

Treatment of white label providers in the domestic retail market

Consultation

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Overview:

A white label provider is an organisation that does not hold a supply licence but instead works in partnership with a licensed supplier to offer gas and electricity using its own brand.

As part of the Retail Market Review (RMR) reforms, we created temporary arrangements for suppliers with white labels in the domestic retail market. These arrangements have allowed us to consider further how to fit white labels within the rules in a way that is in consumers' interests.

We are now proposing to put in place permanent arrangements. These will facilitate existing and new white labels in a way that promotes consumer choice and engagement, while ensuring consistency with the RMR aim of a simpler, clearer and fairer energy market.

We will also increase our scrutiny of white labels, as part of our broader work to enhance our monitoring of the retail energy market. We will engage with industry and consumer representatives on the relevant indicators for our monitoring activity.

Context

One of the themes in our Forward Work Programme 2014-15 is to promote value for money for gas and electricity consumers. As part of this, we committed to considering the regulatory framework for suppliers with white label providers.

Our work on white labels follows on from the Retail Market Review (RMR) reforms. In the RMR, we introduced temporary arrangements for white labels that operate in the domestic retail market. These arrangements have allowed us to consider further how to fit white labels within the rules in a way that is in consumers' interests.

Since then, we have issued a call for evidence and held a stakeholder event. The call for evidence has informed our current assessment on white labels. The stakeholder event gave us feedback on our emerging proposals.

We recently extended the temporary arrangements, to provide regulatory certainty during the policy development process and implementation period. We signalled our intention to revoke this extension once we have finalised the permanent arrangements for white labels.

Associated documents

All documents are available at www.ofgem.gov.uk.

- White Label Providers – Cover Letter for Directions, 13 August 2014
- White Label Providers – Stakeholder Event Minutes, 13 August 2014
- White Label Providers – Call for Evidence, 7 March 2014
- The Retail Market Review – Implementation of Simpler Tariff Choices and Clearer Information, 27 August 2013
- The Retail Market Review – Statutory consultation on the RMR domestic proposals, 20 June 2013
- The Retail Market Review – Final domestic proposals, 27 March 2013
- The Retail Market Review – Final Impact Assessment for domestic proposals, 27 March 2013
- The Retail Market Review – Updated domestic proposals, 26 October 2012
- SPA Future Thinking, Options for cheapest tariff messaging on customer communications, Report of qualitative research, 26 October 2012

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Executive summary

Ofgem's principal objective is to protect the interests of existing and future energy consumers. One of the ways in which we aim to do this is by promoting competition and consumer engagement, while providing for appropriate consumer protection. As part of this, we are actively considering how to facilitate alternative business models in the retail energy market. A white label arrangement, working in partnership with a licensed supplier, is one such model.

White labels have benefits for energy consumers, as well as limitations. On the one hand, white labels have the potential to offer distinct tariffs, provide high levels of customer service and engage different groups of consumers. On the other hand, white labels exert less competitive pressure on existing suppliers than new suppliers, as their pricing decisions are to some extent dependent on their partner suppliers.

We now propose to put in place permanent rules for suppliers with white labels in the domestic retail market. These will facilitate existing and new white labels in a way that promotes consumer choice and engagement, while ensuring consistency with the aims of the Retail Market Review (RMR). The RMR is our package of reforms to make the retail energy market simpler, clearer and fairer for consumers. In the RMR we created temporary arrangements for existing white labels, to consider further how to fit them within the rules in a way that is in consumers' interests.

Our proposals fall into two areas, relating to tariffs and information for consumers:

- **On tariffs:** In the RMR we introduced a cap of four core tariffs per fuel, metering arrangement and region for each supplier, to make it easier for consumers to engage with their supplier. Under the temporary arrangements, white label tariffs are included in the tariff cap of the partner supplier unless they already existed on 1 March 2013. We propose to apply the tariff cap for each white label separately and to not set a limit on the number of white labels that a supplier can have. We also propose to treat white labels as separate from their partner supplier in the other RMR tariff rules. This will make the flexibility in the temporary arrangements permanent and applicable to both existing and new white labels.
- **On information:** The RMR reforms also require suppliers to provide a Cheapest Tariff Message (CTM) in their bills and other communications. This informs consumers about the savings that they could achieve by switching to the cheapest tariff of their supplier. Under the temporary arrangements, the tariffs of qualifying white labels and their partner suppliers are treated separately. White label tariffs are offered in partnership with a supplier. Hence, we now propose to require suppliers to inform their customers about their white label tariffs when they are the cheapest. For white labels, we propose that the CTM includes the partner supplier's tariffs, but not the tariffs of its other white labels.

We will increase our scrutiny of white labels, as part of our broader work to enhance our monitoring of the retail energy market. We will engage with industry and consumer representatives on the relevant indicators for our monitoring activity.



Treatment of white label providers in the domestic retail market

We welcome views by 6 November 2014 on our proposals and on implementation times for the CTM arrangements. Subject to the outcome of this consultation, we expect to have the permanent arrangements for white labels in place in the first half of 2015. At that time, we plan to revoke the temporary provisions. Meanwhile, we are willing to consider granting a derogation, akin to the temporary provisions, to any supplier with new white labels or existing ones not covered by the temporary provisions.

1. Introduction

1.1. A white label provider, in the context of this document, is an organisation that does not hold a supply licence, but instead works in partnership with a licensed supplier to offer gas and electricity to consumers using its own brand.

1.2. In the retail energy market, there are several organisations operating as white labels.¹ Their nature is diverse. For example, some are well-known household brands and others are not-for-profit organisations. They also differ in size, ranging from a few thousand customers for the smallest white label to several hundred thousand customers for the largest.

1.3. This document sets out our proposals for regulating suppliers with white labels in the domestic retail energy market. The aim of our proposals is to promote competition and engagement through innovative business models. We seek to do this while providing for appropriate consumer protection and ensuring consistency with the Retail Market Review (RMR) rules.

1.4. White labels also exist in the non-domestic market. However, non-domestic RMR rules do not raise the question of the treatment of white labels. On that basis, we have decided not to examine the arrangements relating to non-domestic white labels at this stage. This does not exclude us from doing so at a later date.

Retail Market Review reforms

1.5. The RMR is our package of reforms to make the retail energy market simpler, clearer and fairer for consumers. The Standards of Conduct for both domestic and non-domestic customers have been in place since 26 August 2013. Our new rules to simplify domestic tariffs came into effect on 31 December 2013. The clearer information measures for domestic consumers came into force on 31 March 2014.

1.6. During the development of the domestic RMR rules, we recognised that white label arrangements have the potential to deliver benefits for consumers. For example, a white label partnership could help household brands enter into the retail energy market and develop new business models. At the same time, we noted that white labels arrangements might undermine our aim of a simpler, clearer and fairer retail energy market.

1.7. In the domestic RMR decision document, on 27 August 2013, we said we would give further consideration to the right regulatory framework for suppliers with white labels. In order to do this, we introduced a temporary licence condition, until 31 December 2014, which applies only to white labels that already existed on

¹ In this document we use the terms 'market' and 'markets' as shorthand for referring to different segments of the energy sector. For the avoidance of doubt these terms are not intended to describe or otherwise suggest the approach that we may take for the purposes of market definition in competition law investigations.

1 March 2013. This has allowed those white labels to continue to operate while we examine the regulatory framework.

Work so far

1.8. On 7 March 2014, we issued a call for evidence on white labels. We provided information on our work and asked questions to further our understanding of them. The call for evidence closed on 4 April 2014 and we published the non-confidential responses that we received.²

1.9. On 11 July 2014, we held a stakeholder event. The main purpose of the event was to obtain feedback from suppliers, white labels and consumer representatives on our emerging proposals for white labels. We published the slides and minutes of the event on our website.³

1.10. On 13 August 2014, we extended the temporary licence condition, which was due to expire on 31 December 2014, until 31 December 2015.⁴ We did this in order to provide regulatory certainty during the policy development process and implementation period. It is our intention to revoke this extension once we have finalised the regulatory framework for suppliers with white labels. Subject to the outcome of this consultation, we expect this to happen in the first half of 2015.

Related initiatives

Supply activities and alternative business models

1.11. Depending on their skills and experience, entrants to the retail energy market may look to existing suppliers to carry out some supply activities on their behalf. In particular, entrants may look to existing suppliers to undertake some of the more specialist technical roles, such as wholesale energy purchasing or compliance with industry codes. This might allow entrants to focus on other activities, such as product design, marketing and customer service.

1.12. We aim to facilitate competition and promote consumer choice and engagement through innovative business models, while providing for appropriate consumer protection. Our work in this area of the market goes beyond the regulatory framework for suppliers with white labels and encompasses, but is not limited to, the 'Licence Lite' regulatory arrangements and 'community energy' activities.

