



Ruben Pastor-Vicedo
Domestic Retail Market Policy Team
Ofgem
9 Millbank
London SW1 3GE

Sent by email white.labels@ofgem.gov.uk

E.ON Energy Solutions Limited

Newstead Court
Little Oak Drive
Sherwood Park
Annesley
Nottinghamshire
NG15 ODR
eonenergy.com

Jill Laurie
T 02476 183747
F
jill.laurie@eonenergy.com

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Dear Ruben

Treatment of white label providers in the domestic retail market consultation

Thank you for the opportunity to respond to the above consultation. Please find our answers to the questions posed in the following pages.

If you have any queries or require any additional information, please do not hesitate to contact me.

Yours sincerely

Jill Laurie
Senior Regulatory Analyst

E.ON Energy Solutions Limited

Registered in
England and Wales
No 3407430

Registered Office:
Westwood Way
Westwood Business Park
Coventry CV4 8LG

Treatment of white label providers in the domestic retail market consultation

Question 1

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

We broadly agree with Ofgem's current assessment of white labels.

White labels have two main values: allowing new entrants to establish a position in the energy market prior to going it alone, and also encouraging consumer engagement in energy markets by using the marketing power and trusted position of established brands.

White labels are not an easy option for suppliers to increase the number of tariffs they can offer; a partner supplier has all the responsibilities and risk of ensuring that activities carried out by their white labels are fully compliant with supply licence conditions and other regulations.

RMR rules on suppliers having a maximum of four tariffs per region per metering type have been important in simplifying the energy market for consumers. However, it has also restricted the ability of suppliers to offer a broad range of tariffs to meet the needs and wants of different types of consumers. It would, of course, be possible to increase customer choice by permitting suppliers to offer more than four tariffs; however, providing additional tariffs under a different brand name has the advantage of allowing customers to differentiate not just by tariff but also by brand. For example, should John Lewis decide to operate as a white label then consumers might expect exceptional customer service, whereas a Lidl white brand might be expected to offer cheaper prices.

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 rules, please explain your reasoning.

We broadly support Ofgem's proposals on the tariff cap and other RMR rules.

White labels provide an excellent opportunity for new and established businesses to get a foothold in the domestic energy retail market and gain knowledge and experience which, ultimately, could lead to them becoming licensed suppliers in their own right.

Ofgem notes, in paragraph 2.10, that white labels do not offer true price competition in the market as prices are generally controlled by their partner supplier. It can, however, be a means of providing tariffs better suited to particular customer segments such as vulnerable consumers, or catering for consumers' preferences such as quicker call response times or longer opening hours.

It is still early days for white labels in the energy market; we therefore ask that Ofgem considers revisiting this issue from time to time to assess what effect white labels are having on the energy market and on competition. It may be beneficial, for example, to make a distinction between a model where the white label was essentially in control

(freely able to price and would retain customers if the agreement broke down) and a model where the supplier has greater control.

Question 3

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

We strongly agree with Ofgem's CTM proposals. It is important that consumers are aware of the relationships between white labels and partner suppliers and one significant way of doing this is by requiring partner suppliers to include all their white label tariffs in their wide CTM calculations and requiring white labels to include their partner supplier in their wide CTM calculations.

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.

As we are currently neither a partner supplier nor a white label, we have no comment on this.

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.

We agree that Ofgem should require white labels to publish information setting out the value they deliver to consumers. The justification for allowing white labels to break the RMR objective of simplicity is that there is a customer benefit from more diverse business models and the consequent need for additional tariffs.

We would expect such statements to compare the service offered by the white label and the partner supplier so that customers are aware of the common features as well as the differences.

Question 6

Do you have any comments on our draft of proposed supply licence conditions changes in Appendix 3?

We are happy that the drafting accurately reflects Ofgem's intentions as stated in this consultation, subject to implementation of the proposals in Question 5.

