The Autorité issues two opinions in the electricity sector

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Background

At the end of 2025, the French government asked the *Autorité* for two opinions in the electricity sector. The requests were made in the context of the end of the ARENH mechanism, under which French electricity suppliers could purchase nuclear generated electricity from the country's existing power plants at a regulated price.

On 26 September 2025, the *Autorité* received a first request for an opinion on the draft decree on the new capacity mechanism, which aims to guarantee the security of electricity supply during peak winter consumption periods.

On 27 November 2025, the *Autorité* received a second request for an opinion on the draft decree specifying the conditions of application of the universal nuclear payment (VNU), which replaces the ARENH.

The *Autorité* had a very short timeframe to prepare the opinions and was unable to assess, in detail, all the implications of the proposed changes.

While the capacity mechanism seems to fulfil its primary function, the *Autorité* notes that it has undergone a structural change that could, *inter alia*, have an impact on the costs to be paid by end-consumers, who will not necessarily be encouraged to reduce their consumption during peak periods, insofar as suppliers will be free to pass on their costs as they wish. The *Autorité* also highlights the need to monitor the French electricity transmission system operator (*Réseau de Transport d'Électricité* – RTE), a subsidiary of EDF, which now plays a central role in the mechanism, in particular in demand forecasting, and thus the essential supervisory role of the French energy regulator (*Commission de régulation de*

l'énergie – CRE).

With regard to the VNU, the *Autorité* stresses that, although the mechanism is less protective for end-consumers than the ARENH, it meets the objective of guaranteeing protection in the event of very sharp price rises on wholesale electricity markets. However, the terms of its implementation, in particular the application period running from April to October, do not provide uniform protection for consumers, especially residential consumers. The *Autorité* makes a number of recommendations to the French government, including clarifying the objectives of the VNU, whether to encourage sobriety, promote electricity consumption by companies or transfer revenues from incumbent nuclear power plants, as well as conducting an assessment after the mechanism has been in place for three years.

In addition to the abovementioned key points, the *Autorité* raises a number of issues aimed at improving both the capacity mechanism and the VNU.

Opinion 25-A-14 of 12 December 2025 on the capacity mechanism

- **The objective of a capacity mechanism**

A capacity mechanism aims to guarantee the security of electricity supply at the national level, ensuring that electricity demand can be met at all times, in particular during peak winter consumption periods.

The mechanism is designed to remunerate production facilities – such as nuclear power plants – for their availability, including facilities that are essential to meeting peak demand but do not cover their costs on the wholesale electricity markets.

- **The existing capacity mechanism**

The capacity mechanism, which was introduced in France by the NOME Law of 7 December 2010 and came into force in 2017, was a decentralised mechanism: electricity suppliers had to hedge and anticipate in order to meet customer demand, by purchasing capacity guarantees from operators. The purchases took place through a series of auctions starting four years ahead of the delivery year. At each auction, the bids submitted by operators were selected in ascending price order until demand was met. All capacities participated in the mechanism and were remunerated at the auction's closing price. Capacity remuneration therefore supplemented operators' wholesale market revenues and ensured the ongoing viability of their facilities.

The existing mechanism was authorised by the European Commission under the State aid rules, for a ten-year period.

- **The new capacity mechanism under review**

In 2022, the RTE was commissioned to conduct a consultation, which concluded that price formation under the existing mechanism was not entirely clear and called into question its decentralised nature.

In application of Article 19 of the 2025 French Finance Law, the French government prepared a draft decree on a new capacity mechanism, which is the subject of the opinion issued by the *Autorité*.

The capacity mechanism will now be centralised around the RTE, which will anticipate peak consumption at the national level and ensure that peak periods are covered by acquiring capacity guarantees directly from operators, through two auctions. The acquisitions will be financed by a tax allocated to the RTE and invoiced to suppliers, based on the peak consumption of their customer portfolios.

The mechanism has thus undergone a structural change, which, *inter alia*, has a potential impact on the costs to be paid by end-consumers. The *Autorité* had very little time to prepare the opinion and was unable to assess all the implications of such a change, especially as many of the mechanism's parameters will be defined in future "*capacity mechanism rules*" to be adopted by

decree.

- **The points raised in the opinion**

With regard to competition rules, the *Autorité* draws the attention of the French government to several points, such as:

- the need to monitor the RTE, an EDF subsidiary that now plays a central role in the mechanism, notably in estimating national demand, and thus the essential supervisory role of the CRE;
- the balance to be struck between transparency and the competition risk of exploiting market power, given the presence of an operator with a significant position. The *Autorité* will remain attentive to the risks of non-compliance with competition law;
- the need to justify the introduction of price caps, which requires market monitoring and transaction oversight by the CRE, as well as the risks associated with the implementation of an intermediate price cap, although the introduction of such prices is likely to limit the cost for consumers; and
- the importance of multi-year contracts and the need to assess the consequences of broadening their scope.
- **The other points raised by the** *Autorité*

The *Autorité* regrets the lack of analysis of the specific consequences of the end of the ARENH for the capacity mechanism and the absence of a substantiated and precise assessment of the mechanism's additional cost for consumers, in particular given the change in VAT allocation rules resulting from the centralisation of the mechanism. The only figure available indicates an estimated cost of the new mechanism of at least €2 billion a year.