² To access the call for evidence and the responses, see: <https://www.ofgem.gov.uk/publications-and-updates/white-label-providers-%E2%80%93-call-evidence>.

³ To access the slides and minutes of the stakeholder event, see: <https://www.ofgem.gov.uk/publications-and-updates/white-label-providers-consultation>.

⁴ The relevant material is in the webpage provided in footnote 3.

1.13. Under our 'Licence Lite' regime, we may issue a direction relieving a licensed supplier of the obligation to be a direct party to certain industry codes,⁵ provided that commercial arrangements are in place with a fully licensed supplier to discharge code compliance on its behalf. This option was designed to reduce financial and technical barriers to entry, with the licence conditions selected accordingly. We intend to consult on revised 'Licence Lite' guidance in October 2014.

1.14. Community energy is defined as community projects or initiatives focused on reducing, managing, generating or purchasing energy. We are taking steps to improve the experience of community energy projects in areas under our remit, such as in connecting to the grid. We are also working more broadly alongside the Department of Energy and Climate Change (DECC) and other stakeholders to better understand the impacts of community energy on current and future consumers.⁶

Market Investigation Reference

1.15. On 26 June 2014, we referred the energy market to the Competition and Markets Authority (CMA) for a full independent investigation.⁷ This decision followed the competition assessment that we carried out with the CMA and the Office of Fair Trading.⁸

1.16. The assessment suggested that competition is still not working well enough for consumers. One of the issues that we identified was the existence of barriers to entry and expansion.

1.17. Entering the energy market as a white label might provide a testing ground for organisations that may later choose to become licensed suppliers, hence lowering the barriers to entry. Furthermore, a white label with a strong brand might be well placed to engage previously disengaged consumers, which reduces the barriers to expansion.

1.18. We will keep the CMA informed of our proposals as they develop, to ensure they can be considered as part of the investigation.

⁵ The codes are the Master Registration Agreement, the Balancing and Settlement Code, the Connection and Use of System Code and the Distribution Connection and Use of System Agreement.

⁶ For recent work undertaken by DECC on Community Energy, see: <https://www.gov.uk/community-energy>.

⁷ To access the consultation on referring the energy market to the CMA and subsequent decision, see:

<https://www.ofgem.gov.uk/publications-and-updates/consultation-proposal-make-market-investigation-reference-respect-supply-and-acquisition-energy-great-britain>.

⁸ To access the State of the Market Assessment 2014, see:

<https://www.ofgem.gov.uk/publications-and-updates/state-market-assessment>.

2. Current assessment of white labels

Chapter Summary

Our current assessment is that white labels have the potential to add to choice, customer service and engagement, but have a limited benefit for price competition. The assessment has been informed by the responses to our call for evidence and the discussions at our stakeholder event.

Questions in this chapter

Question 1: Do you agree with our current assessment of white labels? If not, please provide any evidence you have to support your views.

Responses to our call for evidence

2.1. On 7 March 2014, we issued a call for evidence on white labels. We received ten non-confidential responses. We provide a summary below.

Impact of the RMR on white labels and scope of our work

2.2. Most stakeholders thought that partner suppliers were unlikely to have white labels in the domestic market if, after the temporary exemption expired, white label tariffs counted towards the partner supplier cap of four core tariffs.

2.3. In terms of scope, the majority of stakeholders considered that our work on white labels should be focused in the domestic market. This was on the basis that the RMR introduced temporary provisions relating to white labels in the domestic market only.

Reasons to be a white label

2.4. We sought views on what considerations might make it preferable for an organisation to operate as a white label, rather than as a supplier. Responses identified three main reasons:

- Outsourcing wholesale activities: respondents highlighted that collateral requirements can be onerous for a small organisation seeking to operate in the wholesale market. This might result in short-term hedging, leading to an increase in risk. In addition, there is a cost associated with building the expertise to purchase suitable products in the wholesale market. A white label does not face these costs, as wholesale activities are undertaken by the partner supplier.

- Access to regulatory knowledge: respondents noted the need to have a regulatory team in order to ensure compliance with regulatory requirements, and the cost associated with it. A white label benefits from having access to the regulatory knowledge of the partner supplier, hence facing a lower cost.
- Testing ground: respondents flagged that a white label arrangement gives an organisation the opportunity to learn about the energy market at a lower cost and with less risk than if it entered the market as a supplier. The white label might later decide to become a licensed supplier.

Features of white labels and benefits to consumers

2.5. Respondents submitted that partner suppliers are usually responsible for the billing of white label customers. White labels are typically involved in customer-facing activities, such as marketing and the handling of non-billing related enquiries. With regards to pricing, respondents noted that pricing decisions for white labels are to some extent dependent on their partner suppliers.

2.6. We also gathered views on the value that white labels might add to the retail market. Respondents submitted three main benefits:

- More choice for consumers: several respondents argued that white label tariffs are designed to meet the needs of particular customer groups. For example, a gas white label tariff with a zero standing charge was suggested as being of interest to very low gas users. Suppliers might choose not to provide this type of tariff as part of their core offering.
- High levels of customer service: some respondents pointed towards research that suggests some white labels perform well in this area. There were references to below average waiting times in call centres and to high customer satisfaction.⁹
- More consumer engagement: a few respondents noted that some white labels have well-known and trusted brands. In addition, they might also have marketing channels typically not available to suppliers (such as marketing in retail outlets). As a result, white labels might be able to engage previously disengaged energy consumers more easily.

Consumer protection and information on white labels

2.7. We noted in the call for evidence that partner suppliers are responsible for ensuring that their white labels comply with supply licence conditions and they would be liable in the event of a breach by their white label. We asked whether there were any current consumer protection concerns arising from the way in which white labels

⁹ The research referred to was undertaken by Which?. See: <http://www.which.co.uk/news/2013/11/energy-companies-keeping-you-on-hold-340389/> and <http://www.which.co.uk/switch/energy-suppliers/energy-companies-rated>.

and their partner suppliers operate. Respondents did not raise any concern and considered the regulatory arrangements sufficient to address any issues.

2.8. Respondents highlighted the importance of transparency in the relationship between a white label and its partner supplier. A few respondents argued that there might be scope for relaxing existing requirements without compromising transparency.¹⁰

Our conclusion

2.9. The arguments and evidence put forward in response to our call for evidence suggest that white labels can add value to the market in terms of choice, customer service and engagement. White labels might also be a testing ground for organisations seeking to become suppliers.

2.10. We consider that white labels have a limited benefit for price competition. This is because white labels tend to decide jointly with their partner suppliers the price of white label tariffs, hence exercising a lower competitive pressure than a new supplier.

2.11. At the stakeholder event we discussed our current assessment of white labels. Attendees did not raise significant concerns with our assessment. Furthermore, we have not been provided with arguments or evidence to think that white labels are operating in a way that might be detrimental to the market.

2.12. On that basis, we consider it is in consumers' interests that we continue to accommodate white labels in the regulatory framework, while ensuring consistency with the RMR rules.

¹⁰ The requirements refer to providing the name of the supplier and identifying the supplier in marketing activities. We explain these requirements in the next chapter.

3. Proposals on white label arrangements

Chapter Summary

Our tariff proposals aim to facilitate the development of white labels. Our information proposals aim to provide consumers with the relevant information to assess whether a white label tariff is in their interest.

Questions in this chapter

Question 2: What are your views on our tariff proposals? If you do not support our proposals on either the tariff cap or the other RMR tariff rules, please explain your reasoning.

Question 3: What are your views on our CTM proposals? If you do not support our CTM proposals, please explain your reasoning.

Question 4: If you are a partner supplier or a white label, how long do you envisage it will take you to implement our CTM proposals? Please explain the activities and timescales for implementation.

Question 5: Do you think that we should require white labels to publish information setting out the value that they deliver to consumers? If you think so, please outline what information you think white labels should provide.

Question 6: Do you have any comments on our draft of proposed supply licence condition changes in Appendix 3?

3.1. The aim of our proposals is to facilitate the development of white labels, while making sure that consumers have the relevant information to assess whether a white label tariff is in their interest. A number of existing requirements relating to white labels come from the RMR reforms. When developing our proposals, we have taken into account the RMR aim of a simpler, clearer and fairer market for consumers.

3.2. In Appendix 3 we have provided a draft of supply licence condition changes to reflect our proposals. This takes into account the existing requirements and the exemptions that we discuss below.

