

To the attention of

Ms. Sophie Murlon
Minister of Ecological Transition

In copy to

Christof Lessenich
Head of Unit "Internal Energy Market" C3
DG ENER

Brussels, 16 December 2022

Subject: EFET reaction to the proposed inframarginal rent cap in France

The European Federation of Energy Traders (EFET¹) would like to raise concerns regarding recent amendments proposed by the Senate during the debate on the inframarginal rent cap, which is to be adopted as part of the French budget law for 2023.

On a general note, we call on the French authorities to pursue the path of least distortion to wholesale energy markets. Council Regulation 2022/1854 on an emergency intervention to address high energy prices, adopted on 6 October 2022, admittedly leaves vast room for implementation to Member States.

However, national responses to the affordability challenge should not affect price signals on the wholesale energy markets, which are vital for short-term dispatch (including across borders), hedging of price risks on behalf of consumers, and providing signals for investment.

We thus point to the risk of a lack of level- playing field between Members States, should a patchwork of different inframarginal revenue caps at national level materialise. The establishment of different thresholds per technology, above which the inframarginal rent is limited, risks distorting bidding and cross-border flows of electricity.

Getting to the proposed amendments to the French inframarginal rent cap, we understand that the intention is to significantly lower all technology-based caps compared to the general EUR180/MWh cap foreseen in Regulation 2022/1854. The latest amendments adopted by

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 130 energy trading companies, active in over 27 European countries. For more information: www.efet.org

the Senate also involve capturing inframarginal rents retroactively for the period 1 July 2022 to 30 November 2023, and possibly even for 2024.

We thus call on the French authorities to consult market participants and look into:

- The technology-based caps which are set at a lower level than EUR180/MWh: we recommend applying a market revenue cap of no less than 180 EUR/MWh, to a fixed list of power generation technologies, unless their LCOE is above this cap
- The retroactive effect of the mechanism and its application beyond 30 June 2023: this pre-empts the assessment foreseen in the Regulation
- Possible undue effects on the market beyond 2023 as a result of the previous point
- The use of hourly averaging computation for the market revenues which distorts the price signal within day and removes the incentive to produce/supply electricity at the most needed moment

We look forward to your feedback on this matter and could offer to facilitate a multilateral meeting with market participants. In the meantime, we remain at your disposal should you have any question or request for clarification.

Sincerely



Mark Copley, CEO of EFET