



September 28, 2016

Dear Sir,

Confidence Code Review 2016

Please find Tonik Energy's response to the above consultation below.

Chapter Two

Question 1: Do you agree that we should implement the proposed removal of some of the changes we made to strengthen the WoM requirement in the 2015 Code review?

We appreciate that there is a significant need to achieve a balance between providing PCWs with the proper commercial incentives and not creating barriers to both market entry and expansion for smaller participants. It seems unreasonable that PCWs should be required to provide the main part of their service (i.e. automatic price visibility) to some customers who do not pay for this and we agree that the WoM rules as currently structured would appear to undermine the business model under which companies of this nature operate.

However, if the market were to move to a landscape whereby only the tariffs of those suppliers who paid commission to the PCWs were to be visible, this would then likely result in a rise in prices to consumers and a disappearance of the cheapest tariffs currently available in the market. This would be due to the suppliers currently offering those tariffs having to raise their prices in order to absorb the additional cost of customer acquisition through the PCWs.

We therefore agree that a suitable compromise could be reached by reverting to those rules in place prior to April 2015 whereby PCWs would again be allowed to default to initially showing only those tariffs offered by suppliers who paid commission with a clear statement that this was the case and allowing consumers to choose a view of all available tariffs if they so desired. We also agree that an exemption should be provided in the Code so that PCWs do not need to display tariff offerings that are exclusive between a supplier and another PCW. This will create an additional incentive for suppliers and PCWs to compete for consumers on this basis and thus increase consumer choice and drive down costs for consumers where possible.

*Question 2: With reference to Table 2, do you agree with our rationale and proposed policy changes around the **partial default view**?*

Yes, as mentioned in our reply to Question 1 above, we feel that this will strike a suitable balance between providing suitable commercial incentives for PCWs and risking the disappearance of the cheapest tariff offerings in the market due to suppliers offering these having to factor in the additional cost of PCW commission payments. We agree that it will also likely provide scope for both innovation and differentiation in the manner in which tariffs are displayed, thus increasing competitive pressure on PCWs.

*Question 3: With reference to Table 2, do you agree with our rationale and proposed policy changes around the WoM **filter choice**?*

Yes, please see our answer to Question 2 above. Provided that it is made clear to consumers that only a partial view is presented and that they are given an option to see all tariffs currently available in the market (with the exception of tariffs exclusive to other PCWs) we agree that allowing the filter to be “pre-ticked” will help increase the currently diminished commercial incentive on PCWs created by some participants having their tariffs automatically displayed as a default without having to incur the cost of this. However, as it will still be possible for a consumer to view those tariffs by actively choosing to do so, consumers should not face a situation whereby those tariffs disappear from the market completely. This approach will also have the added benefit of creating an incentive to encourage suppliers offering those tariffs to communicate to potential customers the importance of actively choosing to view the whole market and making an informed switching decision on that basis.

*Question 4: With reference to Table 2, do you agree with our rationale and proposed policy changes around the **WoM filter wording/testing**?*

Yes, we agree that Ofgem checks around wording and testing should be retained to ensure that relaxation of the current Code rules does not lead to consumers being subjected to misleading claims or information. As stated in our previous answers above, it should be made clear to all consumers that what they are being presented with upon initially visiting a PCW is a partial view and that they have the option to view more tariffs should they wish to do so.

Question 5: Do you agree that sites should test the prominence, clarity and intelligibility of their messaging with consumers and that Ofgem should monitor this?

Yes, please see our answer to Question 4 above.

Question 6: With reference to Table 3, do you agree that the proposed Code wording reflects our proposals?

We agree that the proposed wording is likely to deliver the desired outcome and is suitably clear.

Chapter Three

*Question 7: Do you agree with our rationale and proposed policy changes around the **removal of Personal Projection**?*

Yes, the proposed changes seem reasonable.

*Question 8: Do you agree with our rationale and proposed policy changes about including the **pre-2015 code content** on factors an accredited price comparison website should and should not include when deriving a consumer’s estimated annual costs?*

Yes, we agree that these should provide sufficient safeguards against consumers being confused or misled by the removal of the current prescribed methodology for calculation of the Personal Projection.

Question 9: With reference to Table 4, do you agree that the proposed Code wording reflects our proposals?

Yes, we believe that this wording will achieve the desired aim.

Question 10: Do you agree with our assessment that no changes are required to the TIL references within the Code?

Yes, we believe that the TIL serves a useful purpose in providing key information in relation to the relevant tariff and also assists consumers in comparing these. We therefore agree that the TIL should be retained in its current format.

Chapter Four

Question 11: Do you agree that these initiatives are out of scope for this review and that we should monitor their progress to be aware of potential impacts in the future of these initiatives?

We agree that these need to be monitored as they develop but concur with Ofgem that these are not of the same level of immediate importance as the issues directly addressed within this consultation document.

Question 12: Do you believe there are any other initiatives we should be keeping abreast of to ensure a joined-up approach to our policy development work?

We would suggest that Ofgem continue to closely monitor the delivery of Project Nexus as this will, when concluded, deliver a similar level of competitive benefit to the introduction of universal half-hourly settlement in electricity.

I trust that this response will prove helpful, please do not hesitate to contact me should you have any questions or require any further information.

Yours sincerely,

Chris Russell

Managing Director