

Proposed introduction of feed-in tariff wheeling fee

27 January 2020 | Contributed by [Nishimura & Asahi](#)

Power generation base fee
Adjustment measures
Cost mitigation systems
Timing

The Ministry of Economy, Trade and Industry (METI) is considering the introduction of a power generation base fee for feed-in tariff (FIT) eligible power generation companies. The wheeling charge could affect current FIT-certified projects as well as future FIT-eligible projects.

Power generation base fee

The proposed power generation base fee will require commercial power producers to pay their utility company a fee, which will be calculated based on their facility's maximum output in kilowatts (kW).

To date, costs associated with the maintenance of power grids have been borne by transmission utilities and subsequently passed on to consumers in their electricity bills.

On its introduction, power producers will have to pay the power generation base fee on a monthly basis following the commencement of their facility's operations. While the value of the fee is still under discussion, the most recent METI report (December 2019) proposes that the average cost will be Y150 per kW per month (Y1,800 per kW per year). However, this may range from Y123 to Y169 per kW per month, depending on location.

Adjustment measures

One of the key outstanding issues with this system pertains to power generation facilities that are already in operation. In general, facilities introduced under the renewable energy FIT system are locked into a fixed price for the duration of the purchase period and thereby cannot offset this additional cost by increasing the price of electricity to be sold.

In order to maintain profitability levels for these facilities under an existing FIT, METI is considering allowing for an adjustment measure that will offset or reimburse the operator for the power generation base fee obligation. While METI continues to consider how to best implement any such adjustment measures, its general view appears to be to prioritise minimising the burden for end consumers and not protecting the projected financial returns of all renewable facilities registered under Japan's FIT regime.

Cost mitigation systems

In a November 2019 report METI announced that there are two policies under consideration to mitigate the burden of the costs associated with the implementation of the power generation base fee. One such policy would aim to reduce the cost burden on generation facilities located in areas where transmission costs, at the level of key substations and switching stations, are below average for the supply area. The second policy would further reduce the cost burden for those generation facilities which are covered by the first discount and connected to a high or low voltage grid (not an extra-high voltage grid), provided that certain other yet-to-be-determined requirements are met.

Timing

Based on METI's recent reports, it is understood that it is aiming to introduce the power generation base fee in 2023. However, the timing for the implementation of this fee is flexible and will be adjusted as necessary to ensure consistency with the progress of related system reforms (eg, the wheeling charge system reform of the Agency for Natural Resources and Energy).

For further information on this topic please contact [Ryoji Moroi](#), [Peter G Armstrong](#) or [Ashley](#)

AUTHORS

[Ryoji Moroi](#)



[Peter G Armstrong](#)



[Ashley Sutton](#)

Sutton at Nishimura & Asahi by telephone (+81 3 6250 6200) or email (r_moroi@jurists.co.jp, p_armstrong@jurists.co.jp or a_sutton@jurists.co.jp). The Nishimura & Asahi website can be accessed at www.jurists.co.jp.

The materials contained on this website are for general information purposes only and are subject to the [disclaimer](#).