high. The Commission shares the findings with METI and publicly discloses the assessment findings.

In October 2024, in response to a request for opinions from the METI Minister, at the 63rd Expert Meeting on the Rate System (held in November 2024), the Commission conducted evaluation and verification regarding three equivalent electricity retailers—Chubu Electric Power Miraiz Co., Inc., Kansai Electric Power Co., Inc., and Kyushu Electric Power Co., Inc.—whose cost calculation periods had expired. These assessments were carried out in accordance with Section 2 (6)(v) of the Examination Criteria Concerning Ruling by the Minister of Economy, Trade and Industry Based on the Supplementary Provisions of the Act for Partial Revision of the Electricity Business Act and Related Laws (Notice No. 20160325-12; hereinafter referred to as the "Examination Criteria"). The findings of these evaluations were compiled accordingly.

In the evaluation based on Step 1 (criteria based on electricity utility profit margins of regulated sectors) of the Examination Criteria, it was assessed that the latest three-year average profit margin of each regulated sector of these three utilities did not exceed the ten-year average profit margin of the regulated sectors of the ten equivalent electricity retailers, and none of the utilities required further consideration for issuing an order to apply for tariff revision approval.

In light of these findings, the Commission informed the METI Minister that no utilities were identified as requiring an application for tariff reduction approval.

1.8. Monitoring of the electricity market

[Overview of this section]

- Through its monitoring of the spot market, the Commission discovered that JERA Co., Inc. had not supplied a part of the surplus amount from generation units slated for shutdown, despite being aware that this would affect market prices. The Commission determined that this act constitutes market manipulation, and issued a business improvement recommendation to JERA. Additionally, several instances of erroneous bidding were confirmed, and written business improvement guidance was provided to utilities that were found to have particularly serious issues.
- Monitoring of the base-load market auctions for FY2024, which is to be delivered in FY2025 and FY2026, did not find any problematic cases in light of the guidelines. Additionally, as a result of verifying the reasonableness in the deviations between projections and actual findings for the FY2022 auction, which was delivered in FY2023, it was found that some large-scale power producers included some costs that should not have been included in the Maximum Supply Price, and the Commission issued an alert to the producers.
- Regarding the capacity market, as a result of monitoring of the FY2024 main auction (target fiscal year for actual demand and supply: FY2028) and the FY2024 additional auction (target fiscal year for actual demand and supply: FY2025), the Commission pointed out withholding during the pre-auction monitoring in both auctions. Further, during the post-auction monitoring of the said additional auction, the Commission confirmed problematic cases.
- As for the long-term decarbonized power source auction, the Commission monitored the price of potentially successful bids, and notified the utility of any items that are not allowed to be included in the bid price. The Commission later confirmed that the bid prices had been recalculated properly reflecting the notification. A utility determined it difficult to recover investment due to some expenses not allowed to be included in the bid price and requested withdrawal of their bidding, but this did not incur any additional monitoring.

To ensure fair electricity transactions, the Commission monitored and analyzed transaction activities in the wholesale electricity market and provided guidance or took other necessary actions when any problematic practice was identified.

The Commission also prepared and published quarterly electricity market monitoring reports, which analyzed and verified, on a fixed-point basis, the voluntary initiatives of former general electricity utilities and JERA Co., Inc., as well as the state of competition in the electricity market. (Refer to the key indicators in the report for October to December 2024).

○ Key indicators in the report for October to December 2024

				October to December 2024	Same period in the previous year (October to December 2023)	FY2023 (April 2023 to March 2024)	FY2022 (April 2022 to March 2023)	
Wholesale electricity exchange	Proportion relative to the electricity sales volume ^{*3}			35.3%	31.1%	33.4%	40.1%	
	Spot market	Bid	Sell bid volume compared to the same period in the previous year	1.1 times	0.9 times (* 1.1 times)	1.0 times (1.1 times *)	1.0 times	
			Purchase bid volume compared to the same period in the previous year	1.2 times	0.8 times (* 1.0 times)	0.9 times (1.0 times *)	0.9 times	
		Contract	Contracted volume	65.4 billion kWh	57.1 billion kWh	261.5 billion kWh	318.5 billion kWh	
			Contracted volume compared to the same period in the previous year	1.1 times	0.7 times (* 0.9 times)	0.8 times (0.9 times *)	1.0 times	
			Average contracted price (System price)	12.5 yen/kWh	12.6 yen/kWh	10.7 yen/kWh	20.4 yen/kWh	
		East-west market segmentation incidence rate			54.5%	48.8%	33.7%	34.9%
		Intraday market	Contract	Contracted volume	1.57 billion kWh	1.28 billion kWh	6.17 billion kWh	4.94 billion kWh
	Average contracted price			13.4 yen/kWh	13.2 yen/kWh	11.7 yen/kWh	22.9 yen/kWh	
	Forward market	Contract	Contracted volume	0kWh	0kWh	0.003 billion kWh	0.017 billion kWh	
	Futures market ^{*4}			Contracted volume	23.79 billion kWh	6.14 billion kWh	30.47 billion kWh	-
OTC transaction			Amount supplied outside the group	16.25 billion kWh	9.25 billion kWh	38.62 billion kWh	56.43 billion kWh	
Retail market (Reference) ^{*1}	Electricity sales volume	Power producers and suppliers		190.1 billion kWh ^{*2}	187.6 billion kWh ^{*2}	801.6 billion kWh	805.4 billion kWh	
			Electricity sales volume	37.0 billion kWh	30.7 billion kWh	133.8 billion kWh	154.6 billion kWh	
			Electricity sales volume compared to the same period in the previous year	1.2 times	0.9 times	0.9 times	0.9 times	
			Share of power producers and suppliers	20.1% (as of December)	17.0% (as of December)	-	-	

^{*1} Source: Electricity Transaction Reports

^{*2} In the Electricity Transaction Reports, to avoid imposing excessive burdens on utilities during data aggregation, it is allowed to record the electricity sales volume and the sales amount as the results for month N based on the performance from the meter reading date of month N-1 to the day before the meter reading date of month N. Since the majority of companies report performance up to their respective meter reading dates, these figures may not correspond precisely to the actual demand for month N.

^{*3} The proportion relative to the electricity sales volume represents the average value for the specified period.

^{*4} Added from the report for the October to December 2023 period. (Based on publicly available data from the JPX and EEX websites)

^{*5} A comparison based on the bid volume of former general electricity utilities during the same period in the previous year, excluding gross bidding corresponding to their own demand. The gross bidding volume was calculated based on the survey findings regarding the high-price buyback rates of gross bidding from former general electricity utilities.

(In this case, the former general electricity utilities refer to Hokkaido Electric Power, Tohoku Electric Power, TEPCO Energy Partner, Chubu Electric Power, Hokuriku Electric Power, Kansai Electric Power, Chugoku Electric Power, Shikoku Electric Power, and Kyushu Electric Power.)

Source: Prepared based on materials submitted by the Commission Secretariat at the 7th Specialized Meeting for Policy Design and Monitoring (held in March 2025)

(1) Monitoring of the spot market

In light of the Guidelines for Appropriate Electricity Transactions and relevant rules, the Commission conducts daily monitoring to ensure that no unfair transactions are being carried out in bidding activities on the JEPX spot market. For example, as part of the monitoring, based on the verification of the electricity spot market price surge during the winter of FY2020, the Commission requests data from utilities that are likely to have market dominance according to the Guidelines (namely, former general electricity utilities and JERA Co., Inc.) to demonstrate that they are offering the entire available amount for bidding in the market whenever the electricity spot market price exceeds 30 yen/kWh. The findings of these verifications are promptly published on the Commission's website. Through such daily monitoring, the Commission confirmed multiple instances of erroneous bidding and failures to disclose insider information in a timely manner. The Commission demanded that the relevant utilities conduct fact-finding surveys and implement thorough measures to prevent recurrence.

Especially, regarding the act of JERA Co., Inc. shutting down a generator that could have operated by reducing output and not supplying otherwise suppliable power to the market, the Commission determined it constituting market manipulation and issued a business improvement recommendation to JERA on November 12, 2024, requiring establishment of a system for observing internal rules, implementation of training for employees, inter-sectional horizontal information sharing, and other improvement measures. In response to the recommendation, on December 12, 2024, the Commission received a report summarizing recurrence prevention measures, etc., from JERA. However, the Commission found some shortcomings in the report, and requested JERA to submit an additional report on December 27, 2024. On March 31, 2025, the Commission received an additional report from JERA. Regarding this matter, the Commission designated the one-year period from December 27, 2024 to December 26, 2025 as an intensive improvement period for JERA, and has

been providing focused verification and guidance for JERA's future action.

Additionally, regarding the market definition that is necessary for determining the “utilities that are likely to have market dominance” stated in the Guidelines for Appropriate Electricity Transactions, the assessment standard assuming fixed four areas set out in the main provisions is losing touch with the market segments reflecting the recent market segmentation rates, and the Commission commenced reviewing the concept of market definition. Specifically, the Commission reconsidered the concept assuming fixed four market segments set out in the main provisions into a new concept “if, within a five-year period, the annual average segregation rate is at or above 10% for three or more consecutive years, it is deemed as segregation.” As for the market definition for transitional measures, while keeping the segregation rate at 10%, the policy is to (1) increase the period to calculate the average segregation rate from the current one month to three months, six months, and then to 12 months, and (2) increase the period for determining the continuity of segregation rate to one year, two years, and then three years, provided that relevant standards are met.