Furthermore, the *Autorité* is not certain that end-consumers will be encouraged to reduce their consumption during peak periods, insofar as suppliers will be free to pass on their costs as they wish. The *Autorité* urges further analysis, based on regular reporting by the main suppliers to the CRE of their methodology for passing on capacity costs to end-consumers.

Lastly, the *Autorité* looked at decarbonised flexibilities – demand-response and storage facilities – and agreed with the reservations expressed by the CRE regarding the advisability of merging the current support schemes.

The European Commission has since authorised the new French capacity mechanism under State aid rules.

Opinion 25-A-16 of 23 December 2025 on the conditions of application of the universal nuclear payment (VNU)

With the end of the ARENH, the French public authorities wanted to introduce a new mechanism from 1 January 2026 to protect consumers from excessive electricity price volatility, while preserving EDF's ability to finance future investments.

The VNU consists of a reduction in the electricity price agreed between the supplier and the end-consumer, shown separately on the consumer's bill from the standard price to which the reduction applies.

The scope of the mechanism was defined by an agreement between the French State and EDF, signed in November 2023.

Inter alia, the VNU provides for the payment to end-consumers of the profits generated by EDF from the operation of historic nuclear power plants, which was incorporated into positive law by Article 17 of 2025 French Finance Law.

According to the 2025 French Finance Law, the VNU pursues the same objectives as the ARENH, by aiming to limit revenues from the operation of nuclear power plants and ensure that end-consumers benefit from the specific features of nuclear power generation, characterised by electricity that is available at all times and at a stable and predictable cost.

The mechanism is structured around two components:

- a tax based on revenues from the sale by EDF of all nuclear electricity on wholesale markets. The tax will capture revenues generated above certain thresholds, set by decree;
- the full redistribution of that tax directly to electricity end-users, according to their consumption volume.

Electricity suppliers will apply the electricity price reduction directly to their customers' bills, in return for full compensation.

As noted above, the *Autorité* had very little time to prepare the opinion and was only able to identify a few points of attention and make a couple of recommendations relating to the potential effects of the VNU on competition and consumer welfare.

- **The points raised by the *Autorité* regarding end-consumers**

Based on the French government's thresholds for taxing EDF's revenues, the VNU appears to meet the objective of guaranteeing protection in the event of very sharp price rises on wholesale markets. However, in the absence of such market fluctuations, the nuclear payment will not be made to end-consumers most of the time.

The VNU therefore appears to be less protective for end-consumers than the ARENH.

Furthermore, the *Autorité* notes the terms of implementation of the VNU do not provide uniform consumer protection, specifically between residential and professional consumers. The choice of a default application period of April to October means that winter electricity consumption, from November to March, will not qualify for the VNU. Failure to take into account winter consumption, foremost among which is heating, which by its nature cannot easily be shifted between seasons, could give rise to potential differentiated effects between residential consumers, who would be disadvantaged compared to professional consumers, whose annual consumption is more stable.

Lastly, the *Autorité* questioned the impact of a uniform VNU on the ability to cover the full costs of nuclear power in certain supply contracts.

- **The points raised by the *Autorité* regarding electricity suppliers**

On the one hand, the *Autorité* notes the application of an individualised reduction to the electricity price paid by each customer could result in additional costs for electricity suppliers. On the other hand, while the mechanism may lead to significant working capital requirement for electricity suppliers that pass on the reduction, the *Autorité* notes that such suppliers are used to smoothing out cash flows, with the provisions introduced in the draft decree significantly reducing such carrying costs.

- **The recommendations made by the *Autorité* regarding the application of the VNU**

Following its competitive analysis, the *Autorité* makes a number of recommendations to the French government, including:

- conducting a comprehensive review of the mechanism in three years to assess the level of payment of the VNU, its effects across different categories of consumer and, within the same category of consumer, between different consumption profiles, and the impact of the mechanism on electricity suppliers, in particular on their cash flow;
- conducting an audit of the costs incurred by suppliers in implementing the mechanism;
- that EDF consider the potential impact of any reductions on covering the costs of historic nuclear generation in the event of a significant VNU, relative to the electricity supply costs, in €/MWh, specified in each contract.

on a draft decree on a capacity mechansim in the electricity sector

See the full text of the opinion (in French)

OPINION 25-A-16 OF 23 DECEMBER 2025

on the application conditions of the universal nuclear payment

See the full text of the opinion (in French)

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