Existing requirements and exemptions

Tariff rules

3.3. The RMR reforms introduced rules on supplier tariffs. These rules aim to make it easier for consumers to engage with the market. A number of them make reference to all the tariffs of the supplier. This has a potential impact on white labels,

as white label tariffs are offered in partnership with a supplier. The rules include the following:¹¹

- Tariff cap: a supplier can have up to four domestic core tariffs per fuel and meter type in each region.
- Surcharges and discounts: a supplier must have the same level of surcharges and discounts across all its tariffs.
- Optional bundles and reward points: a supplier must make any optional bundle and reward point scheme that it offers available across all its tariffs.
- End of fixed-term tariffs: a supplier must move customers at the end of a fixed-term contract to the cheapest variable price tariff with no end date¹² (unless the customer expresses a different preference).
- Expensive 'dead' tariffs:¹³ a supplier must move customers on dead tariffs to the cheapest variable price tariff with no end date, if this is cheaper for the customer than the dead tariff.¹⁴

3.4. During the RMR, we noted the potential for white labels to deliver innovative products and promote consumer engagement. At the same time, we recognised the risk of suppliers undermining the simplicity aim of our tariff rules by creating additional white labels. In order to give this issue further consideration, we introduced temporary exemptions. The exemptions are as follows:

- Temporary exemption from the tariff cap: the white label tariffs that a white label had on 1 March 2013 do not count towards the tariff cap of the partner supplier. Any white label tariff that was launched after this date counts towards the tariff cap of the partner supplier.¹⁵
- Temporary exemption from other RMR tariff rules: where a white label already existed on 1 March 2013, other RMR tariff rules (including those listed above) treat white label tariffs as separate from their partner supplier. For example, a white label must have the same level of surcharges and discounts across all its tariffs, but the level can be different to that of the partner supplier.

¹¹ For a comprehensive and accurate description of these rules and the temporary exemptions discussed later on, please see the supply licence condition 31D and the references to other supply licence conditions within it. The summary of the conditions in this document should not be relied on as an accurate or up-to-date statement of the rules in the supply licence.

¹² This tariff must be selected based on the customer's consumption, compatibility with the meter in the customer's premises, the customer's current payment method and the customer's existing choice of online or offline account management.

¹³ A dead tariff is a variable price tariff with no end date that is not open to new customers.

¹⁴ The same considerations as with the end of fixed term tariffs apply to this case.

¹⁵ Where a white label tariff which was in existence on 1 March 2013 (and hence exempted from the core tariff cap) is replaced with another white label tariff of the same white label, this new white label tariff is also exempted from the core tariff cap of the partner supplier.

Information rules

3.5. As part of the RMR reforms, we also introduced rules to ensure that consumers receive, and have access to, clear information that allows them to engage with the energy market. One of those rules, the Cheapest Tariff Message (CTM), requires consideration of all the tariffs of the supplier:

- CTM: the supplier must present this information in page 1 of the bill and in other regular customer communications. It contains two savings messages, expressed in pounds per year and based on the personal usage of the customer. The first, 'narrow' message, informs customers of any savings that they could achieve by switching to the cheapest similar tariff of their supplier.¹⁶ The second, 'wide' message, informs customers of any savings that they could achieve by switching to the cheapest overall tariff of their supplier.

3.6. Consistent with our approach on the RMR tariff rules, we opted for a temporary exemption in order to consider the treatment of white label tariffs further. The temporary exemption is as follows:

- Temporary exemption on the CTM: where a white label already existed on 1 March 2013, the narrow and wide CTM treat white label tariffs as separate from their partner supplier. That is, customers of a white label receive information on only the white label's tariffs and customers of the partner supplier receive information on only the partner supplier's tariffs.

3.7. The RMR reforms also introduced requirements to ensure that consumers can access all the details of their tariffs. The Tariff Information Label (TIL) provides, in a standardised format, a summary of all the tariff features. It is available on suppliers' websites and free of charge on request. It is also provided whenever a supplier is required to communicate the key terms and conditions of the tariff.

3.8. The TIL contains the name of the licensed supplier. This affects how white labels present themselves to consumers. The requirement, which is not subject to an exemption, is as follows:¹⁷

- Supplier name: the supplier must present text setting out the brand name used for marketing the tariff, followed by the registered company name of the licensed supplier in brackets. For white labels, this means that they must name the partner supplier.

3.9. There is another requirement, which pre-dates the RMR, that regulates the marketing activities of suppliers and their representatives. This requirement encompasses the marketing activities of white labels. The requirement is as follows:

¹⁶ By similar tariff we mean a tariff compatible with the meter in the customer's premises and that has the same contract nature (variable price tariff with no end date or fixed-term tariff) and account management (online or offline) as the tariff that the customer is in.

¹⁷ This requirement is part of standard condition 25 of the supply licence.

- Identifying the supplier: the supplier must take all reasonable steps to ensure that domestic consumers can readily identify the supplier whenever they are contacted by the supplier or any of its representatives. For white labels, this means that they must identify who their partner supplier is.

Tariff proposals

3.10. Our tariff proposals aim to facilitate the development of white labels by excluding white label tariffs from the tariff cap of the partner supplier, not restricting the number of white labels that a supplier can have and making permanent the temporary exemption on the other RMR tariff rules.

Tariff cap

Proposal 1: Every white label can have up to four domestic core tariffs per fuel and meter type in each region.

Proposal 2: No restriction on the number of white labels that a supplier can have.

3.11. If white label tariffs were included in the tariff cap of the partner supplier, suppliers might choose not to have any white labels. White labels have potential benefits to consumers, so we want to facilitate their existence by excluding white labels tariffs from the tariff cap of the partner supplier.

3.12. White labels do not undertake the full of range of supply activities, so we considered whether we should restrict them to have fewer domestic core tariffs than a supplier. We think that the interests of consumers are best served by requiring white labels and partner supplier to provide information on their relationship and their tariffs, rather than by restricting the offerings of white labels. Our information proposals discuss our thinking in this area.

3.13. We also considered whether to set a cap on the number of white labels that a partner supplier can have. We are not specifically concerned about the number of white labels in the market so long as they bring benefits to consumers. We think that consumers are best placed to assess whether a white label tariff is in their interest, so long as they have the relevant information.

Other RMR tariff rules

Proposal 3: White label tariffs treated as separate from their partner supplier in the RMR tariff rules on surcharges, discounts, optional bundles and reward points, end of fixed-term tariffs and expensive dead tariffs.

3.14. If white labels could offer only the same surcharges, discounts, optional bundles and reward points as their partner suppliers, this would affect their ability to offer distinct tariffs and to innovate.

3.15. Our proposal retains the consistency of the RMR tariff rules. For example, consumers will face the same optional bundles across the tariffs of any white label, making it easier to compare tariffs for each white label.

3.16. For fixed-term tariffs and expensive dead tariffs, our proposal respects the preferences of consumers over white label or partner supplier. Our information proposals will assist consumers over the choice of white label or partner supplier.

Information proposals

3.17. Our information proposals aim to provide consumers with the relevant information to assess whether a white label tariff is in their interest.

Cheapest Tariff Message

Proposal 4: Every partner supplier to include the tariffs of its white labels in the calculation of the wide CTM.

Proposal 5: Every white label to include the tariffs of its partner supplier in the calculation of the wide CTM, but not the tariffs of any other white label.

Proposal 6: Partner suppliers and white labels to include a statement explaining their relationship when they display each other's tariffs in the wide CTM.

3.18. The CTM aims to encourage consumers to engage with their supplier by providing them with information on the savings that they could achieve if they switched tariff.

3.19. White label tariffs would not be available without the partnership of a licensed supplier. The partner supplier is also responsible for the behaviour of the white label towards its customers.¹⁸

3.20. We therefore think it is important that the customers of partner suppliers and their white labels find it easy to assess whether white label tariffs are cheaper or more expensive than partner supplier tariffs.

3.21. Our proposals on the CTM refer to the wide CTM. For the avoidance of doubt, we propose that the narrow CTM presents only white label tariffs to white label customers and only partner supplier tariffs to partner supplier customers. This takes into account that the narrow CTM present the savings that a customer could achieve by switching to a similar tariff.

¹⁸Partner suppliers are responsible for ensuring that their white labels comply with supply licence conditions and they would be liable in the event of a breach by their white labels. Both partner suppliers and white labels may be liable in the event of a breach of any EU and UK consumer protection legislation. Ofgem has enforcement powers in relation to consumer protection law, as do the CMA and some other organisations.

3.22. Our CTM proposals address the situation where a supplier has more than one white label. At the stakeholder event, an attendee raised the point that two white labels of the same partner supplier do not have a direct relationship. Our proposals are explicit in that we do not expect white labels to inform customers of the savings that they could achieve by switching to other white labels of their partner supplier.