Further, in recent years, market participants have access to more information, represented by release of power generation information through the power generation information disclosure system (HJKS), disclosure of spot market supply-demand curves, and the public release of generation performance data by unit and by time slot that began in March 2024. Considering such a situation, in September 2024, the Commission established a contact point on its website for businesses to provide information on suspicious transactions, to gather voices of market participants more accurately. Since the establishment of the information provision contact point, the Commission has been leveraging information and opinions from market participants to conduct market monitoring that reflects their viewpoints.

(2) Monitoring of the base-load market

The base-load market, established within JEPX, was introduced in FY2019 to provide retailers newly entering into the retail electricity business under electricity deregulation with access to base-load power sources under conditions comparable to those of former general electricity utilities. This initiative aims to create a level playing field for access to base-load power sources among electricity retailers and to promote competition in the retail market.

The Base-Load Market Guidelines (hereinafter referred to as the "BL Guidelines") stipulate that, in line with the objectives of the base-load market, “large-scale power producers,” such as former general electricity utilities and other relevant entities in each area, should supply the market with the volume calculated by the Agency for Natural Resources and Energy (mandatory supply volume) at a price not exceeding the average generation cost of base-load sources (hereinafter referred to as the “Maximum Supply Price”). If the procurement price for base-load power supply in the retail sector of large-scale power producers is unreasonably lower than the supply price, the objectives of the base-load market may not be fulfilled.

The Commission monitored the details of transactions related to auctions conducted in FY2024 to determine whether appropriate volumes and prices were supplied in the year preceding the delivery year in the base-load market. Ex-post monitoring was also conducted for the base-load market in FY2022, which was delivered in FY2023, to assess whether the deviations between projected and actual generation costs and volumes were reasonable in the year following the delivery year.

Monitoring of transactions conducted prior to the delivery year confirmed that the electricity supplied by large-scale power producers met the mandatory supply volumes specified in the BL Guidelines for every auction round. Additionally, no problematic cases were confirmed for the Maximum Supply Price in light of the BL Guidelines.

In the monitoring conducted in the year following the delivery year, it was confirmed that some large-scale power producers included the wheeling charge portion of general charges for nuclear damage compensation and decommissioning that should not have been included in the Maximum Supply Price at the time of FY2022 auction, and the Commission issued an alert to the producers. This issue did not affect the contract results.

(3) Monitoring of the capacity market main auction

The capacity market was established within the Organization for Cross-Regional Coordination of Transmission Operators (hereinafter referred to as the "OCCTO") to enhance the predictability of investment recovery for power producers, secure the necessary balancing capacity for transitioning renewable energy to a primary power source, and address medium- to long-term supply capacity shortages. In the capacity market, if business operators with market dominance (hereinafter referred to as "market- dominant business operators") fail to bid their capacity without justifiable reason or submit bids for volumes below the expected capacity (hereinafter referred to as "withholding"), or bid at prices that unreasonably exceed the amount required to recover costs from the capacity market to maintain power supply (hereinafter referred to as "price fixing"), it may result in contracted prices higher than those that would otherwise be formed. Such outcomes increase the capacity contribution fees paid by electricity retailers and, in turn, may harm the interests of electricity users.

From this perspective, in accordance with the Guidelines for Bidding in the Capacity Market (hereinafter referred to as the "Capacity Market Guidelines"), the Commission conducts pre-auction monitoring, prior to the start of the bid submission period, and post-auction monitoring, after the conclusion of the bid submission period, as stated below, looking out for possible withholding and price fixing by market-dominant utilities.

- Monitoring for withholding: In accordance with the Capacity Market Guidelines, the Commission requested a list of power sources that were identified as potentially engaging in withholding, along with explanations for their inclusion and supporting documentation. The Commission reviewed this information to assess its reasonableness.
- Monitoring for price fixing: Based on the Capacity Market Guidelines, the Commission reviewed power sources subject to monitoring to determine whether bids were submitted at appropriate prices in compliance with the Capacity Market Guidelines. To this end, the Commission requested detailed explanations of the cost calculation method and the basis for the calculation of labor costs, repair costs, and other components constituting the bid price, and verified the provided information.

In the pre-auction monitoring of the FY2024 main auction (target fiscal year for actual demand and supply: FY2028), for one power generation unit, as it was deemed to have no justifiable reason for its non-participation in the capacity market, the Commission requested its operator to participate in the main auction.

In the pre-auction monitoring of the FY2024 additional auction (target fiscal year for actual demand and supply: FY2025), for four power generation units planned for replacement of the power source, etc., it was determined that not bidding for either the original nor the replaced power source would not constitute a justifiable reason for their non-participation in the capacity market, even if the bidding target would change before and after completion of the replacement, unless there was another justifiable reason that did not constitute withholding. For that reason, the Commission requested their operators to participate in the main auction according to the progress of the replacement of the power source, etc.

Further, during the post-auction monitoring of the said additional auction, the Commission confirmed problematic cases for six power generation units from three utilities. Of the six power generation units from three utilities, for some power generation units from one utility (E-Flow LLC), the bidding was higher than the maintenance and management cost. Although this case was not in itself determinable as intended for price fixing, the Commission provided written guidance to uphold the integrity of electricity transactions. The Commission published the utility name and details of the act, and requested the utility to correct its bidding practice, and OCCTO to proceed with the contracting process based on the corrected bidding information. Regarding some power generation units from the other two utilities, calculation errors were found in some bids. However, the bid prices were below the maintenance and management cost calculated by the Commission Secretariat, and therefore were not determinable as price fixing. As there was no need to request for correcting the bids, the Commission confined its guidance to oral form, and announced the fact in a press release withholding company names. The Commission submitted a report on these monitoring findings to the Working Group for System Review, which operates under the Advisory Committee for Natural Resources and Energy.

(4) Monitoring of bid prices in the long-term decarbonized power source auction

The long-term decarbonized power source auction involves power investments in enormous amounts. Considering the necessity of minimizing the national burden, the Commission is committed to monitoring prices after bidding in accordance with the Long-term Decarbonized Power Source Auction Guidelines.

In monitoring bid prices, considering that the long-term decarbonized power source auction uses the multi-price method, for all potentially successful bids, the Commission requests bidders to provide explanations on the method of and rationale for the calculation of capital cost, operation and maintenance cost, and business remuneration. The Commission then verifies the facts by checking evidence for each expense item included in the bid price. Furthermore, for planned price and special order components exceeding “twice the normal level,” the Commission requests bidders to explain their rationality and conducts verification.

As for the FY2024 long-term decarbonized power source auction (bidding fiscal year: FY2023), the Commission monitored the price of all potentially successful bids (53 power generation units from 24 utilities). As a result, the Commission identified some items that are likely not allowed to be included in the bid price, and notified the relevant 41 power generation units from 16 utilities to that effect. After that, for 40 power generation units from 15 utilities, bid prices recalculated reflecting the notification were submitted, and the Commission confirmed that the prices were all properly calculated. For one power generation unit from one utility, the utility determined it difficult to recover investment due to some expenses not allowed to be included in the bid price and requested withdrawal of their bidding, but this did not incur any additional monitoring.

As a result of these monitoring activities, while the initial total contracted amount was approximately 414.8 billion yen/year, the amount reduced due to adjustments to bid prices totaled approximately 1.4 billion yen/year, and the amount reduced due to withdrawal of bidding was approximately 3.2 billion yen/year.

(5) Monitoring of the non-fossil value trading market (market for achieving advanced obligation)

The Act on the Promotion of Use of Non-fossil Energy Sources and Effective Use of Fossil Energy Materials by Energy Suppliers (Act No. 72 of 2009) (hereinafter referred to as the "Advanced Energy Utilization Act") requires electricity retailers to increase the proportion of non-fossil energy sources in their electricity procurement to 44% or more by FY2030. However, the wholesale electricity exchange does not differentiate between non-fossil and fossil power sources, thereby obscuring the value of non-fossil power sources. Consequently, the exchange cannot be effectively utilized as a means to increase the proportion of non-fossil power sources. As a result, new market entrants, who tend to rely more heavily on exchange transactions, face limitations in their ability to procure non-fossil power sources, creating challenges in achieving the targets set forth under the Advanced Energy Utilization Act.

The non-fossil value trading market was established to address these circumstances by enabling the explicit recognition and trading of non-fossil value. Its objectives include supporting electricity retailers in achieving their non-fossil power source procurement targets, expanding choices for consumers, and contributing to reducing the national burden under the FIT system.

In response to the growing demand for renewable energy value among consumers, the non-fossil value trading market was divided into two distinct markets beginning in FY2021: the “renewable energy value trading market” and the “market for achieving obligations under the Advanced Energy Utilization Act.”

