

Equities

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Eastern Japan earthquake/Power supply

Alert: Update 3: Reports of early resumption at Kashima power plant positive if accurate

■ Industry Overview

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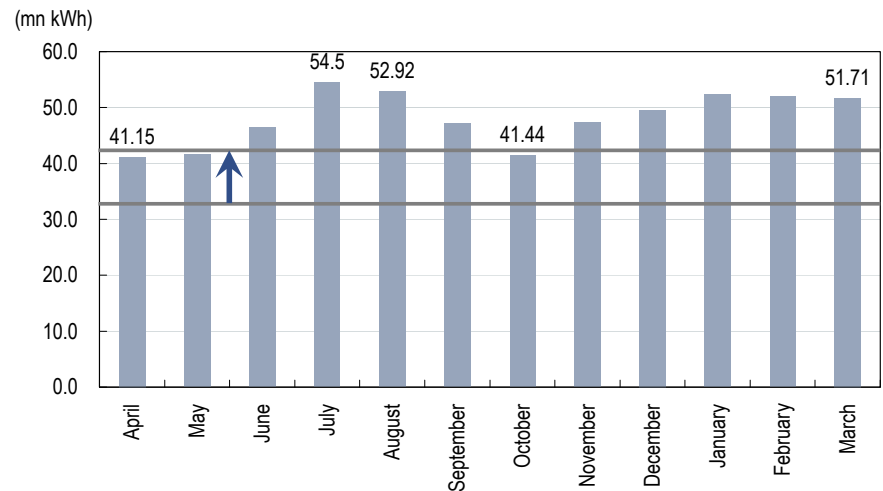
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- **Conclusions** – The Nikkei reported on March 20 that TEPCO plans to increase its power generating capacity more than 20% by end-April, to 42mn kW from the current level of 34mn. While this does not ensure sufficient capacity to meet summer peak demand, this is good news if the story is accurate as it may alleviate supply shortages to some extent (see Fig. 1).
- **Expanding capacity** – According to the Nikkei, the increases will include about 2mn kW from the LNG-fired Higashi Ogishima plant and about 4mn kW at the oil-fired Kashima plant, although TEPCO says suspended capacity at Higashi Ogishima is about 1mn kW. Still, the generating capacity at Kashima is 4.4mn kW, and as discussed in our March 17 note “[Eastern Japan earthquake/Power supply - Power shortfall in the summer looks inevitable](#)”, if most of the roughly 3.4mn kW in thermal capacity that is undergoing inspections gets up and running again quickly, capacity could be back at around 42mn kW. We had anticipated that recovery at the Kashima plant, which was badly damaged by the tsunami, would not be quick, so the report comes as good news if it is accurate.
- **One-day shifts in supply/demand** – TEPCO generally deals with peak demand in August. On peak days, demand tops out around 2:00 or 3:00 in the afternoon, while demand at around 4:00 or 5:00 in the morning is about half the peak level. If demand can be carefully controlled, even if generating capacity is not enough to meet peak demand, it may be enough to mitigate the shortages.

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Figure 1. Monthly maximum electricity demand (FY3/10): Likelihood of shortfalls during summer peaks



Note: Lower line shows current estimated capacity; upper line shows potential capacity reported in the Nikkei on March 20.

Source: Company data, Citi Investment Research and Analysis.

Appendix A-1

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