The Autorité de la concurrence advises against increasing regulated retail tariffs without first clarifying their purpose

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Having been informed on 27 February 2019, by the French Minister of the Economy, of the French government's intention to change the level of the regulated retail electricity tariffs, the Autorité de la concurrence decided at its own initiative to examine the tariff proposal presented by the French energy regulatory commission (CRE), which the government envisages implementing. Following its analysis, the Autorité raises several objections.

The Autorité's analysis

The envisaged changes are disadvantageous for 28 million customers on regulated retail tariffs because they would lead to an increase in tariffs excluding VAT of 7.7% (€8.3/MWh), of which 40% (€3.3/MWh) does not reflect an increase in EDF's cost of supply but is designed to enable EDF's competitors to offer prices that are the same as or lower than the regulated retail tariffs.

There is no doubt that market regulation to encourage the development of competition is necessary in France. The ARENH scheme was set up for this purpose and enables electricity suppliers to access, under defined conditions, electricity produced by existing nuclear power plants. However, the system has limitations and now requires reform as soon as possible. The Autorité drew attention to this in its Opinion 19-A-01 of 21 January 2019.

Increasing regulated retail tariffs to compensate for the ARENH scheme's limitations changes the nature of these tariffs. To the Autorité's knowledge, there has been no transparent, informed public debate on this. Its consequence is that consumers rather than suppliers bear the cost. This appears to conflict with the will of the French Parliament, which is to offer consumers regulated tariffs so that they benefit from the competitiveness of existing nuclear power plants.

The Autorité also points out that the legal provisions forming the basis for the method of setting the tariffs are subject to various different interpretations. In view of their impact on consumers, the legal soundness of these interpretations deserves detailed examination.

Recommendations

The Autorité thus recommends that the government undertakes a review, before 7 May 2019, of the legality and advisability of the proposed method. It also recommends asking for a new deliberation from the CRE, allowing a better appreciation of additional costs supported by the different operators and to re-examine the scenario of evolution of the regulated retail tariffs in regards to the timescale and planned increases.

More generally, it considers that the government should clarify its understanding of the role of the regulated retail tariffs.

See the full text of the opinion 19-A-07 of 25 March 2019 regarding regulated retail tariffs settings on the Autorité de la concurrence's website (in French)

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