As a result of the review of the non-fossil value trading market system conducted during this separation, the certificates available for purchase by electricity retailers to achieve the targets under the Advanced Energy Utilization Act were limited to Non-FIT Non-Fossil Certificates handled in the market for achieving obligations under the Advanced Energy Utilization Act. Since the majority of power sources from which Non-FIT Non-Fossil Certificates are derived consist of nuclear power and large hydroelectric power, and former general electricity utilities account for most of the sellers, concerns were raised within the Working Group for System Review that the bidding behavior of former general electricity utilities would strongly affect the price formation of Non-FIT Non-Fossil Certificates.

In light of these circumstances and with the aim of ensuring fairness in transactions and transparency in

price formation for Non-FIT Non-Fossil Certificates, the Commission monitors transactions involving Non-FIT Non-Fossil Certificates conducted by former general electricity utilities and Electric Power Development Co., Ltd. (J-Power). This monitoring is conducted based on the Fifth Interim Summary (published in August 2021) of the Working Group for System Review. Specifically, the Commission has been monitoring each auction held in the non-fossil value trading market (the market for achieving obligations under the Advanced Energy Utilization Act) during the fiscal year (August, November, February, and May) for any problematic practice, such as withholding and price fixing. Following the conclusion of the fourth auction (held in May), the Commission conducts a relative comparison of the following three price levels. If any significant deviations were identified, the Commission requests reasonable explanations from the relevant parties to assess whether the pricing practices were unjustified.

- (a) Price level of each round of bids and bilateral contracts (for external transactions)
- (b) Price level of each round of bids and bilateral contracts (for internal transactions)
- (c) Price levels between relative transactions (for external and internal transactions)

The monitoring conducted in FY2024 (covering auctions from the third round of FY2023 to the second round of FY2024) did not identify any problematic cases.

(6) Monitoring of inter-market price manipulation

In response to the approval of trial listing (limited to three years) of electricity futures at the Tokyo Commodity Exchange in August 2019, at the 41st Specialized Meeting for Policy Design held in September 2019, regulations of inter-market price manipulation were clarified in the Guidelines for Appropriate Electricity Transactions. After that, clearing services for Japan's electricity futures transactions were launched by the European Energy Exchange (hereinafter referred to as "EEX") in May 2020 and by the Intercontinental Exchange in November 2024, and the volume and participants of Japan's electricity futures trading are steadily increasing. Notably, the trading volume on the EEX, which accounts for the majority of Japan's electricity futures trading, in FY2024 tripled compared to the previous fiscal year, and the monthly trading volume in March 2025 in particular reached a level exceeding 50% of the monthly trading volume in the spot market, breaking the previous record high in the ratio to the spot market (monthly).

If actions were taken to manipulate spot market prices to gain an advantage in related markets such as the futures market, it could erode trust in the market. This erosion of trust may deter participants in the spot market from entering the futures market, ultimately hindering the revitalization and growth of electricity futures trading. Therefore, it has become even more critical for the Commission to monitor inter-market price manipulation.

Currently, for domestic exchanges, the Commission cooperates with the Commodity Market Office of METI, the authority responsible for overseeing commodity futures markets. For overseas exchanges beyond the reach of Japanese laws in principle, the Commission concludes MoUs to receive futures transaction information to monitor for inter-market price manipulation. In FY2024, the Commission concluded an MoU with the Intercontinental Exchange on which Japan's electricity futures were newly listed. For trading activities that cannot be captured through these methods, the Commission collects reports on an ad hoc basis from electricity utilities engaged in such transactions.

1.9. Measures to prevent unfair internal subsidies between power generation and retail sectors

[Overview of this section]

- In March 2025, the Commission published a document summarizing the concept of evaluation based on the commitment to internally and externally non-discriminatory wholesaling and other practices, that was organized through the past sessions of the Specialized Meeting for Policy Design.

- On the former general electricity utilities and JERA Co., Inc., the Commission conducted periodic follow-ups pertaining to internally and externally non-discriminatory wholesaling and other practices.
- The Commission summarized the concept of internally and externally non-discriminatory wholesale for power generation units owned by subsidiaries of these utilities, and organized the concept of evaluation for when area-specific supply restrictions are imposed.

The Commission conducts follow-ups on the status of activities implemented by former general electricity utilities and JERA Co., Inc. regarding their commitment to internally and externally non-discriminatory wholesaling and other practices announced in 2020.

In FY2024, the Commission submitted a report on the follow-up results at the 98th Specialized Meeting for Policy Design held in June 2024 and at the 2nd Specialized Meeting for Policy Design and Monitoring held in October 2024, where the Hokkaido, Hokuriku, Kansai, Chugoku, Shikoku, Kyushu, and Okinawa areas were evaluated to be practicing non-discriminatory wholesale both internally and externally. Also, at the 2nd Specialized Meeting for Policy Design and Monitoring, the Commission submitted an interim report on the follow-up results about wholesale contracts the utilities were planning to negotiate and conclude in FY2024, and many utilities were confirmed to have implemented, or were planning to implement, countermeasures reflecting the past recommendations made by the said Special Meeting.

Alongside, as one of its major activities in FY2024, the Commission, following a public comment procedure, published in March 2025 the concept of evaluation based on the commitment to internally and externally non-discriminatory wholesaling and other practices, which had been organized through the past sessions of the said Specialized Meeting. In addition, at the 4th Specialized Meeting for Policy Design and Monitoring held in December 2024, the members discussed the concept of power generation units subject to internally and externally non-discriminatory wholesaling practices, and determined that power generation units owned by subsidiaries of former general electricity utilities are, in principle, subject to internally and externally non-discriminatory wholesaling practices, excluding those classifiable as own-use, FIT, grandfathered, or small-scale power sources. Furthermore, in response to the discussions at the 84th meeting of the Subcommittee on Electricity and Gas Basic Policy held in December 2024, which were based on the changes in the social and economic environment surrounding the electricity system, at the 6th Specialized Meeting for Policy Design and Monitoring held in February 2025, the Commission organized the concept of evaluation for when area-specific supply restrictions are imposed.

The future course of action includes follow-up on the activities of former general electricity utilities and other utilities in the first half of FY2025, to determine whether wholesale contracts negotiated and concluded in FY2024 are internally and externally non-discriminatory. Going forward, the Commission will continue to revise the concept of evaluation through necessary deliberations whenever needed, according to the various changes in the situation surrounding the electricity business.

Chapter 2. Initiatives for Electricity Transmission and Distribution Sector

2.1. Monitoring of electricity transmission and distribution

[Overview of this section]

- Regarding the incident of information leakage involving general electricity transmission and distribution utilities and certain related business operators, the Commission scored the status of their recurrence prevention measures verified by monitoring during the intensive improvement period, and published the results. In addition, the Commission issued business improvement recommendations and guidance to TEPCO Power Grid, Inc. and TEPCO Renewable Power, Incorporated who were newly found to

have been involved in an incident of information leakage.

- For the incidents of delayed notification of determined power usage and false notification of generation charge discount categories by general electricity transmission and distribution utilities occurred, the Commission provided guidance to steadily implement recurrence prevention measures.

To ensure appropriate electricity transactions, the Commission monitors the operational practices of general electricity transmission and distribution utilities and provides guidance or take other necessary actions when inappropriate operation of general provisions for wheeling services or violations of conduct regulations are observed.

Since December 2022, the Commission has conducted investigations into the management of confidential information at general electricity transmission and distribution utilities. These investigations revealed that confidential information was accessible to employees of electricity retailers concerned and was actually viewed and used for business purposes.

(1) Responses to general electricity transmission and distribution utilities and related electricity retailers in light of the information leakage incident

Regarding the incident where employees of certain related business operators viewed and used confidential information for business purposes at eight general electricity transmission and distribution utilities, the Electricity and Gas Market Surveillance Commission designated a one-year period from the submission date of the business improvement plans as an intensive improvement period, during which the Commission conducted monitoring to verify the implementation status as well as the adequacy and effectiveness of the measures outlined in these plans. The Commission scored the status of their recurrence prevention measures verified by the monitoring, and published the results on June 25, 2024.

Additionally, it was revealed that confidential information was accessible to certain related business operators at TEPCO Power Grid, Inc., and confidential information obtained was used for business purposes at TEPCO Renewable Power, Incorporated. Accordingly, on June 20, 2024, the Commission issued business improvement recommendations to TEPCO Power Grid, Inc., requiring: (1) prompt resolution of the information sharing status of the central customer contact information management system; (2) early implementation of efforts to enhance internal control after identifying deficiencies; (3) investigation and publication of the cause of the incident and strict punishment of individuals involved; and (4) cooperation with follow-up by the Commission concerning the implementation status of actions taken to address the recommendations. The Commission also provided business improvement guidance to TEPCO Renewable Power, Incorporated, requiring fundamental improvement of internal control and cooperation with follow-up by the Commission.

On July 19, 2024, the Commission received business improvement plans from TEPCO Power Grid, Inc. and TEPCO Renewable Power, Incorporated. Having designated a one-year period from the submission date of the business improvement plans as an intensive improvement period, the Commission has been monitoring the implementation status of the recurrence prevention measures of TEPCO Power Grid, Inc. and TEPCO Renewable Power, Incorporated.

