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White label providers – Call for Evidence

Dear Maxine Frerk,

Ecotricity welcomes Ofgem's review of white label operations in the energy market, particularly in light of the recent RMR implementation requirements. We recognise that white labels offer the opportunity for enhanced competition, but at the same time increase the risk of weakening consumer protection.

We provide our responses to the call for evidence questions below.

Q1. What will be the impact of the RMR rules if Ofgem do not modify the regulatory framework for white labels before the exemption expires?

Implementing the RMR rules in respect of white labels would, we consider, stifle innovation and competition resulting in restricted offerings to consumers. It has proved a not insignificant cost for Ecotricity, as a small supplier, to implement RMR. We consider therefore that it could be difficult for smaller and more innovative white labels to cost-effectively implement the requirements of the RMR without significant input from the partner supplier.

Q2. Should the scope of Ofgem's work cover white labels in the non-domestic market? Please provide reasons for your answer.

We consider that it would be prudent to review white labels in the domestic and non-domestic market separately. The markets require different focus and considerations. The non-domestic market is complex and involves a large sector of energy brokers of all types and sizes and therefore needs separate consideration. In addition, non-domestic consumers

are more likely to have access to expert advice on energy suppliers, have greater purchasing power and requirements and generally are more savvy than domestic consumers. As such, the domestic market should be the priority and should be assessed independently of the non-domestic market.

Q3. Are there any business models in the retail market where the distinction between White labels and TPIs are unclear?

We understand that TPIs and Collective Switching arrangements are the subject of separate consultations.

Q4. 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.

Currently, market entry costs for white label providers is lower as they avoid expensive credit issues which are tied-up in the trading and balancing of energy supply. Further, as responsibility for compliance with both industry code and consumer licence conditions sits with the partner supplier, white labels are less encumbered by the costs of delivering compliance and licence obligations. The cost for a white label of taking on a full supply licence, we consider, would inhibit their entry to the market.

Ecotricity would support an essentially Licence-Lite model adapted to regulate white label providers. Broadly speaking, we believe this would work best if the white label provider adopts the customer-facing responsibilities and the partner supplier retains the non-customer facing licence conditions.

Q5. What would be the cost and timing involved for white labels in becoming licensed?

As referenced in Q4, we consider that it is, in particular, the cost of purchasing and balancing power which is an inhibiting factor to white labels becoming licensed.

Q6. What activities related to the purchase of energy in the wholesale market do partner suppliers cover on behalf of their white labels?

Q7. Are there any approaches to the pricing of white label tariffs that are not covered in Ofgem's synopsis?

We don't see any other pricing alternatives.

Q8. Do you have any evidence on the customer-related activities performed by white labels? Please offer both billing and non-billing customer activities?

Q9. What value do White labels add to the retail market? Please cover any benefit on competition and innovation.

In general, white labels are able to offer innovative, more entrepreneurial and niche market services because of their reduced cost base and greater flexibility.

Q10. Are there any consumer protection concerns arising from the way in which white labels and their partner suppliers currently operate?

The current split of responsibility between a white label and its partner supplier gives cause for concern. This is because there is an added layer of complexity when one corporate entity is seeking to ensure compliance by another and this is enforceable under the contractual relationship only. We believe that a model where the white label is directly responsible, under licence conditions, for the communications it has with its own customers provides the greatest protection for consumers.

Q11. Is the information that white labels and their partner suppliers provide to consumers on their relationship and their tariffs sufficient?

We cannot comment on the market as a whole.

Conclusion

In conclusion, Ecotricity welcomes this opportunity to respond. We believe there is merit in a Licence-Lite model for the better regulation of white labels, where customer-facing compliance is the responsibility of the company which interacts directly with the consumer.

We also welcome any further contact in response to this submission. Please contact Holly Tomlinson on 01453 769301 or holly.tomlinson@ecotricity.co.uk.

Yours sincerely,

Holly Tomlinson
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