3.23. Some stakeholders have argued, at the stakeholder event and in follow up correspondence, that our CTM proposals could have negative consequences:

- Confusion: the concern is that consumers might not understand why they are presented with information on tariffs from another organisation. We think consumers will understand the information in the CTM if partner suppliers and their white labels provide a clear statement on their partnership. We expect them to be able to do so, and we propose to require this statement.
- Excessive focus on price: the concern is that the CTM will lead consumers to pay insufficient attention to other aspects of the partner supplier and white label offerings, such as customer service. We note that the CTM is about pricing information, as awareness of price differences between tariffs is a key determinant of customer engagement.¹⁹ Partner suppliers and white labels are free to explain to their customers what aspects, other than price, they should consider when choosing tariffs.²⁰ To support this, the CTM already includes a caveat noting that switching tariffs might involve materially different terms and conditions.
- Pricing restrictions: the concern is that partner suppliers will restrict the price of white label tariffs to be not cheaper than their cheapest tariff, to avoid presenting white label tariffs in the CTM. We would like to see partner suppliers responding to our CTM proposals by increasing their efforts to explain to their customers the value of their tariffs, not by restricting the price of white label tariffs. In any case, we noted previously our view that white labels exert less competitive pressure on existing suppliers than new suppliers, as their pricing decisions are to some extent dependent on their partner suppliers.

3.24. We recognise that there are alternatives to our CTM proposal. A stakeholder suggested that, instead of our proposal, we require text in the CTM stating that customers might wish to consider the tariffs of the partner supplier or its white labels.

3.25. We think this alternative does not go far enough in serving consumers' interests. Our consumer research during the RMR showed that the savings

¹⁹ During the RMR we commissioned SPA Future Thinking to do qualitative research on the CTM. The research noted that the greatest barrier to switching tariffs within supplier was the lack of awareness that suppliers may offer cheaper tariffs. To access the report, see: <https://www.ofgem.gov.uk/publications-and-updates/options-cheapest-tariff-messaging-customer-communications-research-spa-future-thinking>.

²⁰ The content of the CTM is prescribed, but suppliers and white labels have discretion over their marketing activities.

achievable through switching tariff was the priority information for any consumer who was open to the prospect of switching.²¹

3.26. Subject to the outcome of this consultation, we would like our CTM proposals to be implemented at the earliest possible date. We therefore welcome the views of suppliers and white labels on the fastest possible implementation time. We would like these views to cover the activities and timescales for implementation.

Supplier name and identifying the supplier

3.27. The existing requirements aim to make sure consumers are aware that white labels work in partnership with suppliers. We think this is important because partner suppliers are responsible for the behaviour of white labels towards their customers.

3.28. We take these existing requirements very seriously. We have previously taken enforcement action against two suppliers where their white labels had breached the requirement to identify the supplier.

3.29. We are not aware of any compelling reason to relax the existing requirements. We think doing so could result in situations where consumers are misled about the status of a white label.

Information on the value of white labels

3.30. We are aware that our proposals might result in an increase in the number of white labels. In that scenario, we want consumers to have easy access to the information they need to assess the value of white labels. We note that existing white labels already provide some relevant information on their websites.

3.31. We are considering whether it is in consumers' interests to require white labels to publish information on the value they deliver to consumers. This information could contain, for example, indicators of customer service performance. We welcome views on whether this would be helpful to consumers and, if so, what should be covered.

²¹ See the SPA Future Thinking report referred to in footnote 19.

4. Enhanced monitoring of white labels

Chapter Summary

We will increase our scrutiny of white labels, as part of our broader work to enhance our monitoring of the retail energy market. We will engage with industry and consumer representatives on the relevant indicators for our monitoring activity.

Retail market monitoring

4.1. We have taken steps to improve our approach to monitoring how well the retail energy market is working in the interest of consumers. This will form the basis for our ongoing assessment of the state of the retail market, including the impact of the RMR. It will also feed into our annual State of the Market Report.

4.2. Since January 2014, we have engaged with suppliers to streamline and update the monthly market monitoring information they submit to us on a voluntary basis. Among other changes, we are increasing our understanding of consumer engagement by introducing indicators of internal switching. These will show the extent to which consumers engage with the market through changing tariff, payment method or account management with their supplier. Moreover, we will collect information on the timescales involved in the switching process.

White labels monitoring

4.3. We requested information on white labels from suppliers as part of our policy development. Our request had two aims. First, it ensured that we had an up-to-date registry of the current white labels in the retail energy market, as well as those that existed in the last three years. Second, it allowed us to explore aspects of the relationship between partner suppliers and white labels, including customer numbers on white label tariffs.

4.4. We intend to engage with industry to understand the extent to which it is feasible to provide monthly market monitoring information separated by partner supplier and white labels. We expect that, at a minimum, we will receive regular information on customer numbers on white label tariffs. We also expect to be informed of any new white label arrangements.

5. Next steps

5.1. This consultation will be open until 6 November 2014. We will consider the responses that we receive and, subject to the views expressed, we aim to publish a statutory consultation in early 2015.

5.2. We will also consider whether to hold a workshop with stakeholders, depending on the issues which arise from this consultation. In addition, we are open to engaging with stakeholders through bilateral meetings.

5.3. Subject to the outcome of this consultation, we expect to have the regulatory framework for suppliers with white labels in place in the first half of 2015. As part of this, we plan to revoke the temporary provisions that are due to expire on 31 December 2015. We invited views in this consultation on implementation timelines for our proposed CTM changes.

5.4. Meanwhile, we are willing to consider granting a derogation, akin to the temporary provisions, to any supplier with new white labels or existing ones not covered by the temporary provisions. In making an application for a derogation, suppliers should have regard to our published RMR derogations guidance.²²

²² For our derogations guidance, see:
<https://www.ofgem.gov.uk/ofgem-publications/83390/derogationsprocess24sepnew.pdf>.

Appendices

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Appendix 1 - Consultation response and questions

1.1. We would like to hear the views of interested parties in relation to any of the issues set out in this document.

1.2. We would especially welcome responses to the specific questions which we have set out at the beginning of chapters 2 and 3. The questions are repeated in the next page.

1.3. Please send your responses by 6 November 2014 at 5pm to:

white.labels@ofgem.gov.uk

1.4. Alternatively, please send a written response to:

Domestic Retail Market Policy (c/o Ruben Pastor-Vicedo)
Ofgem
9 Millbank
London
SW1P 3GE

1.5. Unless marked confidential, we will publish all the responses by placing them in our library and on our website www.ofgem.gov.uk. Respondents may request that their response is kept confidential. We shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.6. Respondents who wish to have their responses remain confidential should clearly mark the document(s) to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted both electronically and in writing. Respondents are asked to put any confidential material in the appendices to their responses.

1.7. Any questions on this document should be directed to Ruben Pastor-Vicedo in the first instance, using the contact details provided above.

Questions in chapter 2

Question 1: Do you agree with our current assessment of white labels? If not, please provide any evidence you have to support your views.

Questions in chapter 3

Question 2: What are your views on our tariff proposals? If you do not support our proposals on either the tariff cap or the other RMR tariff rules, please explain your reasoning.

Question 3: What are your views on our CTM proposals? If you do not support our CTM proposals, please explain your reasoning.

Question 4: If you are a partner supplier or a white label, how long do you envisage it will take you to implement our CTM proposals? Please explain the activities and timescales for implementation.

Question 5: Do you think that we should require white labels to publish information setting out the value that they deliver to consumers? If you think so, please outline what information you think white labels should provide.

Question 6: Do you have any comments on our draft of proposed supply licence condition changes in Appendix 3?

Appendix 2 - Glossary

C

Cheapest tariff message (CTM)

Suppliers of domestic consumers must present this information in page 1 of the bill and in other regular customer communications. It contains two savings messages, expressed in pounds per year and based on the personal usage of the customer. The first, 'narrow' message, informs customers of any savings that they could achieve by switching to the cheapest similar tariff of their supplier. The second, 'wide' message, informs customers of any savings that they could achieve by switching to the cheapest overall tariff of their supplier.

Community energy

Community energy covers aspects of collective action to reduce, purchase, manage and generate energy.

Core tariff

The charges for supply of electricity/gas combined with all other terms and conditions that apply, or are in any way linked, to a particular type of contract for the supply of gas/electricity to a domestic consumer. This excludes certain matters such as dual fuel discounts, variations in charges relating to payment method, appropriate surcharges and optional additional services or products.

D

Dead tariff

A variable price tariff with no end date that is not open to new customers.

Derogation

A regulatory arrangement that relieves a licensed supplier from its obligation to comply with a requirement in its supply licence, in specific circumstances and to a specified extent.

Domestic consumer

A consumer that uses energy for non-commercial purposes.