(2) Institutional measures to prevent recurrence of similar information leakage incidents

On June 29, 2023, as institutional measures to prevent the recurrence of similar incidents, the Commission recommended that the METI Minister incorporate the following actions into ministerial ordinances: (1) General electricity transmission and distribution utilities must promptly eliminate the shared use of information

systems intended for the management of confidential information; (2) General electricity transmission and distribution utilities must establish management departments under their internal control systems and implement necessary measures to ensure the legal compliance of operational departments' activities; and (3) Related general electricity transmission and distribution utilities must not utilize confidential information in their business operations (see Reference 5 for details). In response to the recommendation, on April 1, 2024, the Ordinance for Enforcement of the Electricity Business Act and the Guidelines for Appropriate Electricity Transactions were revised to amend provisions pertaining to matters including system development at general electricity transmission and distribution utilities.

Furthermore, on March 28, 2024, the Commission recommended that the METI Minister amend ministerial ordinances to ensure the effectiveness of the aforementioned institutional measures from a personnel management perspective. This recommendation proposed expanding the scope of business activities prohibited for employees of general electricity transmission and distribution utilities involved in designated transmission and distribution-related operations, that is stipulated in the Ordinance for Enforcement of the Electricity Business Act. Specifically, the prohibition would extend to positions responsible for managing contract information at execution sites for electricity retail sales operations, electricity transaction operations, and power generation development planning (see Reference 6 for details). In response to the recommendation, on January 31, 2025, the Ordinance for Enforcement of the Electricity Business Act and the Guidelines for Appropriate Electricity Transactions were revised to amend provisions pertaining to matters including prohibited acts for general electricity transmission and distribution utilities and certain related business operators.

(3) Other incidents

The incidents of false notification of generation charge discount categories and delayed notification of determined power usage by general electricity transmission and distribution utilities occurred. For these incidents, the Commission provided guidance to steadily implement recurrence prevention measures and ensure proper operation of notification systems.

2.2. Audits of general electricity transmission and distribution utilities and other relevant entities

[Overview of this section]

- Audits were conducted on the operations and accounting practices of general electricity transmission and distribution utilities, as well as electricity transmission utilities. The audits focused on key areas, including the "operation of general provisions," "balance of wheeling services," and "system development and related matters." Among the 13 targeted utilities, five companies were provided with necessary guidance.

The Commission conducted audits of 13 general electricity transmission and distribution utilities, as well as electricity transmission utilities (hereinafter referred to as "general electricity transmission and distribution utilities and other relevant entities"), pursuant to Article 105 of the Electricity Business Act.

In the FY2023 audit, the Commission focused on the following areas:

- At general electricity transmission and distribution utilities, incidents such as miscalculation of wheeling charges between electricity retailers and power producers occur annually in connection with their transmission and distribution operations. These operators have been implementing measures such as identifying root causes and devising preventive measures. In FY2022, similar issues, such as miscalculation of imbalance charges, were reported. Therefore, in the FY2023 audit, the Commission continued to prioritize confirming the "operation of general provisions" from the perspective of recurrence prevention, including the implementation status of measures

to prevent such issues.

In response to the information leakage incident involving general electricity transmission and distribution utilities, the FY2022 audit on “system development and related matters” placed an increased emphasis on auditing information management practices. This audit successfully identified cases where individuals who obtained confidential information couldn’t be pinpointed, and where necessary log records weren’t retained for five years. In the FY2023 audit, for utilities (seven general electricity transmission and distribution utilities) that submitted a business improvement plan, the Commission conducted audits carefully to avoid overlapping investigation items with the follow-ups that were to be carried out separately. Specifically, the Commission enhanced investigation items that warrant on-site auditing, such as checking of the results of log analysis by the utility and checking of access logs at specified dates and time for any access by unauthorized personnel, in addition to continued checking of ID and password management conditions and log record retention status. The Commission conducted similar checking for electricity transmission utilities as well. Furthermore, regarding the recommendation to the METI Minister made in June 2023 (physical segregation of systems that handle confidential information and establishment of internal control framework), as of the FY2023 audit, relevant laws and regulations had not been established reflecting the said recommendation, and therefore the Commission checked what was available as interpreted by the provisions of the time or as the implementation status of business improvement plan.

As a result of the FY2023 audit, no issues were identified that warranted recommendations to general electricity transmission and distribution utilities and other relevant entities under Article 66-12 of the Electricity Business Act, nor recommendations to the METI Minister under Article 66-13 of the same Act. However, necessary guidance was provided to five utilities (see Reference 4 for details). The audit findings were reported at the 519th Commission Meeting held in June 2024.

2.3. Interim evaluation of general electricity transmission and distribution utilities under the Revenue Cap System and review of FY2023 decommissioning charges of TEPCO Power Grid, Inc.

[Overview of this section]

- The Commission conducted FY2023 interim evaluation of general electricity transmission and distribution utilities under the Revenue Cap System.
- Regarding the review of FY2023 decommissioning charges at TEPCO Power Grid, Inc., the Commission responded to the METI Minister that ordering to apply for approval to amend its general provisions for wheeling services was not deemed necessary.

Under the Revenue Cap System, if reducing the wheeling charges is considered appropriate during the regulatory period, general electricity transmission and distribution utilities are required to amend their general provisions for wheeling services. For that reason, applicability of this provision needs to be checked every business year. Additionally, it is necessary to continue following up the implementation status of business plans prepared by utilities for the five-year regulatory period, to ensure steady execution of the plans. Therefore, at the 58th to 62nd Expert Meetings on the Rate System (July to October 2024), the Commission conducted checking (interim evaluation) of the status of their FY2023 activities.

Furthermore, at the 533rd Commission Meeting and the 60th Expert Meeting on the Rate System held in September 2024, the Commission conducted a review of the FY2023 decommissioning charges of TEPCO Power Grid, Inc., after the METI Minister’s request for the Commission’s opinions. Based on the results, the Commission responded to the METI Minister stating that ordering to apply for approval to amend its general provisions for

wheeling services was not deemed necessary, in light of the Examination Criteria Concerning Ruling by the Minister of Economy, Trade and Industry Based on the Electricity Business Act (Notice No. 16, May 29, 2000) Section 2 (15) (see Reference 7 for details).

2.4. Review on procurement of balancing capacity and monitoring of its operational status as well as securing more efficient procurement

[Overview of this section]

- The Commission monitored open procurement, etc., of balancing capacity, etc., performed by general electricity transmission and distribution utilities, and reported the results at the Specialized Meeting for Policy Design, etc.
- Discussions and deliberations were held at forums such as the Specialized Meeting for Policy Design regarding the procurement of balancing capacity in the balancing market. Based on these deliberations, a proposal was submitted to the METI Minister to revise the Guidelines for the Balancing Market.

(1) The result of the open procurement of balancing capacity as well as black start functionality, etc. (hereinafter referred to as “balancing capacity and related capacities”) and monitoring of its operational status

General electricity transmission and distribution utilities need to secure supply reliability as an ancillary service. That calls for power sources and other equipment that have functionalities different from balancing capacity required for regular frequency control and supply-demand balancing operations, such as power sources necessary for maintaining the voltage and those that have black start functionality.

For such special-purpose power sources and equipment, power generators and other operators that can bid to tenders are limited. Therefore, it may be more efficient in terms of administrative costs to procure through OTC transaction rather than open procurement. However, it is possible to conduct open procurement by specifying in advance requirements such as site and functionality in open procurement guidelines, etc. Furthermore, by implementing open procurement, information can reach potential bidders, which is expected to enable them to make investment decisions that consider bidding in such open procurement when new power source development, etc., is undertaken in the future. For that reason, general electricity transmission and distribution utilities conduct open procurement of black start functionality, etc., separate from the procurement of balancing capacity required for regular frequency control and supply-demand balancing operations.

The Commission analyzed the results of such open procurement, etc., conducted by general electricity transmission and distribution utilities, monitored bidding acts of generators for any issues, and monitored operation of balancing capacity by general electricity transmission and distribution utilities whether it is economically rational and proper.

(2) Monitoring of the balancing market

The balancing market started trading in FY2021 to broadly and efficiently procure balancing capacity necessary for general electricity transmission and distribution utilities to balance supply and demand. The trading items have been increased in stages, and trading of all commodities (primary balancing capacity, secondary balancing capacity (1), secondary balancing capacity (2), tertiary balancing capacity (1), and tertiary balancing capacity (2)) began in FY2024.

Since its full-scale launch in FY2024, however, many commodities and areas have consistently experienced a state of undersubscription, where the bid volume falls short of the solicited volume. This points to an issue

of insufficient market competition. This insufficient market competition also led to soaring procurement prices, characterized by persistently high contracted prices.

To address these issues, at the Specialized Meeting for Policy Design and the Specialized Meeting for Policy Design and Monitoring, the Commission discussed and deliberated rules and regulations on bidding prices from the perspectives of promoting an increase in bidding volume and encouraging proper bidding by utilities.

Specifically, the Commission decided to allow post-facto adjustment between general electricity transmission and distribution utilities and power generators and other operators concerning unrecovered startup costs and other costs incurred when power sources are activated to bid in the balancing capacity market (ΔkW), which was pointed out by power generators and other operators as a barrier to bidding in the balancing market. Additionally, from the viewpoint of encouraging proper bidding by utilities, the Commission clarified the rules of bidding prices to resolve misunderstandings seen among utilities.

Based on this review, a proposal was submitted to the METI Minister in December 2024 to revise the Guidelines for the Balancing Market (see Reference 8 for details).

