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## **CRE has released its second report on the operation of wholesale electricity and natural gas markets**

### **On the electricity market:**

The report covers the audits conducted by the CRE on the methods to value EDF's nuclear and hydraulic power generation capacities.

The findings of these studies, conducted with external consultants, do not question the valuation principles used by EDF that minimise production costs. The audits also focused on EDF Trading's intervention methods on the markets and, in particular, on its daily optimisation tools. EDF Trading offerings are broadly consistent with marginal costs. Marginal costs and spot prices on EPEX were analysed: on the basis of audit results, the CRE found that the level of differences between spot prices and costs did not reflect the exercise of market power. This difference between prices and costs will be regularly reviewed by the CRE.

The analysis of the use of different production industries shows that the estimated duration of marginality of the nuclear industry in 2008 was lower than that observed in 2007, while the borders are now more often marginal.

At European level, price comparisons between France and neighbouring markets reflect, on one hand, structural differences in plant production, and the high sensitivity of French consumption to temperature variations, on the other hand. A temperature drop on one degree causes an increase in demand of 2,100 MW due to heavy reliance on electric heating.

### **On the gas market:**

Market developments since 2008 have occurred in a context marked by several key events. On one hand, these are linked to the international environment, including the turn in oil prices during the summer of 2008, the economic recession, and the emergence of excess gas in relation to global demand, and, on the other hand, specific developments on the French market such as the merging the three previous transport zones in northern France (Nord-H, East and West) into a single area on the 1 January 2009.

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This situation enabled the development of market liquidity in the northern zone. Scope for arbitrage between long-term import contracts indexed on petroleum products and purchases on wholesale markets also increased. The current price levels of the gas market in France reflect the international gas market's situation and are well below the price levels of long-term oil-indexed contracts. As a result, large consumers playing the competition for their gas purchases have had very favourable price conditions since the beginning of 2009.

*Founded on 24 March 2000, the French Energy Regulatory Commission (CRE) is an independent administrative body. CRE works to guarantee smooth and efficient operation of the electricity and natural gas markets for the benefit of the end-user. It also works to guarantee the absence of discriminatory practices, cross-subsidies or restrictions on competition.*

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