L

Licence Lite

A regulatory arrangement that relieves a licensed supplier from its obligation to be a direct party to certain industry codes, provided that commercial arrangements are in place with a fully licensed supplier to discharge code compliance on its behalf.

P

[Partner supplier](#)

A licensed supplier that works in partnership with a white label to offer gas and electricity to consumers using the white label's brand.

R

[Retail Market Review \(RMR\)](#)

Ofgem's reforms to make the retail energy market simpler, clearer and fairer for consumers.

S

[Standards of Conduct](#)

A set of principles-based rules introduced as part of the Retail Market Review to ensure suppliers treat their customers fairly and honestly and do not give them misleading information.

[Supply licence conditions](#)

The legally binding conditions that licensed gas and electricity suppliers must meet to supply to domestic and non-domestic consumers, in accordance with the Gas Act (1986) and Electricity Act (1989).

T

[Tariff](#)

The charges for supply of electricity/gas, combined with all other terms and conditions that apply, or are in any way linked, to a particular type of contract for the supply of electricity/gas to a domestic consumer.

[Tariff cap](#)

A limit to four core tariffs per fuel, metering arrangement and region for each supplier.

[Tariff Information Label \(TIL\)](#)

A table, in a standardised format, that contains a summary of all the tariff features. It is available on suppliers' websites and free of charge on request.

V

[Variable price tariff with no end date](#)

A tariff which is for an indefinite length of time.

W

[White label](#)

See the next definition.

[White label provider](#)

An organisation that does not hold a supply licence, but instead works in partnership with a licensed supplier to offer gas and electricity to consumers using its own brand.

[White label tariff](#)

A tariff offered by a white label in partnership with a licensed energy supplier. The legal relationship between the customer and the licensed energy supplier remains unchanged irrespective of the identity of the white label.

Appendix 3 – Draft of proposed supply licence condition changes

The purpose of this appendix is to provide the full details of how we envisage transposing our proposals on white label providers into a supply licence condition. Any proposed additions appear in red and underlined, any proposed deletions are in ~~strikethrough~~.

Condition 31D. ~~Temporary provisions for White Label Tariffs~~

Treatment of restrictions on Tariff numbers

31D.1 For the purposes of this condition the White Label Tariff Provider and any Subsidiary, Holding Company or Subsidiary of a Holding Company of the White Label Tariff Provider are treated as one White Label Tariff Provider.

31D.1A ~~Sub-paragraph 22B.2 (b) of standard condition 22B does not apply to a White Label Tariff.~~Where the licensee has White Label Tariffs, paragraphs 22B.2 (b) and (c) of standard condition 22B are replaced with the following paragraphs:

(b) with the exception of White Label Tariffs and subject to paragraph 22B.2C, in any Region, the licensee must ensure that no more than four of its Core Tariffs are available to a Domestic Customer at any time in relation to:

- (i) any Category A Metering Arrangement;
- (ii) any Category B Metering Arrangement;
- (iii) any Category C Metering Arrangement;
- (iv) any Category D Metering Arrangement; or
- (v) any Category E Metering Arrangement.

(bb) in respect of White Label Tariffs and subject to paragraph 22B.2C, in any Region, the licensee must ensure that no more than four Core Tariffs of the same White Label Tariff Provider are available to a Domestic Customer at any time in relation to:

- (i) any Category A Metering Arrangement;
- (ii) any Category B Metering Arrangement;
- (iii) any Category C Metering Arrangement;

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(iv) any Category D Metering Arrangement; or

(v) any Category E Metering Arrangement.

(c) with the exception of White Label Tariffs, in any Region the licensee must not use more than one Tariff Name for each of its Core Tariffs at any time;

(cc) in respect of White Label Tariffs, in any Region the licensee must not use more than one Tariff Name for each White Label Tariff of the same White Label Tariff Provider at any time.

31D.1B Where the licensee has White Label Tariffs, paragraph 22B.2A of standard condition 22B is replaced with the following paragraph:

22B.2A With the exception of White Label Tariffs, for the purposes of 22B.2(b) the expression "available to" is to be read as including (but is not necessarily limited to) circumstances where a Domestic Customer is able to enter into a Domestic Supply Contract for, or be supplied on the basis of, a Core Tariff.

22B.2AA In respect of White Label Tariffs, for the purposes of 22B.2 (bb) the expression "available to" is to be read as including (but is not necessarily limited to) circumstances where a Domestic Customer is able to enter into a Domestic Supply Contract for, or be supplied on the basis of, a Core Tariff of the same White Label Tariff Provider.

Treatment of Dual Fuel Discounts

31D.2 Where the licensee has White Label Tariffs, paragraph 22B.5 of standard Condition 22B is replaced with the following paragraphs:

22B.5 With the exception of White Label Tariffs, the licensee must ensure that any Dual Fuel Discount is:

- (a) a Discount of a precise monetary amount that is Continuously Applied on a daily basis;
- (b) (if the licensee wishes to offer a Dual Fuel Discount) offered and available with all the licensee's Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;
- (c) subject to the same terms and conditions throughout Great Britain in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;
- (d) of the same monetary amount throughout Great Britain in respect of all Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;
- (e) not expressed as a percentage; and

- (f) subject to paragraph 22B.24, only presented as a monetary amount in pounds sterling per year.

22B.5A In respect of White Label Tariffs, the licensee must ensure that any Dual Fuel Discount used in respect of a White Label Tariff of the same White Label Tariff Provider is:

- (a) a Discount of a precise monetary amount that is Continuously Applied on a daily basis;
- (b) (if the licensee wishes to offer a Dual Fuel Discount for White Label Tariffs) offered and available with all the licensee's White Label Tariffs of the same White Label Tariff Provider which are Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;
- (c) subject to the same terms and conditions throughout Great Britain in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;
- (d) of the same monetary amount throughout Great Britain in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;
- (e) not expressed as a percentage; and
- (f) subject to paragraph 22B.24, only presented as a monetary amount in pounds sterling per year.

Treatment of Online Account Management Discounts

31D.3 Where the licensee has White Label Tariffs, paragraph 22B.6 of standard Condition 22B is replaced with the following paragraphs:

22B.6 With the exception of White Label Tariffs, the licensee must ensure that any Online Account Management Discount is:

- (a) a Discount of a precise monetary amount that is Continuously Applied on a daily basis;
- (b) (if the licensee wishes to offer an Online Account Management Discount) offered and available with all the licensee's Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;
- (c) subject to the same terms and conditions throughout Great Britain in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;
- (d) of the same monetary amount throughout Great Britain in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;



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- (e) not expressed as a percentage; and
- (f) subject to paragraph 22B.24, only presented as a monetary amount in pounds sterling per year.

22B.6A In respect of White Label Tariffs, the licensee must ensure that any Online Account Management Discount used in respect of a White Label Tariff of the same White Label Tariff Provider is:

- (a) a Discount of a precise monetary amount that is Continuously Applied on a daily basis;
- (b) (if the licensee wishes to offer an Online Account Management Discount for White Label Tariffs) offered and available with all the licensee's White Label Tariffs of the same White Label Tariff Provider which are Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;
- (c) subject to the same terms and conditions throughout Great Britain in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;
- (d) of the same monetary amount throughout Great Britain in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs;
- (e) not expressed as a percentage; and
- (f) subject to paragraph 22B.24 only presented as a monetary amount in pounds sterling per year.

Treatment of adjustments for payment methods

31D.4 Where the licensee has White Label Tariffs, paragraph 22B.7 of standard Condition 22B is replaced with the following paragraphs:

22B.7 With the exception of White Label Tariffs, the licensee must ensure that any differences in the Charges for Supply of Electricity as between payment methods:

- (a) comply with standard condition 27;
- (b) are applied in the same way to all Domestic Customers with the same payment method;
- (c) are subject to the same terms and conditions and are of the same monetary amount throughout Great Britain for the same payment method in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs; and
- (d) are fully incorporated in:

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- (i) where the Domestic Supply Contract or Deemed Contract is for a Non-Time of Use Tariff, the Unit Rate or the Standing Charge; and
- (ii) where the Domestic Supply Contract or Deemed Contract is for a Time of Use Tariff, any or all of the Time of Use Rates or the Standing Charge.

22B.7A In respect of White Label Tariffs, the licensee must ensure that any differences in the Charges for Supply of Electricity as between payment methods that apply in respect of a White Label Tariff of the same White Label Tariff Provider:

- (a) comply with standard condition 27;
- (b) are applied in the same way to all Domestic Customers with the same payment method;
- (c) are subject to the same terms and conditions and are of the same monetary amount throughout Great Britain for the same payment method in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs; and
- (d) are fully incorporated in:
 - (i) where the Domestic Supply Contract or Deemed Contract is for a Non-Time of Use Tariff, the Unit Rate or the Standing Charge; and
 - (ii) where the Domestic Supply Contract or Deemed Contract is for a Time of Use Tariff, any or all of the Time of Use Rates or the Standing Charge.

