

White Label Providers Stakeholder Event

11 July 2014

ofgem

1. Context setting
2. Current assessment of white labels
3. Proposals on the regulatory framework
4. Proposals on transparency
5. Implementation timelines
6. Summary and next steps

- **We are developing a regulatory framework for white labels in the domestic retail energy market :**

Our aim is to facilitate competition and promote consumer choice through innovative business models while providing for appropriate consumer protection, including ensuring consistency with the RMR rules

- Our focus is on the domestic market because the RMR rules impact white labels in this market (eg tariff cap is dom only).
- Ofgem is also reviewing guidance on 'Licence Lite'. White labels and Licence Lite complement each other in offering alternative routes to market entry.

In the RMR we said that “we do not want to prevent white labels operating in the market where they add genuine choice and value for consumers” (Decision document, 27/08/13)

We introduced a temporary exemption from certain rules until 31/12/14. This applied to white labels in existence on or before 01/03/13:

- This ensured that the domestic RMR rules did not have an additional impact on existing white labels before that date.

We noted that the exemption would allow time for white labels and other interested parties to make their case to Ofgem.

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Reasons to be a white label:

1. Cost and risk of operating in the wholesale market:
 - Collateral requirements lead to short term hedging
2. Regulatory knowledge:
 - Use the regulatory expertise of the partner supplier
3. Testing ground:
 - Learn about the energy market at a relatively low cost

Value of white labels to consumers:

1. More choice for consumers:
 - Niche tariffs, that suppliers might not wish to provide as part of their core offering
2. High levels of customer service:
 - Good performance on customer satisfaction survey
 - Below average waiting times in call centre survey
3. More consumer engagement
 - Highly trusted brands

Limited value on price competition:

- Influence of the partner supplier (dependent pricing)

Some concerns on potential for white labels to be used to undermine the RMR aims of a simpler, clearer and fairer market:

- For example, by offering the cheapest tariffs via a white label without informing customers of the partner supplier

Respondents did not raise consumer protection concerns:

- Where Ofgem had concerns, we have taken enforcement action against partner suppliers

Current assessment of white labels

Evidence suggests that white labels add value to the market, so:

We consider in consumers' interests to accommodate white labels in the regulatory framework, while retaining the RMR aims of a simpler, clearer and fairer market

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Policy area	RMR rules that would impact WL	Details
Tariff cap	Tariff cap	Tariffs of WL included in the tariff cap of PS
Other tariff rules	Dual fuel and online discount	WL and PS must have the same level of dual fuel and online discount across their tariffs
	Payment method differentials	WL and PS must have the same level of payment differentials across their tariffs
	Optional Bundles and Reward Points	WL and PS must have the same Optional Bundles and Optional Reward Points available across their tariffs
	Rollover to the cheapest evergreen tariff	Customers ending a fixed-term tariff or on expensive dead tariffs rolled over to the cheapest evergreen tariff among the WL and PS tariffs
Info rules	Cheapest tariff message (CTM)	Customers see a CTM that has the cheapest tariff among the WL and PS tariffs

We propose to allow WLs to develop their business proposition, while keeping consumers informed.

1. **Tariff cap:** allow WLs 4 tariffs, no cap on number of WL per PS
2. **Other tariff rules:** Treat WL and PS as separate organisations (eg different levels of discounts, no rollover across WL and PS)
3. **CTM:** require the 'wide' CTM to include both PS and WL tariffs, for both PS and WL
4. **Transparency on the value of WL:** require PS to produce an annual report on the value that their WL deliver to consumers. Enhanced monitoring on WL (eg customer numbers)
5. **Review:** along with the rest of the RMR by 2017

Rationale behind our proposals

- 1. Tariff cap:** allow 4 tariffs per WL, no cap on number of WL per PS
 - No concern on the number of WL if they add value and do not undermine the RMR aims – other proposals address this.
- 2. Other tariff rules:** treat WL and PS as separate organisations
 - Brings more choice to consumers, while retaining the aim of simpler choices (eg same level of discount across WL tariffs).
- 3. CTM:** require the ‘wide’ CTM to include both PS and WL tariffs, for both PS and WL
 - Keeps customers informed of the cheapest tariffs, while respecting their choice – fits with the aim of a clearer market.
 - Customers might choose to pay a higher price if they think they get additional value.
 - It is for PS and WL to explain their partnership effectively. 13

Coffee break

Please be back in 10 minutes

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Transparency on the value of white labels

We think that consumers are best placed to assess whether WLs deliver value, so long as they have the relevant information

We are not minded to set a cap on the number of WL per PS

We are also not minded to 'approve' new WLs:

- This process would be resource intensive for both the organisations involved and Ofgem.

We will monitor and intervene if we detect problems

We propose to require an annual report on the value of WL
(akin to the Treating Customers Fairly Statement):

- Accessible on the WL website, and available upon request
- Explains that the WL works in partnership with the PS
- Sets out the areas where the WL delivers additional benefits to customers
- Confidential aspects to be covered in a version to Ofgem

We would use the report and additional data to monitor WL:

- We would like certain information (eg customer numbers) separated by PS and WL

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Milestone	Date
Consultation published	Aug 2014
Statutory consultation published	Dec 2014
Decision document published	Mar 2015
End of 56 days (minimum implementation time)	May 2015

The temporary provisions expire on 31 Dec 2014. We intend to extend them to provide existing WL and PS with a reasonable implementation time

If a supplier wishes to establish a new WL before May 2015, we would be willing to provide a derogation akin to the temporary provisions (subject to our consideration and following [Ofgem's derogation guidelines](#))

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Thank you for your participation

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