In the Guidelines for the Balancing Market, in the context of a competitive market for balancing capacity (ΔkW), a price constituting rational behavior is defined as one satisfying the following condition: “ ΔkW price $\leq$ lost profit (opportunity cost) of the relevant power sources + fixed amounts.” The “fixed amounts” portion is defined as either 0.33 yen/ ΔkW per 30 minutes (Class A power source) or an amount that does not exceed a reasonable amount for fixed cost recovery for the fiscal year (Class B power source). As some business operators expressed their desire to discuss specific fixed amounts for Class B power supply, the Commission reviewed their proposals in detail and reported the review findings to the Specialized Meeting for Policy Design and Monitoring.

2.5. Monitoring of the operational status of the imbalance rate system

[Overview of this section]

- At the Specialized Meeting for Policy Design and Monitoring, the Commission discussed and deliberated about Value C and Value D, upper limits of the unit price of the corrective imbalance rate under tight supply-demand conditions, and the introduction of a cumulative price threshold system.
- With regard to the cases of miscalculated imbalance price rates by general electricity transmission and distribution utilities, the Commission instructed these utilities to implement measures to prevent recurrence diligently and to handle settlements in good faith. In addition, the Commission held a meeting for all general electricity transmission and distribution utilities and the Transmission and Distribution Grid Council to attend, and reviewed the overview of the incidences that occurred at the utilities and their recurrence prevention measures.

Under the simultaneous supply and demand balancing system, electricity retailers and power producers are required to formulate demand and generation plans for each 30-minute interval, dividing the day into 48 time slots. These imbalances between planned and actual values are adjusted using power sources, etc., procured by general electricity transmission and distribution utilities from power generators, etc., through the balancing market, etc. The costs of this adjustment are recovered as imbalance charges from electricity retailers and power producers. In this way, imbalance charges serve as the settlement price for excess or deficient electricity in the actual demand supply while also forming the basis for price signals in wholesale electricity trading.

A new imbalance rate system has been in operation since FY2022, and a provisional measure to use 200 yen/kWh

for upper limit Value C and 45 yen for Value D continues for corrective imbalance rates under tight supply-demand conditions. For the period after September 2024, at the Specialized Meetings for Policy Design and Monitoring held from September 2024 to March 2025, the Commission discussed and deliberated about the provisional measure, and decided to extend the provisional measure into FY2025. Additionally, the Commission decided to revise the provisional measure from FY2026 to 300 yen/kWh for upper limit Value C and 50 yen for Value D, and to introduce a cumulative price threshold system as a measure for when the upper limit values continue for a long period of time.

With regard to the incidents of miscalculated imbalance price rates by general electricity transmission and distribution utilities, the Commission provided guidance to these utilities to implement measures to prevent recurrence diligently and to handle settlements with related business operators in good faith. Further, in September 2024, the Commission held a meeting for all general electricity transmission and distribution utilities and the Transmission and Distribution Grid Council to attend. At the meeting, the Commission reviewed the overview of the incidences of miscalculations that occurred at the utilities and their recurrence prevention measures, and requested the utilities to work on detailed analysis of the incidents and formulation of countermeasures as a whole.

2.6. Holding of Working Group for Transmission and Distribution Efficiency and Project Progress Monitoring, and operation of G-Charge

[Overview of this section]

- The Working Group for Transmission and Distribution Efficiency and Project Progress Monitoring was held to discuss initiatives aimed at improving efficiency by sector and by major equipment category within general electricity transmission and distribution utilities.
- Regarding G-Charge, the Commission conducted interviews and questionnaire surveys on passing through from electricity generators to retailers.

(1) Holding of Working Group for Transmission and Distribution Efficiency and Project Progress Monitoring

At the Working Group for Transmission and Distribution Efficiency and Project Progress Monitoring established under the Expert Meeting on the Rate System, the Commission discussed efficiency improvement initiatives by sector (transmission, transformation, and distribution) and by major equipment category as well as cost analysis for each construction project using a model case. It also conducted interviews to relevant companies involved in the electricity transmission and distribution networks.

(2) Operation of G-Charge

G-Charge was introduced in FY2024 as a means to promote the efficient use of the grid and to ensure the efficient and reliable enhancement of grid capacity to accommodate the expansion of renewable energy deployment. The system involves requiring power producers, who are grid users along with consumers, to bear a portion of the costs necessary to maintain and expand transmission and distribution facilities, which used to be borne entirely by electricity retailers, in order to establish a more equitable cost-sharing framework.

In the operation of G-Charge, it is anticipated that the charge will be passed onto electricity retailers as part of generation charges, and then eventually to end users. Therefore, unless existing bilateral contracts are revised, generators will unilaterally bear the cost burden associated with institutional changes. For that reason, it was decided to conduct interviews and questionnaire surveys once a year until further notice, from the viewpoint of ascertaining proper information disclosure and rule establishment pertaining to contract negotiations, etc., in line with the purport of the Guidelines for G-Charge Pass Through in Bilateral Contracts, to encourage proper discussions between electricity generators and retailers.

Based on this decision, during the period from September to November 2024, the Commission conducted interviews and questionnaire surveys to electricity retailers and generators. As a result, no case like “the retailer side does not accept when a generator attempts pass through to a retailer” was found, which was reported at the Specialized Meeting for Policy Design and Monitoring held in December 2024.

2.7. Holding of the Study Group on Localized Electricity Demand Increases and Transmission and Distribution Networks

[Overview of this section]

- A study group was established and discussions were held to identify issues and formulate measures for the transmission and distribution network to flexibly and smoothly accommodate localized increases in demand, such as those driven by data centers and electric vehicles (EVs), and the outcome was summarized in a report.

(1) Holding of a study group and compiling a report

The electricity demand in Japan is expected to increase due to the construction of new data centers and semiconductor factories and the installation of electric vehicle (EV) recharging facilities, while the electricity transmission and distribution network faces the following challenges: (1) expansion of renewable energy; (2) enhancement of resilience to disasters, and; (3) aging facilities. If power cannot be supplied flexibly and smoothly to meet these localized increases in power demand, significant social and economic losses will be incurred. For power sources connected to the grid, the need for electricity transmission and distribution network reinforcement varies depending on the location, resulting in significant differences in the transmission costs associated with new connections.

For power generation facilities, the G-Charge mechanism incorporates a discount system for location guidance and other measures to encourage efficient use of the electricity transmission and distribution network. On the demand side, initiatives such as peak shifting and power saving have been implemented to reduce overall peak demand across the grid in response to the tight power supply and demand situation following the Great East Japan Earthquake. However, no measures have specifically addressed the impact of localized demand increases on the transmission and distribution network.

To this end, the Study Group on Localized Electricity Demand Increases and Transmission and Distribution Networks was established in March 2024. The study group had four deliberation sessions to identify and address the challenges and formulate measures for the transmission and distribution networks to flexibly and smoothly accommodate localized increases in demand, and summarized the results in a report in June 2024. The report concluded that the following matters shall be discussed in detail in the future: (1) wheeling rate system for efficient use of the electricity transmission and distribution network; (2) efficient utilization of the electricity transmission and distribution network through resource control, etc.; (3) guiding consumers to swiftly connectable points; (4) planned electricity transmission and distribution network development; and (5) mitigation of impacts of connection of new consumers on the electricity transmission and distribution network. These issues require further detailed deliberations at METI council and study group meetings, but the insights gained from this study group are expected to be valuable in those deliberations.

Chapter 3. Initiatives for Retail and Wholesale Gas Transactions

3.1. Examination of applications for gas retail business registration

[Overview of this section]

- As a result of the review of registration applications for gas retail business, the total number of registered entities as of the end of March 2025 was 1,330 (including community gas).

When the METI Minister intends to register a gas retail business, the Minister shall consult the Commission for

its opinion in advance. Upon receiving such a request, the Commission examines whether the applicant meets the requirements or falls under the grounds for refusal as stipulated in the Gas Business Act (e.g., from the perspective of protecting the interests of gas users). The Commission then submits its findings to the METI Minister. As a result of these examinations, the number of registrations as of the end of March 2025 was 1,330 (including community gas).

3.2. Publication of gas transaction reports

[Overview of this section]

- Information necessary to monitor retail gas transactions was collected from gas utilities and the findings were published monthly.

The Commission periodically receives reports from gas utilities on the information required to monitor gas retail transactions, in accordance with the Gas-Related Reporting Regulations (Order of the METI No. 16 of 2017). For certain reported information, such as gas sales volumes, the findings were published monthly.