Treatment of Bundled Products

31D.5 Where the licensee has White Label Tariffs, paragraph 22B.10 of standard Condition 22B is replaced with the following paragraphs:

22B.10 With the exception of White Label Tariffs, for the purposes of paragraphs 22B.12, 22B.14 and 22B.15, a Bundled Product (including a Bundled Product which constitutes a Discount) would not be regarded as having similar Features to another Bundled Product where the Bundled Product also includes one or more distinct additional Features.

22B.10A In respect of White Label Tariffs, for the purposes of paragraphs 22B.12AA, 22B.14AA and 22B.15A, a Bundled Product (including a Bundled Product which constitutes a Discount) would not be regarded as having similar Features to another Bundled Product where the Bundled Product also includes one or more distinct additional Features.

31D.6 Where the licensee has White Label Tariffs, paragraph 22B.11 of standard Condition 22B is replaced with the following paragraphs:



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- 22B.11 With the exception of White Label Tariffs, the licensee may use any one particular Tied Bundle (including a Bundled Product which constitutes a Discount) as a mandatory part of any selection of its Core Tariffs.
- 22B.11A In respect of White Label Tariffs, the licensee may use any one particular Tied Bundle (including a Bundled Product which constitutes a Discount) as a mandatory part of any selection of its White Label Tariffs of the same White Label Tariff Provider.
- 31D.7 Where the licensee has White Label Tariffs, paragraph 22B.12 of standard Condition 22B is replaced with the following paragraphs:
- 22B.12 With the exception of White Label Tariffs, where pursuant to paragraph 22B.11, a particular Tied Bundle is a mandatory part of any selection of its Core Tariffs, the licensee must not:
- (a) use any additional Tied Bundles with those Core Tariffs; and
 - (b) use a Tied Bundle with similar Features to any Optional Bundle used with any Core Tariffs.
- 22B.12AA In respect of White Label Tariffs, where pursuant to paragraph 22B.11A, a particular Tied Bundle is a mandatory part of any selection of its White Label Tariffs of the same White Label Tariff Provider, the licensee must not:
- (a) use any additional Tied Bundles with those White Label Tariffs; and
 - (b) use a Tied Bundle with similar Features to any Optional Bundle used with White Label Tariffs of the same White Label Tariff Provider.
- 31D.7A Where the licensee has White Label Tariffs, paragraph 22B.12A of standard Condition 22B is replaced with the following paragraphs:
- 22B.12A With the exception of White Label Tariffs, where, pursuant to paragraph 22B.11, the licensee uses a Tied Bundle (including a Bundled Product which constitutes a Discount) with any selection of its Core Tariffs, the licensee must ensure that the Tied Bundle is available to all Domestic Customers which are subject to those Core Tariffs.
- 22B.12AB In respect of White Label Tariffs, where, pursuant to paragraph 22B.11A, the licensee uses a Tied Bundle (including a Bundled Product which constitutes a Discount) with any selection of its White Label Tariffs of the same White Label Tariff Provider, the licensee must ensure that the Tied Bundle is available to all Domestic Customers which are subject to those White Label Tariffs.

31D.8 Where the licensee has White Label Tariffs, paragraph 22B.13 of standard Condition 22B is replaced with the following paragraphs:

22B.13 With the exception of White Label Tariffs, the licensee may offer Optional Bundles (including a Bundled Product which constitutes a Discount) with all their Core Tariffs (including a Core Tariff which has a Tied Bundle as a mandatory part of it) throughout Great Britain and may restrict the number of Optional Bundles a Domestic Customer may choose to receive.

22B.13A In respect of White Label Tariffs, the licensee may offer Optional Bundles (including a Bundled Product which constitutes a Discount) with all their White Label Tariffs of the same White Label Tariff Provider (including a White Label Tariff which has a Tied Bundle as a mandatory part of it) throughout Great Britain and may restrict the number of Optional Bundles a Domestic Customer may choose to receive.

31D.9 Where the licensee has White Label Tariffs, paragraph 22B.14 of standard Condition 22B is replaced with the following paragraphs:

22B.14 With the exception of White Label Tariffs, where pursuant to paragraph 22B.13, an Optional Bundle is offered with all Core Tariffs (including a Core Tariff which has a Tied Bundle as a mandatory part of it) throughout Great Britain, the licensee must not offer or use an Optional Bundle with similar Features to another Optional Bundle or a Tied Bundle used with any Core Tariffs.

22B.14AA In respect of White Label Tariffs, where pursuant to paragraph 22B.13A, an Optional Bundle is offered with all White Label Tariffs of the same White Label Tariff Provider (including a White Label Tariff which has a Tied Bundle as a mandatory part of it) throughout Great Britain, the licensee must not offer or use an Optional Bundle with similar Features to another Optional Bundle or a Tied Bundle used in respect of White Label Tariffs of the same White Label Tariff Provider.

31D.9A Where the licensee has White Label Tariffs, paragraph 22B.14A of standard Condition 22B is replaced with the following paragraphs:

22B.14A With the exception of White Label Tariffs, where, pursuant to paragraph 22B.13, the licensee offers an Optional Bundle (including a Bundled Product which constitutes a Discount) with all Core Tariffs, the licensee must ensure that the Optional Bundle is available to all Domestic Customers which are subject to those Core Tariffs.

22B.14AB In respect of White Label Tariffs, where, pursuant to paragraph 22B.13A, the licensee offers an Optional Bundle (including a Bundled Product which constitutes a Discount) with all White Label Tariffs of the same White Label Tariff Provider, the licensee must ensure that the Optional Bundle is available to all Domestic Customers which are subject to those White Label Tariffs.

31D.10 Where the licensee has White Label Tariffs, paragraph 22B.15 of standard Condition 22B is replaced with the following paragraphs:

22B.15 With the exception of White Label Tariffs, the licensee must ensure that, throughout Great Britain, each Bundled Product (including a Bundled Product which constitutes a Discount and a Bundled Product which is subject to paragraph 22B.28):

- (a) contains the same terms and conditions and is of the same monetary amount (or, where paragraph 22B.26 applies, of the same methodology) in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs for every Bundled Product which has similar Features to another Bundled Product;
- (b) is not:
 - (i) pounds sterling or any currency of any other country;
 - (ii) capable of being directly redeemed (rather than sold) for pounds sterling or any currency of any other country;
 - (iii) in any way applied to (rather than incorporated within) a Unit Rate or Standing Charge; and
 - (iv) in any way capable of being applied to a Unit Rate or Standing Charge by a Domestic Customer;
- (c) is not expressed as a percentage; and
- (d) subject to paragraph 22B.24, is only presented as a monetary amount in either:
 - (i) pounds sterling per year; or
 - (ii) pence per kWh.

22B.15A In respect of White Label Tariffs, the licensee must ensure that, throughout Great Britain, each Bundled Product (including a Bundled Product which constitutes a Discount and a Bundled Product which is subject to paragraph 22B.28) used in respect of a White Label Tariff of the same White Label Tariff Provider:

- (a) contains the same terms and conditions and is of the same monetary amount (or, where paragraph 22B.26 applies, of the same methodology) in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs for every Bundled Product which has the same or similar Features to another Bundled Product;
- (b) is not:
 - (i) pounds sterling or any currency of any other country;

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- (ii) capable of being directly redeemed (rather than sold) for pounds sterling or any currency of any other country;
 - (iii) in any way applied to (rather than incorporated within) a Unit Rate or Standing Charge; and
 - (iv) in any way capable of being applied to a Unit Rate or Standing Charge by a Domestic Customer;
- (c) is not expressed as a percentage; and
- (d) subject to paragraph 22B.24, is only presented as a monetary amount in either:
- (i) pounds sterling per year; or
 - (ii) pence per kWh.

Treatment of Reward Points Discounts

31D.11 Where the licensee has White Label Tariffs, paragraph 22B.18 of standard Condition 22B is replaced with the following paragraphs:

22B.18 With the exception of White Label Tariffs, for the purposes of paragraphs 22B.20, 22B.22 and 22B.23, a Reward Points Discount would not be regarded as having similar Features to another Reward Points Discount where the Reward Points Discount also includes one or more distinct additional Features.

22B.18A In respect of White Label Tariffs, for the purposes of paragraphs 22B.20AA, 22B.22AA and 22B.23A, a Reward Points Discount would not be regarded as having similar Features to another Reward Points Discount where the Reward Points Discount also includes one or more distinct additional Features.

