

Domestic Retail Market Policy (c/o Adhir Ramdarshan)
Ofgem
9 Millbank
London
SW1P 3GE

20 March 2015

Final proposals on the treatment of white label providers in the domestic retail market

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy does not currently operate in partnership with a white label provider. However, we recognise the potential benefits of using known and trusted brands to engage different groups of consumers who might not otherwise engage in the energy market. We believe that Ofgem's proposals for the treatment of white labels are necessary to allow consumers to benefit from white labels, whilst ensuring that there are no detrimental impacts on consumers or competition in the market as a result.

We have considered Ofgem's final proposals and have carried out additional analysis which has led us to conclude the following:

1. It is essential that white labels and their partner suppliers are required to make all affected customers aware of the cheapest tariff available across both brands using the Cheapest Tariff Messaging (CTM). This is necessary in order to prevent fragmentation of the market whereby some incumbent brand customers are prevented from seeing cheaper prices available from the partner white label(s).
2. The proposed changes to the regulations required to mandate the provision of CTM across both white labels and their partner suppliers should be implemented as a matter of urgency. We believe that the principles of the RMR are currently being undermined through the use of white labels and that this is causing a material distortion of competition which should be resolved at the earliest possible date.
3. In the event that EDF Energy had an existing white label arrangement, we believe the necessary changes to become compliant with Ofgem's proposals could be completed by the end of July, subject to a final decision being made promptly after this consultation closes.

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Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Robin Healey on 07875 113 467, or myself. I confirm that this letter and its attachment may be published on Ofgem's website. Yours sincerely,

A handwritten signature in blue ink that reads "Paul Delamare".

Paul Delamare
Head of Customers Policy and Regulation

Attachment

Final proposals on the treatment of white label providers in the domestic retail market

EDF Energy's response to your questions

Questions in chapter 2

Question 1: Do you think the implementation date of our proposals is appropriate? If not, please explain your reasoning, suggest an alternative implementation date and provide evidence to support it.

EDF Energy holds the view that Ofgem's proposals for the treatment of white labels are necessary, proportionate and should be implemented as a matter of urgency. On this basis we agree that the proposed implementation date is appropriate. In addition to this, our own assessment of the changes required to become compliant with the new rules indicates that it is possible to meet the target of a July implementation date. Furthermore, we believe that any derogation request for additional implementation time should be robustly assessed by Ofgem and should only be granted in exceptional circumstances and where it is clearly in the interests of affected consumers.

Why the CTM proposals are necessary and proportional

We believe that the current exemptions allow some suppliers to acquire new customers using white label tariffs at a discount to their own brand tariffs, whilst avoiding having to notify their existing customers of these lower prices through the CTM. This has two significant detrimental effects:

1. Customers are misled into paying more for their energy as a result of switching to their supplier's "cheapest tariff" (as notified through CTM) when their supplier is actually offering a cheaper tariff under a different brand. EDF Energy believes that this results in many consumers not benefitting from the full benefits of the regulations.
2. Competition is distorted as a result of exempted suppliers, through a white label, being able to compete for new customers using cheaper tariffs without incurring the reduction in revenue that results from existing customers of the supplier brand being directed to, and signing up for, such cheaper tariffs. EDF Energy believes this represents a significant competitive advantage for some suppliers as they avoid the full impact of competition.

Requiring suppliers to make their customers aware of the cheapest deal available across all of their partner brands using the CTM will help to ensure that consumers are not disadvantaged by having incomplete information regarding the total portfolio of tariffs offered under each supply licence.

We consider the proposed changes represent the absolute minimum level of regulatory intervention required to ensure adequate consumer protection for customers of suppliers with white label partners, and that competition is not distorted through the inappropriate use of white label tariffs.

Furthermore, we believe that the proposed interventions are a targeted and proportionate response to the issues that they are designed to address and thereby consistent with the better regulation principles.

Why the CTM proposals need to be implemented as a matter of urgency

Our analysis of the market indicates that some suppliers are currently using the exemption from the requirement to provide the CTM across both white labels and their partner suppliers in a manner which is detrimental to competition, and which could be causing consumer harm. Consequently, it is imperative that Ofgem's CTM proposals are implemented as a matter of urgency in order to protect customers who are being materially disadvantaged by the continuation of the exemption.

Assessment of the earliest possible implementation date

EDF Energy has undertaken work to identify what changes we would have to make if we currently operated in partnership with a white label provider, and how long it would take us to implement those changes. We assessed the changes required to our billing systems, bills, annual statements and end of fixed term notices. We also looked at the delivery of training to call centre staff to ensure that the changes could be explained clearly to customers. This analysis is summarised below:

Technical changes to billing systems

We identified the technical changes to our billing systems which would be required to become compliant with the proposed changes to the regulations. This included making changes to the storage and tagging of tariff data for use in the calculation of personal projections, along with amendments to the logic used to carry out the CTM calculations. This would ensure that a comparison is carried out across all the tariffs supplied under each licence, rather than restricting the CTM comparison to any particular brand or provider.

This work was prioritised against existing and anticipated regulatory driven changes, including:

- QR Codes
- Energy Efficiency Directive (EED) requirements
- Midata
- Process improvements to support quicker switching
- Project NEXUS

Taking into account the projected timetable for all of the changes listed above and the available resources to complete the work, we anticipate that we would be able to complete all of the system changes required by Ofgem's white label proposals by the end of July, subject to a final decision being made promptly after this consultation closes.

Redesign of bills, annual summaries and end-of-fixed-term-notices

Because the proposals do not change the requirement that only a single narrow CTM and a single wide CTM should be displayed on each bill, annual statement and end-of-fixed-term notice, the overall layout of each document can remain unchanged.

Our billing systems have been built with the flexibility to allow changes to the existing mandatory text associated with the CTM element of bills, annual statements and end-of-fixed-term notices. Consequently, only a minimal level of redesign is required to these documents in order to include an additional statement explaining the relationship between the supplier and their white label partner. We estimate that this work would take less than a month to complete and could be carried out concurrently with the required changes to our billing systems.

Provision of training to call centre staff

As a company experienced in operating in a customer facing environment that requires the provision of frequent updates to call centre staff training, we have channels in place to ensure the roll-out of such updates is carried out in an effective and timely manner. Using our existing processes we estimate that the training that would be required under these proposals could be achieved within one month. We expect that any supplier with efficient and effective staff training processes would also be able to complete this within the same timeframe.

Question 2: Do you agree that the amendment to the white label definition captures the policy intent of our proposals? If not, please explain your reasoning.

EDF Energy believes that the opportunities provided by Ofgem's proposed rules should only be available to genuine white label partnerships. We agree that amending the definition of a white label tariff so that a tariff is only regarded as a white label tariff when the licensed supplier is not involved in its marketing accurately captures Ofgem's policy intent.

Question 3: Do you have any comments on our proposed supply licence condition changes in the supplementary appendices?

We are satisfied that the proposed supply licence condition changes accurately reflect Ofgem's policy intent for the treatment of white labels. We have no further comments on the drafting.

EDF Energy
March 2015