

12 May 2024

Kris Funston
Executive General Manager Network Regulation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Email: vic2026@aer.gov.au

Dear Mr Funston,

RE: Submission to the AusNet, CitiPower, Jemena, Powercor and United Energy regulatory proposals

Origin Energy (Origin) appreciates the opportunity to provide a response to the regulatory proposals lodged by AusNet, CitiPower, Jemena, Powercor and United Energy for their electricity distribution networks for the period from 1 July 2026 to 30 June 2031 and the accompanying Australian Energy Regulator (AER) Issues Paper.

Origin supports prudent network expenditure that strikes a balance between maintaining the safety and reliability of the networks while supporting the energy transition and changing energy consumption patterns. With current cost of living pressures, it is critical that network businesses and the AER ensure that these objectives are met at least-cost.

The Victorian electricity market is facing a period of unprecedented change with growth in electrification, consumer energy resources (CER) integration and the transition to net zero. However, the pace of electrification and CER uptake and how much and how quickly this will impact energy demand is highly uncertain. Together with ongoing cost of living pressures this presents a significant challenge for both electricity networks and the AER in developing forecasts of key regulatory parameters for the 2026-31 regulatory period and balancing the interests of networks and consumers.

All Victorian networks propose significantly increased expenditure to accommodate forecast increased energy demand arising from the regulatory and market changes. It is important that the AER critically assess demand forecasts to ensure they are consistent with available policy information and reflect realistic and achievable outcomes. We consider the AER should adopt a conservative approach to forecasting with a focus on maintaining affordability for customers in the forthcoming regulatory period. The AER should rely on the use of cost pass-through and contingent projects as a means of addressing future uncertainty if and when circumstances dictate. The AER and networks should work collaboratively to clarify opportunities and potential triggers for within-period cost pass-through and the identification of contingent projects.

Tariff reform aimed at promoting cost reflectivity and accommodating the development of CER is vitally important. However, the decision to apply cost reflective tariffs to end customers ultimately rests with retailers. It is the role of the retailer to balance considerations, including simplicity, customer impact and the management of financial risk. While potentially more cost-reflective, complex tariff structures (such as demand tariffs) can be difficult for customers to understand and utilise, and consumer uptake can be low.

Origin supports the Victorian networks' proposals to remove demand tariffs and focus on time-of-use tariff structures. We also support proposed initiatives aimed at improving the attractiveness of cost-reflective tariffs through the introduction of solar soak periods, targeted charging periods and active discounting of time-of-use tariffs relative to non-cost-reflective tariffs. These initiatives encourage consumers to transition to cost-reflective tariffs at their own pace and as the benefits arise. Given current cost of living pressures

and consumer sensitivity to bill shocks, this represents a pragmatic approach to expanding the uptake of cost-reflective tariffs.

The Victorian networks' decision to adopt consistency across tariff elements such as peak and off-peak periods will assist retailers to create products and more readily share information with customers in order to understand the impact of proposed tariff changes.

Efficient export pricing can reduce the need for network augmentation, while incentivising exports where these provide benefits to the network. We appreciate that the proposed residential export tariffs are relatively basic and are largely intended to introduce customers to the concept of export tariffs and progress behaviour change. Given export tariffs are proposed to be opt-in, ensuring the tariffs are sufficiently attractive will be challenging. It is expected that export tariffs will be refined over time as the impact of EV penetration and charging patterns and the response to proposed time-of-use tariffs becomes clearer. Where these activities reduce mid-day exports, we would expect less emphasis on export charges as a means of reducing mid-day exports.

Finally, Origin acknowledges the customer engagement process undertaken by the electricity networks to inform their proposals and the ongoing effort to incorporate the long-term interest of customers in their forward planning.

If you have any questions regarding this submission, please contact Gary Davies in the first instance at [REDACTED].

Yours sincerely

[REDACTED]

Sean Greenup
Group Manager Regulatory Policy

[REDACTED]