31D.12 Where the licensee has White Label Tariffs, paragraph 22B.19 of standard Condition 22B is replaced with the following paragraphs:

22B.19 With the exception of White Label Tariffs, the licensee may use any one particular Tied Reward Points Discount as a mandatory part of any selection of its Core Tariffs.

22B.19A In respect of White Label Tariffs, the licensee may use any one particular Tied Reward Points Discount as a mandatory part of any selection of its White Label Tariffs of the same White Label Tariff Provider.

31D.13 Where the licensee has White Label Tariffs, paragraph 22B.20 of standard Condition 22B is replaced with the following paragraphs:

22B.20 With the exception of White Label Tariffs, where pursuant to paragraph 22B.19, a particular Tied Reward Points Discount is a



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mandatory part of any selection of its Core Tariffs, the licensee must not:

- (a) use any additional Tied Reward Points Discounts as a mandatory part of those Core Tariffs; and
- (b) use a Tied Reward Points Discount with similar Features to any Optional Reward Points Discount used with any Core Tariffs.

22B.20AA In respect of White Label Tariffs, where pursuant to paragraph 22B.19A, a particular Tied Reward Points Discount is a mandatory part of any selection of its White Label Tariffs of the same White Label Tariff Provider, the licensee must not:

- (a) use any additional Tied Reward Points Discounts as a mandatory part of those White Label Tariffs; and
- (b) use a Tied Reward Points Discount with similar Features to any Optional Reward Points Discount used with any White Label Tariffs of the same White Label Tariff Provider.

31D.13A Where the licensee has White Label Tariffs, paragraph 22B.20A of standard Condition 22B is replaced with the following paragraphs:

22B.20A With the exception of White Label Tariff, where, pursuant to paragraph 22B.19, the licensee uses a Tied Reward Points Discount with any selection of its Core Tariffs, the licensee must ensure that the Tied Reward Points Discount is available to all Domestic Customers which are subject to those Core Tariffs.

22B.20AB In respect of White Label Tariffs, where, pursuant to paragraph 22B.19A, the licensee uses a Tied Reward Points Discount with any selection of its White Label Tariffs of the same White Label Tariff Provider, the licensee must ensure that the Tied Reward Points Discount is available to all Domestic Customers which are subject to those White Label Tariffs.

31D.14 Where the licensee has White Label Tariffs, paragraph 22B.21 of standard Condition 22B is replaced with the following paragraphs:

22B.21 With the exception of White Label Tariffs, the licensee may offer Optional Reward Points Discounts with all Core Tariffs throughout Great Britain and may restrict the number of Reward Points Discounts a Domestic Customer may choose to receive.

22B.21A In respect of White Label Tariffs, the licensee may offer Optional Reward Points Discounts with all White Label Tariffs of the same White Label Tariff Provider throughout Great Britain and may restrict the number of Reward Points Discounts a Domestic Customer may choose to receive.

31D.15 Where the licensee has White Label Tariffs, paragraph 22B.22 of standard Condition 22B is replaced with the following paragraphs:

22B.22 With the exception of White Label Tariffs, where, pursuant to paragraph 22B.21, an Optional Reward Points Discount is offered with all Core Tariffs throughout Great Britain, the licensee must not offer or use an Optional Reward Points Discount with similar Features to another Optional Reward Points Discount or Tied Reward Points Discount used with any Core Tariffs.

22B.22AA In respect of White Label Tariffs, where, pursuant to paragraph 22B.21A, an Optional Reward Points Discount is offered with all White Label Tariffs of the same White Label Tariff Provider throughout Great Britain, the licensee must not use an Optional Reward Points Discount with similar Features to another Optional Reward Points Discount or Tied Reward Points Discount used with any White Label Tariff of the same White Label Tariff Provider.

31D.15A Where the licensee has White Label Tariffs, paragraph 22B.22A of standard Condition 22B is replaced with the following paragraphs:

22B.22A With the exception of White Label Tariffs, where, pursuant to paragraph 22B.21, the licensee offers an Optional Reward Points Discount with all Core Tariffs, the licensee must ensure that the Optional Reward Points Discount is available to all Domestic Customers which are subject to those Core Tariffs.

22B.22AB In respect of White Label Tariffs, where, pursuant to paragraph 22B.21A, the licensee offers an Optional Reward Points Discount all White Label Tariffs of the same White Label Tariff Provider, the licensee must ensure that the Optional Reward Points Discount is available to all Domestic Customers which are subject to those White Label Tariffs.

31D.16 Where the licensee has White Label Tariffs, paragraph 22B.23 of standard Condition 22B is replaced with the following paragraphs (including a Reward Points Discount which is subject to paragraph 22B.28):

22B.23 With the exception of White Label Tariffs, the licensee must ensure that each Reward Points Discount used:

- (a) subject to paragraph 22B.28, is Continuously Applied on a daily or per kWh basis;
- (b) is subject to the same terms and conditions and of the same amount of points throughout Great Britain in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs for every Reward Points Discount which has the same or similar Features to another Reward Points Discount (excluding Reward Points Discounts with distinct additional Features);
- (c) is not:

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- (i) pounds sterling or any currency of any other country;
 - (ii) capable of being directly redeemed (rather than sold) for pounds sterling or any currency of any other country;
 - (iii) in any way applied to (rather than incorporated within) a Unit Rate or Standing Charge; and
 - (iv) in any way capable of being applied to a Unit Rate or Standing Charge by a Domestic Customer; and
- (d) is not expressed as a percentage.

22B.23A In respect of White Label Tariffs, the licensee must ensure that each Reward Points Discount used in respect of a White Label Tariff of the same White Label Tariff Provider (including a Reward Points Discount which is subject to paragraph 22B.28A):

- (a) subject to paragraph 22B.28A, is Continuously Applied on a daily or per kWh basis;
- (b) is subject to the same terms and conditions and of the same amount of points throughout Great Britain in respect of Live Evergreen Tariffs, Live Fixed Term Tariffs and Dead Tariffs for every Reward Points Discount which has the same or similar Features to another Reward Points Discount (excluding Reward Points Discounts with distinct additional Features);
- (c) is not:
 - (i) pounds sterling or any currency of any other country;
 - (ii) capable of being directly redeemed (rather than sold) for pounds sterling or any currency of any other country;
 - (iii) in any way applied to (rather than incorporated within) a Unit Rate or Standing Charge; and
 - (iv) in any way capable of being applied to a Unit Rate or Standing Charge by a Domestic Customer; and
- (d) is not expressed as a percentage.

Additional rules for Discounts, Bundled Products etc being of the same monetary amount throughout Great Britain

31D.17 Where the licensee has White Label Tariffs, paragraph 22B.26 of standard Condition 22B is replaced with the following paragraphs:

22B.26 With the exception of White Label Tariffs, where paragraph 22B.27 applies, the licensee must use a methodology which is clear and easy to understand.

22B.26A In respect of White Label Tariffs, where paragraph 22B.27 applies, the licensee must use a methodology for White Label Tariff of the same White Label Tariff Provider which is clear and easy to understand.

Exception to Continuously Applied rule for Bundled Products which constitute a Discount and Reward Points Discounts

31D.18 Where the licensee has White Label Tariffs, paragraph 22B.28 of standard Condition 22B is replaced with the following paragraphs:

22B.28 With the exception of White Label Tariffs, the licensee may provide Bundled Products which constitute a Discount and Reward Points Discounts (the "Relevant Product") if all of the following requirements are satisfied:

- (a) the Relevant Product is not a Discount of a type which is subject to paragraphs 22B.5, 22B.6, and 22B.7; and
- (b) where the Domestic Customer terminates their Domestic Supply Contract:
 - (i) the Domestic Customer is not required to pay back or otherwise return a Relevant Product which has already been received; and
 - (ii) the Domestic Customer will receive a Compensation Payment in respect of any Relevant Product (excluding any Bundled Product which involves a service of an enduring nature) which they would otherwise have been entitled to receive at a future date.

22B.28A In respect of White Label Tariffs, the licensee may provide in respect of White Label Tariffs of the same White Label Tariff Provider Bundled Products which constitute a Discount and Reward Points Discounts (the "Relevant Product") if all of the following requirements are satisfied:

- (a) the Relevant Product is not a Discount of a type which is subject to paragraphs 22B.5A, 22B.6A, and 22B.7A; and
- (b) where the Domestic Customer terminates their Domestic Supply Contract:
 - (i) the Domestic Customer is not required to pay back or otherwise return a Relevant Product which has already been received; and
 - (ii) the Domestic Customer will receive a Compensation Payment in respect of any Relevant Product (excluding any Bundled Product which involves a service of an

enduring nature) which they would otherwise have been entitled to receive at a future date.

