



White label providers – Call for evidence

Submission from Consumer Futures to Ofgem

April 2014

About Citizens Advice

1.1 The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination.

1.2 The service aims:

- to provide the advice people need for the problems they face
- to improve the policies and practices that affect people's lives.

1.3 The Citizens Advice service is a network of nearly 400 independent advice centres that provide free, impartial advice from more than 3,500 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups. In 2012/13 the Citizens Advice service in England and Wales advised 2.3 million people on 6.6 million problems.

1.4 Since April 2012 we have also operated the Citizens Advice Consumer Service, formerly run as Consumer Direct by the OFT. This telephone helpline covers Great Britain and provides free, confidential and impartial advice on all consumer issues.

1.5 In the last four quarters Citizens Advice Bureaux have dealt with 84,000 enquiries about fuel debt, while hits to the energy section of our website doubled in October and November, the period during which suppliers announced their price increases last year. Calls to the Citizens Advice Consumer Helpline seeking advice about energy doubled in the same period.

1.6 In April 2014, Consumer Futures completed its transition into Citizens Advice.

Responses

1. What will be the impact of the RMR rules on white labels if we do not modify the regulatory framework for white labels before the exemption expires?

In our responses to Ofgem's RMR consultations in December 2012 and again in April 2013, Consumer Futures (then Focus) stated that we felt it would be highly unfortunate if companies such as Ebico and Utility Warehouse were forced to close. Ebico, whilst operating under SSE's licence, offer innovative options for consumers and in particular low gas users as a result of its zero standing charge tariff and lack of price surcharge for QCC or PPM users.¹

It is for this reason that Consumer Futures recently supported to Ebico's request for a derogation. Utility Warehouse has since adapted its business model to fall in line with the RMR rules.

Consumer Futures is less concerned about the fate of traditional white labels, such as M&S Energy or Sainsbury's Energy. The consumer benefits associated with such partnerships include the additional sales channels which may encourage consumers to switch to a trusted retail brand. However they have also been used by suppliers and their partners to segment their existing customer

¹ <http://www.consumerfutures.org.uk/files/2013/05/Consumer-Focus-response-to-Ofgems-Retail-Market-Review-consultation-2012.pdf>, p. 9.

base. We remain supportive of the RMR rules that restrict such practices. Under the new rules, the additional sales channels and brands will remain available to suppliers and their partnerships.²

The key area which could cause confusion, when the current exemption expires in December 2014, is where the white label is required to display cheaper tariffs offered by its partner supplier on its customer bills. It is difficult to understand the impact on consumers, as we've not seen examples of the wording that companies intend to use on bills to explain the reason why customers of white label supplier may be seeing tariffs from the partner supplier.

2. Should the scope of our work cover white labels in the non-domestic market? Please provide reasons for your answer.

Consumer Futures has more limited understanding of the types of white labels operating in the non-domestic sector. Our understanding is that many white labels may fall within the TPI sphere within the non-domestic market and may be better addressed within Ofgem's TPI work stream.

In general and where appropriate, Consumer Futures expects Ofgem to have a unitary approach for consumers in both markets. We acknowledge that there is no equivalent of the tariff cap in the non-domestic market and thus the impact on white label providers will be different. It is our view that both the domestic and non-domestic energy markets require a similar level of protection and Ofgem's approach should not focus either area, however we understand that any approach will need to take account of the differences between the two markets.

3. Are there any business models in the retail market where the distinction between white label and TPI is unclear?

Consumer Futures is aware of companies such as Glide and Split the Bills, which offer to split up utility bills between tenants so that each person is paying an equal share. In Glide's case, they purchase their gas and electricity and then sell it on to their customers. It is unclear whether, under the current rules, companies such as Glide should be considered a white label, a TPI or a reseller. We think there is a need to urgently clarify the rules around such business models.

4. What considerations might make it preferable for an organisation to operate as a white label? Please cover regulatory, commercial, financial and any other relevant aspects.

There are a number of reasons that an organisation may choose to operate as a white label as opposed to seeking a full supplier's licence. The key reason it is that it allows companies to test the market before seeking full and formal entry into a complex and highly regulated market. The key advantage for suppliers is that it allows the use of trusted brands in other sectors, which can help them attract additional customers and/or different types of customers that their traditional marketing activities may not reach.

5. What would be the cost and timing involved for white labels in becoming licensed?

If each of the criteria is to be met, then it is likely to take white label companies a long time to adjust. As we've seen with Utility Warehouse, the process can be time consuming. It is notable that there has been limited interest to date in the Licence Lite option. From discussions we've had with companies looking to enter the supply market, the Licence Lite process is viewed as too onerous, with relatively limited benefits.

Consumer Futures agrees with the regulations the RMR is to put in place on white labels meaning that tariffs are not able to undercut their partner supplier's tariffs. However, we continue to believe there is a place for white labels that offer an innovative, alternative option for consumers. At present,

² <http://www.consumerfutures.org.uk/files/2013/05/Consumer-Focus-response-to-Ofgem-RMR-consultation-April-2013.pdf>, p. 4.

the only white label supplier that does this is Ebico. We would like the deadline to be sufficient for them to adjust their position to fall in line with the requirements.

6. What activities related to the purchase of energy in the wholesale market do partner suppliers cover on behalf of their white labels?

No comment

7. Are there any approaches to the pricing of white label tariffs that are not covered in our classification?

As mentioned, Consumer Futures is aware of companies such as Glide that purchase energy via a partner supplier then bill their customers directly. Glide's suppliers (Ecotricity and Contract Natural Gas) have no influence on Glide's tariff prices. As previously stated Consumer Futures would like to see Ofgem clarify whether this form of supply 'repackaging' means Glide should be classified as a white label, TPI or reseller.

8. Do you have any evidence on the customer-related activities performed by white labels? Please cover both billing-related and non-billing-related customer activities?

Our experience to date is that there have been two distinct models of white labels with most white labels relying on their partner suppliers to design their tariff offerings, supply their customer service and billing related activities. The other model is where the white label provides its own customer service and billing activities. We are also aware of models such as Glide, which are a hybrid of the two.

9. What value do white labels add to the retail market? Please cover any benefits on competition and innovation.

As stated, in our responses to the previous Ofgem RMR consultations and Question 1, we support organisations that operate under a partner supplier's licence that offer genuinely innovative options for consumers.

10. Are there any consumer protection concerns arising from the way in which white labels and their partner suppliers currently operate?

Consumer Futures believes that Ofgem should be looking to limit consumer detriment as much as possible with these proposals. Therefore, we believe it would be beneficial for Ofgem to be able take direct action against white labels that breach supply conditions, as well as taking action against their partner suppliers. We think the ability to take action against the partner supplier is a useful deterrent.

Consumer Futures would also like both partner suppliers and white labels to be obliged to make their agreements clearer to both current and potential customers.

11. Is the information that white labels and their partner suppliers provide to consumers on their relationship and their tariffs sufficient?

Consumer Futures agrees with Ofgem and expects complete transparency for consumers about tariffs offered by white labels and their partner suppliers. As in the consultation, the requirements stated in the RMR for white labels to include information on their cheapest tariff in regular communications will go some way to help this. For these white labels, Consumer Futures agrees with the measures that will come into place on 31 December 2014 requiring white labels and partner suppliers to include information about each other's tariffs in regular communication.

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