



PRESS RELEASE

5 July 2022

Public thematic report

ORGANISATION OF THE ELECTRICITY MARKETS

In an electricity sector that is open to competition at European level, France has maintained or created major public intervention tools – in connection with the “New organisation of the electricity market” (NOME) law of 7 December 2010 – to meet several objectives: to allow competition between suppliers, to guarantee stable prices for consumers that reflect the competitiveness of existing nuclear plants, to ensure the financing of these plants and to have sufficient capacity to guarantee the balance between electricity supply and demand. The report published today by the Court of Accounts answers three evaluative questions on the main public policy mechanisms for the organisation of the electricity markets. It points out that the combined implementation of these mechanisms over the last ten years no longer ensures that the original objectives are met. This observation, illustrated to the extreme in the recent context of soaring gas and electricity prices, calls for advantage to be taken of the forthcoming deadlines for the revision or obsolescence of existing mechanisms to clarify the objectives and revisit the tools for intervention in the electricity markets.

Public intervention in response to issues specific to France

The French production system is distinguished within Europe by the weight and competitiveness of the historical nuclear fleet. Therefore, in the absence of public intervention, the opening up to competition of the electricity market on a European scale would result in French customers being supplied at prices likely to be significantly higher than the production costs of French plants.

Intervention tools implementation of which no longer guarantees achievement of objectives

To allow for the development of competition on the retail market, the regulated tariffs (TRVs), to which two-thirds of households still subscribe, are now based on supply costs representative of those of alternative suppliers (as opposed to historical suppliers, including EDF). The stability and competitiveness of these tariffs depend increasingly on the proper functioning of the regulations put in place on the wholesale markets (between producers and suppliers), and in particular on regulated access to historical nuclear power (the ARENH mechanism). Since 2019, these tariffs have been increasingly affected by the evolution of wholesale market prices, at the risk of moving significantly away from the production costs of French plants. Thus, without the exceptional tariff cap measures introduced by the government at the beginning of 2022, regulated tariffs would have risen by 35% (inclusive of taxes) on 1 February 2022.

The flaws in regulated access to historical nuclear power (ARENH), which was supposed to allow alternative suppliers to obtain supplies under conditions equivalent to EDF's production costs, have been exposed, as its price has never been set at the level of these production costs. Its volume cap, linked to the provisional nature of the mechanism, has not been adjusted to the increase in the market share of alternative suppliers, thus leading to "capping" of these suppliers' requests since 2019. It has nevertheless enabled EDF to cover its accounting production costs over the period 2011-2021, even if this coverage is less and less assured over the years.

The capacity mechanism set up in 2016 to guarantee sufficient availability of production resources during winter consumption peaks is the source of major financial transfers between producers and consumers. It remunerates certain sectors, particularly nuclear power, in a way that is not proportionate to the strict requirements of security of supply.

Overall, the Court notes that the combined implementation of these different tools has resulted in an organisation that is no longer readable or controllable, and which no longer guarantees that the initial objectives will be achieved.

A public policy with objectives that need to be clarified and instruments that need to be reviewed in the near future

In the short term, the Court is calling above all for a review of the method of calculating regulated tariffs in the event of capping of ARENH requests, in order to limit the exposure of these tariffs to sudden variations in market prices. In the medium term, given the still dominant role of nuclear power in electricity production in France, public regulation of access to this production will remain a major issue beyond the term assigned to the ARENH mechanism (i.e. the end of 2025). The Court therefore calls on the public authorities to clarify, as early as 2022, the objectives to be pursued within the framework of a new nuclear regulation, in order to determine the new terms and guarantee its coordination with other public policy measures.

[Read the report](#)

PRESS CONTACTS:

Emmanuel Kessler ■ Director of Communications ■ T +33 (0)1 42 98 55 62 ■ +33 (0)6 62 48 07 81 ■
emmanuel.kessler@ccomptes.fr

Julie Poissier ■ Head of Press Relations ■ T +33 (0)1 42 98 97 43 ■ +33 (0)6 87 36 52 21 ■
<mailto:julie.poissier@ccomptes.fr>



@Courdescomptes



ccomptes



Cour des comptes



Cour des comptes