Schedule to standard condition 22B

31D.19 Where the licensee has White Label Tariffs, paragraph S22B.2 of the schedule to standard Condition 22B is replaced with the following paragraphs:

S22B.2 With the exception of White Label Tariffs, the licensee must ensure that all charges (excluding the charges referred to in sub-paragraph S22B.1 (p)) and fees (including a Termination Fee) referred to in paragraph S22B.1 are:

- (a) subject to the same terms and conditions throughout Great Britain for each charge or fee (including a Termination Fee) of the same type;
- (b) subject to paragraph 22B.26, of the same monetary amount throughout Great Britain for each charge or fee (including a Termination Fee) of the same type;
- (c) not expressed as a percentage; and
- (d) subject to paragraph 22B.24, expressed as a monetary amount in either:
 - (i) pounds sterling per year; or
 - (ii) pence per kWh.

S22B.2A In respect of White Label Tariffs, the licensee must ensure that all charges (excluding the charges referred to in sub-paragraph S22B.1 (p)) and fees (including a Termination Fee) referred to in paragraph S22B.1 in respect of White Label Tariffs of the same White Label Tariff Provider are:

- (a) subject to the same terms and conditions throughout Great Britain for each charge or fee (including a Termination Fee) of the same type;
- (b) subject to paragraph 22B.26A, of the same monetary amount throughout Great Britain for each charge or fee (including a Termination Fee) of the same type;
- (c) not expressed as a percentage; and
- (d) subject to paragraph 22B.24, expressed as a monetary amount in either:
 - (i) pounds sterling per year; or
 - (ii) pence per kWh.

Relevant Cheapest Tariff definition

31D.20 Where the licensee has White Label Tariffs, the definition of “Relevant Cheapest Tariff” in standard condition 1 is replaced with the following definition:

Relevant Cheapest Tariff means, in comparison with the Estimated Annual Costs for each specific Domestic Customer’s Tariff, the cheapest Tariff available from the licensee (or, where there are any Affiliate Licensees, the licensee and any Affiliate Licensee) for that Domestic Customer based on:

- (a) their Estimated Annual Costs applied in respect of the cheapest Tariff, rather than the Tariff the Domestic Customer is currently subject to;
- (b) where the Domestic Customer is not subject to a Prepayment Meter, the cheapest Tariff compatible with the Electricity Meter installed at the Domestic Customer’s premises;
- (c) where the Domestic Customer is subject to a Prepayment Meter, the cheapest Tariff compatible with the Prepayment Meter installed at the Domestic Customer’s premises;
- (d) their Account Management Arrangement;
- (e) where the Domestic Customer is subject to an Evergreen Supply Contract, an Evergreen Supply Contract;
- (f) where the Domestic Customer is subject to a Fixed Term Supply Contract, a Fixed Term Supply Contract;
- (g) where the Domestic Customer is subject to a White Label Tariff, a White Label Tariff of the same White Label Tariff Provider;
- (h) where the Domestic Customer is not subject to a White Label Tariff, a Tariff which is not a White Label Tariff; and
- (i) consideration of both Time of Use Tariffs for which appropriate consumption data is available and Non-Time of Use Tariffs.

Alternative Cheapest Tariff definition

31D.21 Where the licensee has White Label Tariffs, the definition of “Alternative Cheapest Tariff” in standard condition 1 is replaced with the following definition:

Alternative Cheapest Tariff means, in comparison with the Estimated Annual Costs for each specific Domestic Customer’s Tariff, the cheapest Tariff available from the licensee (or, where there are any Affiliate Licensees, the licensee and any Affiliate Licensees) for that Domestic Customer based on:

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- (a) their Estimated Annual Costs applied in respect of the cheapest Tariff, rather than the Tariff the Domestic Customer is currently subject to;
- (b) where the Domestic Customer is not subject to a Prepayment Meter, the cheapest Tariff compatible with the Electricity Meter installed at the Domestic Customer's premises;
- (c) where the Domestic Customer is subject to a Prepayment Meter, the cheapest Tariff compatible with any Electricity Meter which could be installed at the Domestic Customer's premises;
- (d) where the Domestic Customer is subject to a White Label Tariff:
 - (i) a White Label Tariff of the same White Label Tariff Provider; or
 - (ii) a Tariff of the licensee which is not a White Label Tariff;
- (e) where the Domestic Customer is not subject to a White Label Tariff,
 - (i) a Tariff which is not a White Label Tariff; or
 - (ii) a White Label Tariff of any White Label Tariff Provider of the licensee; and
- (f) consideration of both Time of Use Tariffs for which appropriate consumption data is available and Non-Time of Use Tariffs.

Relevant Cheapest Evergreen Tariff definitions

31D.22 In respect of White Label Tariffs, the definition of "Relevant Cheapest Evergreen Tariff" in standard condition 1 is replaced with the following definition:

Relevant Cheapest Evergreen Tariff means, in comparison with the Estimated Annual Costs for each specific Domestic Customer's Tariff, the cheapest Tariff for an Evergreen Supply Contract available from the licensee (or, where there are any Affiliate Licensees, the licensee and any Affiliate Licensees) for that Domestic Customer based on:

- (a) their Estimated Annual Costs applied in respect of the cheapest Tariff for an Evergreen Supply Contract, rather than the Tariff the Domestic Customer is currently subject to;
- (b) their current payment method;
- (c) their current Relevant Meter Type;
- (d) where the Domestic Customer is subject to a Prepayment Meter, the cheapest Tariff for an Evergreen Supply Contract compatible with the Prepayment Meter installed at the Domestic Customer's premises; and
- (e) their Account Management Arrangement;

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- (f) where the Domestic Customer is subject to a White Label Tariff, a White Label Tariff of the same White Label Tariff Provider; and
- (g) where the Domestic Customer is not subject to a White Label Tariff, a Tariff which is not a White Label Tariff.

Additional rules for Relevant Cheapest Tariff and Alternative Cheapest Tariff information

31D.23 Where the licensee has White Label Tariffs, the following paragraph is inserted after sub-paragraph 31E.1(c) of standard condition 31E:

- (d) a statement explaining the relationship between the licensee and a White Label Tariff Provider where the Domestic Customer's Tariff:
 - (i) is a White Label Tariff of the White Label Tariff Provider and the Alternative Cheapest Tariff is not a White Label Tariff; or
 - (ii) is not a White Label Tariff and the Alternative Cheapest Tariff is a White Label Tariff of the White Label Tariff Provider,

Replacement of White Label Tariffs

~~31D.23 Whilst the licensee may (or, where there are any Affiliate Electricity Licensees, the licensee and any Affiliate Electricity Licensees may) replace a White Label Tariff, the licensee must ensure (or, where there are any Affiliate Electricity Licensees, the licensee and any Affiliate Electricity Licensees must collectively ensure) that the total number of White Label Tariffs which are in use does not exceed the total number of White Label Tariffs which were in use on 1 March 2013.~~

Commencement of condition

~~31D.24 Each separate paragraph in this condition which relates to standard condition 22B will come into effect on the date the corresponding paragraph in standard condition 22B comes into effect.~~

~~31D.25 Paragraph 31D.20 will come into effect on the date the definition of "Relevant Cheapest Tariff" in standard condition 1 comes into effect.~~

~~31D.26 Paragraph 31D.21 will come into effect on the date the definition of "Alternative Cheapest Evergreen Tariff" in standard condition 1 comes into effect.~~

~~31D.27 Paragraph 31D.22 will come into effect on the date the definition of "Relevant Cheapest Evergreen Tariff" in standard condition 1 comes into effect.~~

Termination of condition

~~31D.28 Subject to paragraph 31D.29, standard condition 31D will stop having effect on and from 31 December 2014.~~

~~31D.29 The Authority may on more than one occasion issue directions providing that paragraph 31D.28 will continue to have effect for a further period of time.~~

Exception to compliance with condition

31D.30 The licensee is not required to comply with standard condition 31D to such extent and subject to such conditions as the Authority may from time to time direct.

Definitions for condition

31D.31 In this condition:

“White Label Tariff” means a Tariff ~~in existence as at 1 March 2013~~ which is:

- (a) offered by virtue of an Electricity Supply Licence of the licensee or an Affiliate Licensee; and
- (b) uses the brand name of a person that does not hold an Electricity Supply Licence (excluding any Subsidiary, Holding Company, or Subsidiary of a Holding Company of the licensee which does not hold a Electricity Supply Licence);

“White Label Tariff Provider” means the person that owns the brand name used for a White Label Tariff.

Appendix 4 - Feedback questionnaire

1.1. We are of the view that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand or could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Do you have any further comments?

1.2. Please send your comments to:

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