

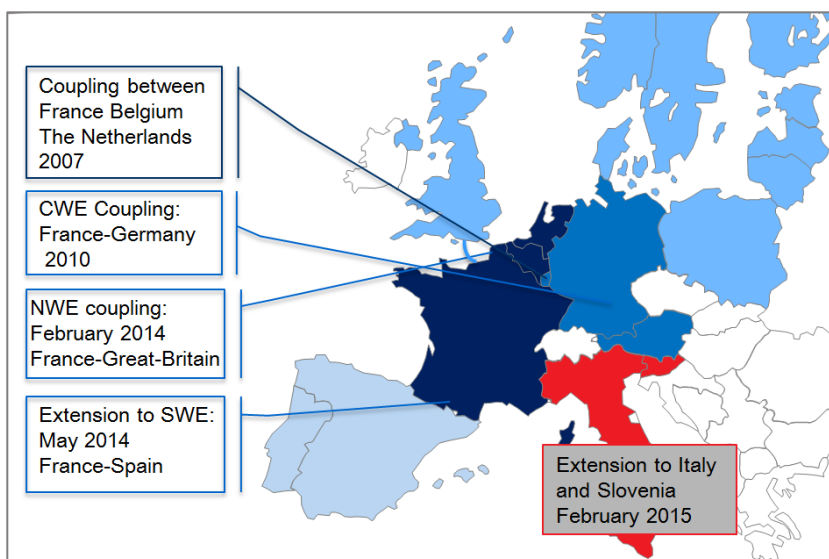
CRE approves electricity market coupling between France and Italy

On 29 January 2015, CRE approved the extension of day-ahead electricity market coupling to the French-Italian border. CRE estimates the reduction of the two countries' supply costs resulting from this new phase of European market coupling at €30 million per year. France will therefore be coupled with all its neighbours which are EU Member States. In addition to coupling, which brings efficient use of electricity interconnections, further integration of European markets involves the improvement of cross-border capacity calculation methods, via the flow-based mechanism, which is set to be launched for the first time in Europe in spring 2015.

The market coupling mechanism has gradually been implemented at French borders since 2007. The total number of European countries involved will reach nineteen at the end of February with the inclusion of Italy and Slovenia. Its role is to ensure that interconnections are used from the country in which electricity is the cheapest towards the country with the most expensive electricity. **Market coupling matches the purchasing bids of the countries concerned with the least expensive generation offers across the entire area.** Each country's electricity needs are thereby satisfied at the lowest cost.

To go a step further and pursue the integration of European markets, a new calculation mechanism for cross-border electricity exchange capacity will be launched between Belgium, France, Germany, Luxembourg and the Netherlands in the spring of 2015, known as **flow-based market coupling**. This mechanism must be used to increase the potential of cross-border electricity exchanges where they are most necessary and where they have the most economic value. The launch of flow-based market coupling will be the first of its kind in Europe, before being extended to other borders, the France-Italy border in particular, and represents a major breakthrough in the construction of a single energy market.

CRE has made a **video on market coupling and the flow-based mechanism** to explain clearly how these two systems operate. Entitled "*Market coupling and the flow-based coupling initiative: two interconnection optimization tools for Europe*", this film is available on CRE's website (www.cre.fr).



◀ European market coupling is gradually being implemented. Each of France's borders with EU Member States will now be concerned by the mechanism.

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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