



Sainsbury's
live well for less

Ruben Pastor-Vicedo
Domestic Retail Market policy
Ofgem
9 Millbank
London
SW1P 3GE

13 November 2014

Dear Ruben

White label providers in the domestic market

As requested, please find attached Sainsbury's response to the white label providers consultation.

Please note that the sentence highlighted in yellow in the attached document is confidential to Sainsbury's and should not be shared with third parties without prior discussion with Sainsbury's.

Kind regards

Justin James
Head of Special Businesses, Sainsbury's

White label providers in the domestic market

The energy market remains an interesting sector for Sainsbury's in light of the direct impact that energy costs have for customer budgeting.

As a result of the last 8 years operating a white label in the energy market we believe the Sainsbury's brand has been successful offering our customers a credible alternative to the top

6 suppliers and now we have been given a longer term to operate, we believe that this trend would continue being in the interests of our existing customers as well as potential new ones.

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

Ofgem clearly recognise the important role that White Label Providers play in delivering a greater choice, raising the bar for customer service and improving customer engagement in the domestic energy market.

We agree that White Label Providers have a greater dependence on their Partner Supplier for wholesale market trading, regulatory knowledge and required infrastructure.

However it is not the case that White Label Providers always have little effect on price competition, in fact for Sainsbury's Energy it is quite the opposite. Evidence for this can currently be seen on switching sites where Sainsbury's Energy has a cheaper priced tariff than British Gas.

The objective for Sainsbury's Energy is that it helps deliver an enhanced Sainsbury's brand and has always tried to differentiate its customer offer from its Partner Supplier British Gas, with offers of Nectar Points, Sainsbury's vouchers, different term length of tariffs or price in order it is seen to deliver greater appeal / value for money for its customers.

We strongly support the position of separating the brand identity as far as is possible under the partner supplier agreement. Sainsbury's recognises that consumer affinity to our brand and the approach that we take 'putting customers first' plays an important role in customers deciding to switch to us. We believe it is important for our customers to recognise we are influential in the partnership regarding the consumer facing parts of the business whilst the Partner Supplier delivers the operational elements.

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.

Sainsbury's Energy is supportive of the proposal to continue with 4 separate tariffs as a White Label Provider.

Sainsbury's Energy has previously stated regarding The Retail Market Review 2.3 Simpler Tariff choices proposal that it would like Ofgem to review the no discount rule that impacts a 'retailer' energy business like Sainsbury's Energy disproportionately, as it removes the potential to leverage the multiple range of products and services we offer to customers. Removing this opportunity disadvantages our customers as we have shown this type of value offer to be extremely attractive to customers relating to Fuel, Online shopping and financial services as we can help customers manage key elements of their weekly budget.

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

Sainsbury's Energy does not support the new CTM proposals as we believe it serves to undermine our approach to differentiate between Sainsbury's Energy and our Partner Supplier British Gas's which could have a negative impact on competition and choice in the retail market.

Sainsbury's Energy has for the last few years been working hard to offer its customer's a credible alternative to the big six suppliers including our Partner Supplier British Gas.

If British Gas is required to notify their customers of the Sainsbury's Energy cheapest tariff we believe that this could force our Partner Supplier British Gas to call into question continued support for our differentiated position with the unintended consequence that Sainsbury's Energy would not have sufficient benefits to continue in the market.

As a small business, with a business plan based on certain volume assumptions, Sainsbury's Energy could be placed under sudden extreme pressure to accommodate the extra demands placed on it by Partner Supplier customers joining, rather than through the existing well planned channels set out in our business plan. In particular, we believe we would be impacted at our call centre, challenging the existing customer experience and this could lead to operational and customer communication challenges, where the resultant impact delivers reduced rather than better customer service.

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.

We would have to refer to our Partner Supplier British Gas for the answer to the above, given our reliance on British Gas for certain services.

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.

At present we let customers know the range of customer services and tariffs we offer, which we highlight to the customer on joining Sainsbury's Energy.

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

No. We do not hold a supply licence.