

# Discussion Points of Japanese FIT Design



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# Changes (in red) from the Draft Bill

	Draft bill by the Government	The Act (Agreed by 3 political parties)
<u>Tariff</u>	By electricity generation type (PV and <b>all the others (15-20 JPY)</b> )	By electricity generation type, facility type, and scale (Prices vary by <b>renewable electricity source, by size and by types of facilities</b> )
<u>Tariff decision, Involvement of other Ministries and the Diet</u>	<ul style="list-style-type: none"> <li>• METI Minister to decide</li> <li>• Listen to the advice from the Advisory Committee for Natural Resources and Energy (“Advisory Committee”)</li> </ul>	<ul style="list-style-type: none"> <li>• METI Minister to decide</li> <li>• <b>Must respect the opinions of the Procurement Price Calculation Committee (<u>Members to be appointed with the approval of the Diet</u>)</b></li> <li>• Listen to <b>Ministers of Agriculture, Forestry &amp; Fishery; Land, Infrastructure, Transportation &amp; Tourism; Environment; and Consumers Affairs</b></li> </ul>
<u>Surcharge exemption and reduction</u>	No exemption (across- the- board surcharge)	<ul style="list-style-type: none"> <li>• <b>Exempt the earthquake survivors &amp; low income earners</b></li> <li>• <b>Reduce surcharge of electricity-intensive industries</b></li> </ul>
<u>Grid Interconnection obligation</u>	Electricity utilities are obligated to interconnect their transmission facilities with the facilities of renewable electricity suppliers, but <u>the utilities are excused from the obligation if the interconnection could hamper stable electricity supply.</u> (There was a comment in a session of the Diet that electric utilities cannot reject interconnection for their own reasons)	
<u>Target</u>	Total renewable power generation accounts for 13.5% by 2020 (4% excl. large-scale hydro )	Drop the current Strategic Energy Plan of Japan due to the Fukushima accident. There is no numerical target now. Yet, renewable power generation % will increase from the original plan



# Point 1 : Ensuring Business/Profitability

- Tariff calculation and determination methodologies
- Tariff payment durations
- Size-, type- and location-specific tariff payment
- Timing of determining tariff rates for each project
- Tariff degression rules / annual caps
- Surplus electricity purchase for residential rooftop solar PV



# (Ref.) Tariff Level (Purchasing price)

- Make sure not to impose excessive surcharge on the public (based on the Draft bill: **Purchase in full amount, 0.5 yen/kWh cap, basis for applying net metering system to PV power generation**) (Article 3-4, etc)
- When determining the tariff rates, especially take the profit of renewable power producers into account during the first 3-year period from the effective date of the Act (Supplementary Provision 7)
- Review the tariffs rates annually (or every 6 months as necessary) (Article 3-1)
- How to define / categorize the size of facilities?  
(FIT sub-committee of the Advisory Committee says in its report that when it comes to biomass, traditional usage of resources, sustainability and life cycle assessment (LCA) need to be taken into account)
- How to treat small-scale wind power ? (Report by FIT Subcommittee says small-scale wind power will be treated like residential PV power ...?)



# Point 2 : Guaranteed Interconnection

- What is the exact definition of priority grid access? What to be guaranteed under the ministerial order?
  - guaranteed interconnection
  - priority grid access / interconnection
  - interconnection cost allocation and recovery
  - guaranteed purchase
  - guaranteed dispatch
  - curtailment rules
  - reasons and conditions which grid companies can reject the RE grid access
- Cost sharing for interconnection
  - costs associated with connecting a specific generator to the T&D system
  - costs to modify or upgrade the grid in order to accommodate the additional power generation



# (Ref.) Power Purchase & Interconnection Obligation

## Article 4 (Power Purchase obligation)

- Electric utilities shall not reject applications for entering into power purchase agreements with renewable electricity suppliers, except when there is a likelihood of unjust harm to the benefit of the electric utilities or there is a just reason for rejection as set forth in a METI ordinance.

## Article 5 (Interconnection obligation)

- Electric utilities shall not reject the interconnection between their transmission facilities and the facilities of renewable electricity suppliers , except when:
  1. Suppliers do not pay the necessary interconnection costs set forth in a METI ordinance
  2. There is a likelihood that interconnection hampers the securing of the smooth supply of electricity
  3. There is a just reason to reject as provided by the Minister of Economy, Trade and Industry

## Summary of exception of the obligation

- Electricity utilities can reject power purchase or interconnection when (1) there is a problem in facilities of a renewable electricity supplier, (2) contract documents are incomplete/fraudulent, (3) the supplier does not pay necessary costs. However, they cannot reject unilaterally for their own reasons. (Comment in a Diet session)
- Electric utilities shall thoroughly explain the grounds for rejection. (Diet resolution No.3 accompanying the enactment of the Act)





# Point 3 : Fairness and transparency of decision-making

- Progress reports preparation and publication by the gov.
- Data collection and disclosure for adjusting tariff rates
- Independent body for dispute-settlement for grid interconnection, etc.
- Transparency for decision-making
- Regulatory reform for renewables
- Attribution of environmental value (e.g. green electricity certification etc.)