3.3. Responding to various inquiries

[Overview of this section]

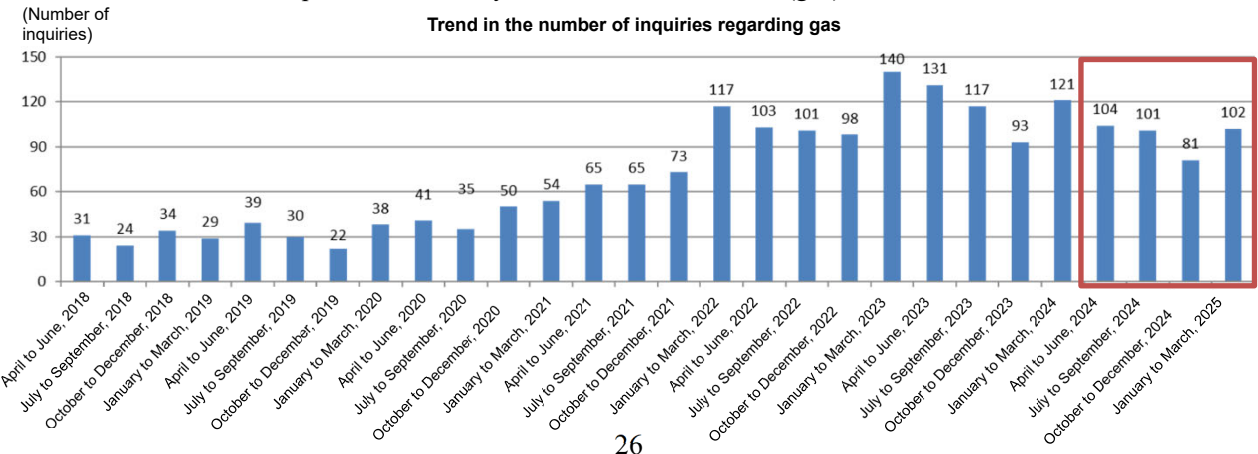
- A consultation service (information desk) was established to provide advice to consumers on issues such as disputes related to retail service contracts. The service also accepted reports of legal violations by businesses and provided appropriate guidance as necessary.

The Commission established a consultation service to address inquiries from gas consumers and other stakeholders, providing answers to questions and offering advice. The number of inquiries received in FY2024 was 388.

In cases where inappropriate sales practices or related issues were identified through these consultations, the Commission verified the facts and, when necessary, provided guidance to gas retailers.

Additionally, in June 2024, September 2024, December 2024, and in March 2025, the Commission issued an alert jointly with the CAA and the NCAC regarding improper solicitation practices in the gas market. The Commission also provided consumers with precautionary information about signing electricity and gas contracts via the METI's X account (formerly Twitter).

○ Trends in the number of inquiries received by the consultation service (gas)



3.4. Monitoring of retail transactions

[Overview of this section]

- The Commission provided guidance or took other actions to utilities engaged in any problematic practices that violate the Gas Business Act with regard to gas retail sales.

In April 2017, entry into the gas retail business was fully liberalized, allowing all consumers, including households, to freely choose their gas providers and pricing plans. Under these circumstances, the Commission has been monitoring and ensuring the proper conduct of retail gas transactions. In accordance with the Guidelines for Gas Retail Business, the Commission has provided guidance to utilities engaged in practices deemed problematic under the Gas Business Act. These efforts have included ensuring appropriate information disclosure to consumers and addressing issues related to the form and content of contracts.

Between April 2024 and March 2025, the Commission carried out guidance and oversight activities. Specific examples are as follows:

(1) Examples of business improvement recommendations (December 2024)

(1) Business improvement recommendation to Sutoene, Inc. (December 2024)

Sutoene, Inc., a gas retailer, practiced follow-up switching (an act of a gas retailer temporarily having consumers who require gas opening work, obtained through solicitation by itself or a broker, enter into a gas retail service contract with another gas retailer, then after the gas opening work is performed by that retailer and a certain period has passed, the gas retail service contract is switched from that other gas retailer to itself, without requiring a new contract application from the consumers) for 106,603 consumers during the period from around September 2021 to June 15, 2024.

Follow-up switching allows a gas retailer to avoid bearing the cost of gas opening work (expenses pertaining to contracting other business operators to do the opening) that it should have borne, make another gas retailer bear the said cost, and then acquire the consumers unfairly. This act may undermine fair competition among gas retailers and is seriously problematic.

Additionally, it was verified that, while Sutoene, Inc. provided verbal and written explanations detailing its gas retail service rates and service conditions to consumers before the consumers temporarily concluded a retail service contract with other gas retailers, it did not provide such verbal and written explanations when follow-up switching the gas retail service contract from the other gas retailers to itself. This may prevent consumers from properly understanding the gas retailer they are concluding a gas retail service contract with.

For that reason, under the authority of the Electricity Business Act, the Commission issued a business improvement recommendation to Sutoene, Inc., requiring taking necessary measures to cease the practice of follow-up switching and improve relevant internal systems, and thoroughly informing all relevant personnel in the company, brokers, etc., of the measures taken.

(2) Business improvement recommendation to Itoigawa City (March 2025)

It was confirmed that Itoigawa City, a gas retailer, had not provided explanations on service conditions nor issued pre-contract documents for 62,736 retail service contracts since the gas retail liberalization in April 2017. For 62,984 retail service contracts, it had not issued post-contract documents. In response, the Commission issued a business improvement recommendation dated March 3, 2025 to Itoigawa City, requiring assured provision of explanations and documents to consumers who have not received them and

taking necessary measures including system establishment and employee training to prevent future violation of obligation to provide explanation and issue documentation.

(2) Recommendation to METI Minister regarding the large-scale urban gas order adjustment incident, etc.

On March 4, 2024, under the authority of the Antimonopoly Act, the Japan Fair Trade Commission (JFTC) issued a cease-and-desist order and a surcharge payment order to Chubu Electric Power Miraiz Co., Inc. and a surcharge payment order to Chubu Electric Power Co., Inc., concerning a large-scale urban gas order adjustment incident. On the same day, JFTC issued a warning to Chubu Electric Power Miraiz Co., Inc. and Toho Gas Co., Ltd. concerning an incident pertaining to residential urban gas and post-FIT purchases and to Chubu Electric Power Miraiz Co., Inc. and Cenergy Co. concerning an incident pertaining to LNG supply.

On June 24, 2024, pursuant to the provisions of Article 179, paragraph 1 of the Gas Business Act, the Commission recommended the METI Minister to issue a business improvement order under the Act to Toho Gas Co., Ltd. and Chubu Electric Power Miraiz Co., Inc., concerning the large-scale urban gas order adjustment incident. On July 26, 2024, pursuant to the provisions of Article 20, paragraph 1 of the Gas Business Act, the METI Minister issued a business improvement order to Toho Gas Co., Ltd. and Chubu Electric Power Miraiz Co., Inc., with demands including: not to practice unfair trade restrictions and similar competition restrictive acts; not to exchange information on gas charges, etc., with other gas retailers; to submit a recurrence prevention plan; to publish the plan along with the details of the incident and the cause of the occurrence; to periodically report the implementation status of the improvement plan to the Commission and METI; and cooperate in follow-ups.

Additionally, the Commission provided business improvement guidance to Toho Gas Co., Ltd. and Chubu Electric Power Miraiz Co., Inc. concerning the incident pertaining to residential urban gas and post-FIT purchases, and issued an alert to Chubu Electric Power Miraiz Co., Inc. and Cenergy Co. concerning the incident pertaining to LNG supply.

On August 23, 2024, improvement plans were submitted from the utilities subject to the business improvement orders. The Commission conducted the 1st follow-up on the implementation status of each utility, primarily concerning whether the establishment of internal rules and systems and initiatives such as training were in line with the improvement plans, and reported the results at the 5th Specialized Meeting for Policy Design and Monitoring held in January 2025.

(3) Proposals for institutional measures related to gas retail business

Amid the ongoing DX efforts for report forms used in the gas retail business from the viewpoint of effective and efficient national government monitoring, since December 2023, the Commission had deliberated the directionality of improvements, including format changes suitable for DX, regarding periodic reports on pricing plans, etc., at the Specialized Meeting for Policy Design, and summarized necessary actions.

Based on these considerations, in July 2024, the Commission submitted a proposal to the METI Minister to take necessary institutional measures.

3.5. Audits of deemed gas retailers formerly conducting general gas utility services

[Overview of this section]

- The Commission audited the operations and accounting practices of deemed gas retailers formerly conducting general gas utility services. Among the four utilities audited, no cases were identified that warranted recommendations or necessary guidance to the businesses.

When the gas retail market was fully liberalized in April 2017, regulated retail tariffs (transitional tariffs) were retained as a transitional measure in areas where competition was deemed insufficient.

Pursuant to the provisions of Article 45-2 of the Gas Business Act prior to its revision by the provisions of Article 5 of the Third Revising Act, which remains in force under Article 22, paragraph 4 of the Supplementary Provisions of the Third Revising Act, the Commission conducted audits of four deemed gas retailers formerly conducting general gas utility services subject to the transitional tariff regulation.

As a result of the FY2023 audit, no issues were identified that warranted recommendations to the deemed gas retailers formerly conducting general gas utility services under Article 37, paragraph 1 of the Supplementary Provisions of the Third Revising Act, nor recommendations to the METI Minister under Article 38, paragraph 1 of the Supplementary Provisions of the Third Revising Act (see Reference 9 for details). The audit findings were reported at the 519th Commission Meeting held in June 2024.

3.6. Ex-post facto evaluations following the conclusion of the cost calculation period for regulated retail gas tariff subject to transitional measures

[Overview of this section]

- The Commission conducted an ex-post facto evaluation following the conclusion of the cost calculation period for the regulated retail gas tariffs subject to transitional measures. Based on the findings, the Commission confirmed that none of the three target utilities required an order to submit an application for approval to amend their tariffs. This conclusion was reported to the METI Minister as an opinion.
- As a result of the special ex-post monitoring of gas, no utilities were identified as warranting written guidance in FY2024.

