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Mr Kris Funston

Executive General Manager Network Regulation

Australian Energy Regulator

Submission via email: vic2026@aer.gov.au

24 June 2025

Issues paper: Victorian electricity distribution determinations 2026-31

Dear Mr Funston,

AGL Energy (**AGL**) welcomes the opportunity to make a submission to the Australian Energy Regulator's (**AER**) issues paper on the Victorian distribution network service providers' (DNSP) revenue proposals for the 2026 – 2031 regulatory period.

Proudly Australian for more than 185 years, AGL supplies around 4.1 million energy services. AGL has invested significantly in innovative consumer energy resources (CER) and distributed energy resources (DER) pilots and trials since 2016 and is now investing in scaling up these solutions. We are empowering consumers to capture further value from their devices with a range of programs which include our battery orchestration programs as part of AGL's Virtual Power Plant (VPP), our demand response programs which include Peak Energy Rewards, our hot water orchestration programs with SA Power Networks, Ausgrid and Endeavour, and our electric vehicle (EV) plans.

This submission outlines AGL's position on the matters of controlled load tariffs, demand management, and grid-scale storage tariffs as outlined in the Victorian DNSP regulatory proposals and the AER's issues paper.

Controlled load tariffs

All Victorian DNSPs should:

- i) Introduce dedicated circuit tariffs that allow 24-hour flexibility of supply;
- ii) Offer discounted network tariff rates to retailers during solar soaking periods to incentivise load shifting to the middle of the day;
- iii) Enable retailers to design and implement their own supply schedules to dedicated circuits

AGL is strongly supportive of AusNet Services' proposal to reassign all residential customers with dedicated circuits to a new 24-hour dedicated circuit tariff. AGL aspires to partner with AusNet to design and implement supply schedules to our customers on the new dedicated circuit tariff to optimise for periods of low wholesale cost, which will enable AGL to share value with these customers through our retail prices.

The other Victorian networks should be committing to implement corresponding tariffs as a minimum in the next regulatory period. There is strong evidence of the need for demand-side flexibility measures to address



increased instances of minimum system load (MSL) challenges in Victoria. Enabling controlled load hot water to charge in the middle of the day when wholesale prices are generally low is a no-regrets change that would benefit consumers from a pricing and system security perspective.

AGL is concerned about references to hot water load shifting as a network optimisation measure, and indications that DNSPs would retain the ability to orchestrate hot water systems in secondary circuits. The combination of DNSPs keeping hot water load primarily overnight, and denying retailers ability to optimise the timing of supply to customer secondary circuits to maximise benefits for customers, the market and the network, mean that Victorian customers will miss out on cheaper power, and the Victorian grid will significantly underutilise the potential of hot water as both a grid stabiliser and a way to lower wholesale prices.

AGL is currently orchestrating over 50,000 controlled load hot water systems with SA Power Networks, Ausgrid and Endeavour. AGL's orchestration in Ausgrid's area has almost halved hot water peak demand and supported solar soak¹. More broadly, independent research from UNSW has demonstrated that retailer-led load shifting can lower customer bills by up to \$63/year/household, reduce emissions by up to 14%, improve system security by reducing grid voltage by on average 2.6V in areas of high voltage, and support increased solar penetration². With customers in South Australia and NSW already able to access these benefits, Victorian consumers should be able to access similar benefits of retailer-led orchestration of hot water.

Moreover, where DNSPs limit supply to a particular period (e.g., overnight) and limit access to retailer orchestration, customer load cannot be effectively optimised to capture the value from wholesale prices or to respond to sudden wholesale spikes. Victorian consumers should not be faced with higher wholesale costs and system security risks because of a reluctance from DNSPs to unlock hot water demand flexibility in their area. In SA and NSW, AGL is already delivering retailer-led hot water orchestration within the boundaries of operation required by network businesses.

The penetration of smart meter technology in other jurisdictions is generally a key limitation to hot water orchestration in those jurisdictions. It is perverse that Victorian customers, who have already funded a universal roll out of smart meters, are currently completely excluded from accessing the full benefits of hot water orchestration.

To maximise system benefits, it is also essential that network value can be shared through tariffs. To this effect, AGL is supportive of the proposed lower rates for controlled load across Victorian DNSPs.

Demand management

The Victorian regulatory proposals include reference to a range of demand-flexibility trials and flexible load initiatives. AGL does not support DNSP trials that would result in direct control of CER to deliver network needs. These initiatives limit customer choice by locking in technology solutions, reduce the ability of competitive players to offer lower-cost solutions for consumers, and limit the ability of customer agents (including retailers) to orchestrate consumer energy resources (CER) effectively and pass on value to consumers from multiple value streams.

Instead, DNSPs should pursue initiatives which can help unlock market-driven demand-flexibility. Examples of this include projects to improve data visibility, improve CER and electric vehicle (EV) connection

¹ Based on findings for 14k controlled load customers in Ausgrid's area pre-orchestration (7th August 2023) vs post-orchestration (7th August 2024).

² <https://arena.gov.au/knowledge-bank/plus-es-south-australia-demand-flexibility-trial-final-knowledge-sharing-report/>



processes, and to create simpler tariffs that share the network value of CER integration. Where Victorian DNSPs have proposed projects of this nature, AGL is broadly supportive subject to the AER's assessment of costs.

Grid-scale storage tariffs

AGL is supportive of the introduction of grid-scale storage tariffs by DNSPs. These tariffs present an opportunity to incentivise storage operators to shape their assets' behaviour in ways which address network needs. Consequently, the cost to operate grid-scale batteries should come at a low underlying cost if these are operating in a way which benefits the networks.

AGL supports tariffs without demand charges, such as AusNet Services' neighbourhood storage trial tariffs. Should demand charges apply, DNSPs should offer operators' access to a demand reset process and be exempt in circumstances where the battery was supplying market services (e.g., frequency control ancillary services) or directed by AEMO.

AGL is also supportive of tariffs with 'rebate' features, where batteries are incentivised to charge or discharge at certain times, such as in Jemena's large business battery tariff (A30B). In the absence of these rebate features, storage tariffs should at the very least include peak, shoulder and solar sponge elements which encourage storage operators to change their consumption and export behaviour based on these pricing signals.

All storage tariffs should be accompanied by transparent connection processes and fees as distribution owned batteries do not face the connection times and costs faced by competitive market players. This is particularly relevant for CPU's proposed storage tariffs, as they require customers to opt into a flexible connection agreement.

If you have any queries about this submission, please contact Andrea Espinosa at [REDACTED].

Yours sincerely,

Kyle Auret

Senior Manager, Policy and Market Regulation