(1) Ex-post facto evaluations following the conclusion of the cost calculation period for regulated retail gas tariffs subject to transitional measures

With regard to the regulated retail gas tariffs subject to transitional measures under the Supplementary Provisions of the Third Revising Act, the Commission conducts an ex-post facto evaluation annually after the conclusion of the cost calculation period to determine whether profit margins are excessively high. The Commission shares the findings with METI and publicly discloses the assessment findings.

In October 2024, in response to a request for opinions from the METI Minister and the Director-General of the Bureau of Economy, Trade and Industry, at the 63rd Expert Meeting on the Rate System (November 2024), the Commission conducted evaluation and verification regarding three deemed gas retailers formerly conducting general gas utility services—Toho Gas Co., Ltd., Nihon Gas Co., Ltd. and Nankai Gas Co., Ltd.—whose cost calculation period had expired. These assessments were carried out in accordance with Section 2 (8) (iv) of the Examination Criteria Concerning Ruling by the Minister of Economy, Trade and Industry Based on the Supplementary Provisions of the Act for Partial Revision of the Electricity Business Act and Related Laws (Notice No. 5, March 29, 2017; hereinafter referred to as the “Examination Criteria”). The findings of these evaluations were compiled accordingly.

Evaluation according to Step 1 of the Examination Criteria (criteria based on gas utility profit margins of regulated sectors) identified one company—Nankai Gas Co., Inc.—as having a three-year average profit margin of its regulated sectors that exceeded the ten-year average profit margin of the regulated sectors of the four deemed gas retailers formerly conducting general gas utility services. In Step 2 of the Examination Criteria (criteria based on cumulative excess profits of regulated sectors and criteria based on income and expenditures in liberalized sectors), Nankai Gas Co., Inc.’s cumulative excess profits at the end of FY2023 were below the specified threshold, and its revenue and expenditures in the liberalized sector was evaluated to have not been

in deficit for the past two consecutive years. These findings indicated that none of the utilities required further consideration for issuing an order to apply for tariff revision approval.

In light of these findings, the Commission informed the METI Minister and the Director-General of the Bureau of Economy, Trade and Industry that no utilities were identified as requiring an application for tariff reduction approval.

(2) Special ex-post monitoring of gas retail rates

At the 29th meeting of the Subcommittee on Gas System Reform under the Strategic Policy Committee of the Advisory Committee for Natural Resources and Energy (February 2016), it was decided that special ex-post monitoring would be conducted for gas retailers not subject to transitional measures for regulated retail gas tariffs or for which such measures have been lifted. Specifically, for utilities with a city gas or simplified gas usage rate exceeding 50% within their former supply areas, gas tariff levels in these areas (calculated based on the monthly gas consumption of a standard household) will be monitored for three years to prevent unreasonable increases in gas retail rates.

Based on this decision, the Commission regularly receives reports on the standard household retail rates of these utilities and verifies the status of rate revisions. As a result, in FY2024, no utilities were identified as warranting written guidance.

3.7. Follow-up on wholesale gas commitments

[Overview of this section]

- Based on the findings of follow-up assessments with the three major gas companies regarding compliance with their commitments, the Commission requested these utilities to take appropriate action.

Tokyo Gas, Osaka Gas, and Toho Gas announced, in 2021, their commitment concerning gas wholesaling, primarily focusing to (1) carry out gas production business and gas wholesale supply when requested, unless there is a reason such as insufficient supply capacity, and (2) especially about start-up wholesale, actively work to enhance its utilization outcomes. The Commission is to periodically follow up their adherence to the commitment, and request improvement and provide guidance, etc., to these three companies should any problematic act be confirmed. In FY2024, the Commission conducted follow-ups targeting wholesale transactions in FY2023, and found no specific acts that were deemed problematic.

Chapter 4. Initiatives for Gas Pipeline Sector

4.1. Monitoring of general gas pipeline business and specific gas pipeline business

[Overview of this section]

- The Commission monitored the operational practices of general gas pipeline utilities and specified gas pipeline utilities, and provided necessary guidance.

To ensure proper gas transactions, the Commission monitors business operations of general gas pipeline utilities and specified gas pipeline utilities. It provides guidance or takes necessary actions when inappropriate operations related to the general provisions for wheeling services are observed.

No cases that would warrant business improvement recommendations were found in the operational practices of general gas pipeline utilities and specified gas pipeline utilities. However, an incident of delayed urban gas usage data notification occurred at a general gas pipeline utility, which resulted in delayed billing of consumers by gas retailers for gas charges. This prompted the Commission to provide guidance requiring steady implementation of recurrence prevention measures.

4.2. Audits of general gas pipeline utilities and other relevant entities

[Overview of this section]

- The Commission audited the operations and accounting practices of general gas pipeline utilities, specified gas pipeline utilities, and manufacturers of gas equipment. The Commission conducted a focused review of “balance of wheeling services” and “prohibited acts and system development and related matters for wheeling services.” As a result, necessary guidance was provided to 69 out of the 257 target utilities.

Pursuant to Article 170 of the Gas Business Act, the Commission conducted audits of general gas pipeline utilities, specified gas pipeline utilities, and manufacturers of gas equipment (hereinafter referred to as “general gas pipeline utilities and other relevant entities”). The Commission conducted audits of 257 companies.

In the FY2023 audit, the Commission focused on the following areas:

- In the FY2022 audit, the number of identified issues decreased compared to the previous year. However, there were still 74 identified issues involving errors, such as miscalculations caused by a lack of understanding of ministerial ordinances or simple errors, observed across both businesses under the jurisdiction of the Ministry and local bureaus. Based on these findings, the Commission continued to focus on the “balance of wheeling services” in the FY2023 audit, specifically verifying whether errors, such as miscalculations related to the balance of wheeling services, were present.
- As of April 2022, general gas pipeline utilities of a certain scale or larger were required to undergo corporate separation. Additionally, all general gas pipeline utilities and specified gas pipeline utilities were required to establish organizational arrangements and implement measures in compliance with conduct regulations. Furthermore, actions such as parent companies or related entities requiring discriminatory treatment by general gas pipeline utilities and specified gas pipeline utilities were prohibited. In line with these, in the FY2022 audit, the Commission checked the status as of July 1, 2022, and identified 32 issues in total for businesses under the jurisdiction of the Ministry and local bureaus. Accordingly, the Commission continued to focus on “prohibited activities and organizational arrangements related to transmission and distribution services” in the FY2023 audit, to ensure these measures were being appropriately implemented throughout the year from April 2022 to March 2023.
- In response to the information leakage incident of general electricity transmission and distribution utilities, similar to the electricity business audit, also for general gas pipeline utilities and specified gas pipeline utilities (limited to those with 300,000 or more gas meters have been installed), the Commission checked the state of information management in systems intended for the management of confidential information.

As a result of the FY2023 audit, no issues were identified that warranted recommendations to general gas pipeline utilities and other relevant entities under Article 178, paragraph 1 of the Gas Business Act, nor recommendations to the METI Minister under Article 179, paragraph 1 of the same Act. However, necessary guidance was provided to 69 utilities (see Reference 9 for details). The audit findings were reported at the 519th Commission Meeting held in June 2024.

4.3. Ex-post facto evaluation of gas pipeline utilities financial status and other related matters

[Overview of this section]

- The Commission conducted ex-post facto evaluations of gas pipeline utilities' transmission and distribution financial balance for FY2023 and confirmed that, for the three companies, the cumulative excess profits as of the end of FY2023 exceeded a specified threshold, which serves as the criterion for issuing a change order. For eight utilities, the Commission confirmed that the deviation between the assumed unit price and the actual unit price as of the end of FY2023 exceeded –5%, which serves as the criterion for issuing a change order.

General gas pipeline utilities and specified gas pipeline utilities (excluding those approved by the METI Minister as not requiring the establishment of general provisions for wheeling services; hereinafter referred to as “gas pipeline utilities” in this section) are required to prepare and disclose a transmission and distribution financial balance sheet for each fiscal year. If the cumulative excess profit exceeds a certain threshold or if the deviation rate exceeds –5%, the METI Minister and the Director-Generals of Bureau of Economy, Trade and Industry, etc., may issue an order to change the wheeling charges.

Regarding the verification of the FY2023 financial status of gas pipeline utilities, the Commission received a request for opinions from the METI Minister and the Director-Generals of Bureau of Economy, Trade and Industry, etc. Accordingly, at the Expert Meetings on the Rate System held in November 2024 and February 2025, the Commission conducted ex-post facto evaluations (stock management and flow management) in accordance with relevant laws and regulations. As a result, for three out of the 145 utilities subject to the ex-post facto evaluations (Energy Sola Platforms Co., Ltd. (Kitamoto area), Ojiya City, and Enecle Co., Ltd. (Okiyama area)), the cumulative excess profits as of the end of FY2023 exceeded a specified threshold, which serves as the standard for issuing a change order. Additionally, for eight utilities—ENEOS LNG Service Co., Ltd., Tochigi Gas Co., Ltd., Washinomiya Gas Co., Ltd., Ojiya City, Fukuyama Gas Co., Ltd., Omuta Gas Co., Ltd., SAN-AI OBBLI Co., Ltd., and Chonan Town, the deviation rate between assumed and actual unit prices at the end of FY2023 exceeded –5%, which is the threshold for triggering a change order.

Concerning these utilities, with the exception of Enecle Co., Ltd. (Okiyama area), which reduced charges on September 21, 2023, ENEOS LNG Service Co., Ltd., which reduced charges on April 1, 2024, and Ojiya City, which is planning to transfer the business, the Commission replied to the METI Minister and the Director-General of the Bureau of Economy, Trade and Industry, etc., stating that it would be appropriate for the Minister and the Director-Generals of the Bureau of Economy, Trade and Industry to issue a change order if the notification of the revision of the general provisions for wheeling services is not submitted by the due date.

Chapter 5. Initiatives for Heat Supply Business

[Overview of this section]

- As of the end of March 2025, the number of registered heat supply utilities stood at 73, covering 133 areas.
- Applications for approval to amend the heat supply regulations for designated former service areas were submitted to the METI Minister by one utility across two service areas. After conducting a review, the Commission submitted a report to the Minister as an opinion.

(1) Examination for registration of heat supply utilities

When the METI Minister intends to register a heat supply utility, the Minister is required to consult the Commission for its opinion. Upon receiving such a request for its opinion from the METI Minister, the Commission examines whether the applicant meets the requirements or falls under the grounds for refusal of registration as stipulated in the Heat Supply Business Act (e.g., from the perspective of ensuring convenience of daily life or business activities of persons who receive heat supply). The Commission then submits its findings to the METI Minister. As of the end of March 31, 2025, the number of registrations was 73 (133 areas).

(2) Designation of heat supply areas in designated former service areas

Of the service areas supplied by the heat supply operators, the METI Minister has designated 12 utilities and 16 supply areas as having a particularly high need to protect the interests of persons who receive heat supply in the service areas due to reasons such as the difficulty for such persons in these areas to select alternative heat source equipment. To increase or revise heat rates in these service areas, the METI Minister is required to approve the revision of the heat supply regulations for the designated former service areas. In FY2024, applications for approval to amend the heat supply regulations for designated former service areas were submitted to the METI Minister by one utility across two service areas in the context of soaring energy prices and other factors. After reviewing the application, the Commission submitted a report to the Minister in accordance with the assessment policy as an opinion.

Chapter 6. Publicity, Dispute Resolution and Other Related Matters

6.1. Public relations and consumer relations

[Overview of this section]

- The Commission actively promoted and publicized the deregulation through its website and other channels. Additionally, to enhance consumer protection, the Commission published case studies highlighting issues reported by consumers along with advice on how to address them.

Even after the full liberalization of the electricity and gas retail markets, it remains essential for consumers to have access to accurate information, enabling them to avoid potential disputes and make appropriate choices that align with their individual needs.

With this understanding, the Commission has been actively promoting and publicizing the liberalization through its website and other channels.

As mentioned earlier, the Commission's consultation service offers advice to consumers on issues related to concluding retail service contracts and other matters, including how to deal with them. The total number of inquiries received in FY2024 was 3,012 for both electricity and gas.

6.2. International initiatives

[Overview of this section]

- Through joining the International Confederation of Energy Regulators and the participation in international conferences and similar events, the Commission collaborated with overseas energy regulatory agencies to exchange opinions and gather information.

The Commission collaborates with overseas energy regulatory agencies to gather and exchange information on various matters including the roles of global energy markets and regulatory systems and ideal energy market

monitoring.

In FY2024, the Commission joined the International Confederation of Energy Regulators (ICER) in December 2024, and participated in the Clean Energy Ministerial (CEM)'s Empowering Regulators for Accelerated Decarbonisation (ERAD) initiative in March 2025, endeavoring to exchange information with overseas energy regulatory agencies and to build and strengthen the collaborative network. It also participated in international conferences such as the Electricity Security Advisory Board (ESAB) hosted by the International Energy Agency (IEA) and the Singapore International Energy Week (SIEW). These engagements focused on challenges facing all countries, such as the competitiveness and sustainability of electricity markets during the energy transition. The Commission presented Japan's initiatives, and engaged in exchanges of views and information gathering with overseas energy regulators.

6.3. Dispute resolution

[Overview of this section]

- One application for mediation was received; however, it was not carried out. One complaint was received, which was processed. No applications for arbitration were submitted.

(1) Mediation and arbitration

Under the provisions of the Electricity Business Act, the Commission shall, upon receipt of an application for mediation or arbitration regarding contracts related to electricity transactions, act accordingly unless the purpose of the application is deemed unjustified or otherwise inappropriate.

Similarly, under the provisions of the Gas Business Act and the Heat Supply Business Act, the Commission is authorized to mediate and arbitrate contracts related to gas transactions and wholesale heat supply, among other matters.

Dispute resolution is primarily conducted by mediation and arbitration commissioners. Mediation and arbitration commissioners are appointed on a case-by-case basis from among the members of the Commission and other officials designated in advance by the Commission (pursuant to Article 35, paragraph 3 and Article 36, paragraph 3 of the Electricity Business Act). The candidates for Mediation and Arbitration Commissioners as of March 31, 2025 are as follows:

Commissioners:

Yumiko Iwafune, Ph.D	Professor, Institute of Industrial Science, The University of Tokyo
Kuninobu Takeda, Ph.D	Professor, Department of Law and Political Science, Graduate School of Law and Politics, Osaka University
Toshihiro Matsumura, Ph.D	Professor, Institute of Social Science, The University of Tokyo
Kumiko Muramatsu	Director, PricewaterhouseCoopers Japan LLC

Special Commissioners:

Ryuichi Inagaki	Attorney-at-Law, Ryuichi Inagaki Law Office
Kaeko Kitamoto	Certified Public Accountant
Yuka Kobayashi	Senior Manager, KPMG AZSA LLC
Ryoichi Komiyama, Ph.D	Professor, Graduate School of Engineering, The University of Tokyo
Makoto Tanaka, Ph.D	Professor, National Graduate Institute for Policy Studies
Yasuhiro Hayashi, Ph.D	Professor, Graduate School of Science and Engineering, Waseda University
Masanori Maruo	Managing Director, SMBC Nikko Securities Inc.
Emiko Maruyama, Ph.D	Professor, Faculty of Law, Keio University

In FY2024, the Commission received one application for mediation. This case was not mediated because the Commission received a notice from the other party that it would not accept mediation.

(2) Addressing complaints

Under the provisions of the Electricity Business Act, the Gas Business Act, and the Heat Supply Business Act, the Commission is authorized to receive and address complaints related to electricity, gas, and heat supply transactions. In FY2024, the Commission received one complaint.

6.4. Verification for the Electricity and Gas Market Surveillance Commission

[Overview of this section]

- The verification regarding the Electricity and Gas Market Surveillance Commission was conducted and a summary was published.

In August 2020, the Commission established the Expert Meeting on the Review of the Electricity and Gas Market Surveillance Commission, comprising experts, in response to the revelation of the money and goods acceptance issue involving the then Kansai Electric Power Co., Inc., and the changing circumstances surrounding the Commission as the electricity and gas system reforms progressed. The Expert Group reviewed the Commission's initiatives and achievements to date (hereinafter referred to as the “Previous Review”) and compiled the results in November of the same year.

In light of significant developments since the previous review, including the disclosure of information leaks and cartel cases involving major electric utilities, changes in various electricity markets (such as the introduction of capacity markets and balancing markets), and other factors, the operational environment surrounding the Commission has undergone substantial changes. Additionally, the Implementation Plan for Regulatory Reform, approved by the Cabinet in June 2023, explicitly emphasizes the strengthening of the Commission's monitoring functions. Considering these factors, the Commission has decided to conduct verification from February to June 2024. These measures are aimed at ensuring the Commission can fulfill its expected roles appropriately and promptly. Verification was conducted during Commission meetings. To ensure neutrality and impartiality, the Secretariat conducted preliminary interviews with experts and practitioners related to each theme of the verification, and the Commission discussed the findings from these interviews. Additionally, some experts and practitioners delivered presentations on the Commission's initiatives and future policies during the verification sessions.

Based on the verification, the Commission revised its management philosophy, formulated the Mid-term Plan of the management with a view to the next three years (FY2024 to FY2026) and the Functional Enhancement Policy for achieving the said policy, and in June, published them as the Summary of Verification of the Electricity and Gas Market Surveillance Commission (see Reference 10 for details).

[Regarding items to be verified]

1. Activities of the Electricity and Gas Market Surveillance Commission (Overview)
2. Activities of the Electricity and Gas Market Surveillance Commission (Specifics)

Electricity:

- Monitoring, examination, and institutional reform in light of the full deregulation of retailing
- Ensuring fairness and promoting transactions in the wholesale electricity market and related markets
- Monitoring, examination, and institutional reform in the fields related to electric electricity transmission and distribution

Gas:

- Monitoring, examination, and institutional reform in light of full retail liberalization (including heat supply)

- Ensuring fairness and promoting transactions in gas wholesaling and related matters
- Monitoring, examination, and institutional reform in the conduit-related sector