Hon Lily D'Ambrosio MP

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Dear Clare Savage

Issues Papers – Electricity Distribution Determination for 2026-31

Thank you for the opportunity to provide input on the issues papers released by the Australian Energy Regulator (AER) on the draft proposals for each of the Victorian electricity distribution network service providers (DNSPs) for the 2026-31 regulatory control period.

This Electricity Distribution Price Review (EDPR) comes at a critical juncture for Victoria's energy system and provides a key opportunity to shape the future of electricity distribution in a way that meets the evolving needs of our community, economy, and environment.

The 2026-31 period will be critical in the energy transition with the continued rapid shift to renewable energy and increasing electrification in the residential sector, increasing uptake of electric vehicles (EVs) and increasing levels of distributed storage in the grid. Within this context, it will be vital that DNSPs are able to shift their focus from simply being a network service provider to being a distribution system operator within the regulatory period, while continuing to ensure safe, secure, reliable and affordable delivery of electricity.

The tensions between these competing priorities will need to be carefully managed through the EDPR process which impacts every Victorian and so it is essential that their interests are represented in the decision-making process. The Victorian Government acknowledges the significant efforts that have gone into ensuring that the DNSPs' proposals have been shaped through genuine and sustained engagement with a diverse range of stakeholders.

The Victorian Government notes that the draft proposals represent a significant uplift in the value of the DNSPs regulated asset bases (RABs). While this may be necessary to some extent during this period of transition and population growth, these RABs largely determine the DNSPs' revenue requirements that are ultimately paid for by Victorian electricity customers. The Victorian Government welcomes the low estimated impact on electricity bills, but notes that this is a result of forecasts of increasing electricity demand over 2026-31 regulatory period. This highlights the importance of AER scrutiny over both forecasting across the EDPR proposals, but also on delivery of commitments across the regulatory period. If actual demand over the next regulatory period is lower than forecast, Victorian households and businesses will bear the costs through higher network charges.

We recognise the importance of the AER's role in ensuring that Victorian consumers pay no more than is necessary for an energy system that delivers safe, reliable, secure energy that contributes to the reduction of greenhouse gas emissions. The Victorian Government shares these objectives and has reviewed the proposals with a focus on energy market reform and policy that meets the long-term

interests of consumers in relation to affordability, reliability, security, safety and emissions reduction, while enabling energy market transformation at a time of rapid transition.

It is vital that the proposals also recognise that increased frequency and intensity of extreme weather events has demonstrated the need to improve network resilience and emergency response capability. The Victorian Government welcomes the clear focus on resilience within the proposals but encourages the AER to closely scrutinise proposed resilience expenditure to ensure consistent and transparent methodologies, that proposed spending delivers value that DNSPs will be accountable for, and that there is no double counting across elements of the proposals or regulatory periods.

In addition, cost-of-living pressures are being felt by households and businesses across the state, making it more important than ever that networks are delivering essential services at the lowest sustainable cost. Electrification is critical to achieving Victoria's energy transition goals and ensuring long-term affordability, reliability and emissions reductions. The AER should scrutinise DNSPs' proposals to ensure that they improve network reliability and therefore the ability of regional and rural Victorians to electrify, provide sufficient information on the impacts of electrification, adequately outline any drivers for projected increases to maximum demand that will require network expenditure, and support the uptake of EVs.

Victoria's energy landscape is undergoing continued transformation and DNSPs must be future-ready and capable of integrating this change. The growth in electrification, EVs, and the increasing penetration of distributed energy resources (DER) is changing the way electricity is generated, stored, consumed, and managed. Accelerating the shift to DER and driving coordination of these critical resources will help all Victorians save money via increased network efficiency and avoided network augmentation. To unlock further value from DER, DNSPs should invest to enable DER market development, publish low-voltage network data, procure network support services to establish efficiencies and reduce costs, enable flexible services, support the adoption of bidirectional EV charging, and avoid expenditure where capabilities already exist.

Network tariffs should also be designed to harness the value that existing DER, including EVs, can provide to the network. Network tariffs will have a critical role in incentivising uptake and coordination of neighbourhood batteries and other DER technologies that puts downwards pressure on network expenditure and consumer bills.

The Victorian Government welcomes DNSPs delivering an expansion in network expenditure with minimal impacts on households and businesses during a cost-of-living crisis. While we appreciate that electrification is creating uncertainty, including from new data centre connections, DNSPs should continue to deliver their core services at affordable and efficient prices for Victoria.

The attached responses provide further detail on priority themes for the Victorian Government in this context. If you would like to discuss these matters further, please contact Ben Ferguson, Executive Director, Energy Transition and Strategy Division at the Department of Energy, Environment and Climate Action on ben.ferguson@deeca.vic.gov.au or 0431 849 398.

Yours sincerely

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Minister for Climate Action
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03 / 06 / 2025

Encl.

Victorian Government Submission on AER's Issues Papers for the Electricity Distribution Price Review 2026-31

Key messages

1. The Victorian Government welcomes the opportunity to provide a submission on the Australian Energy Regulator (AER) issues papers for the Victorian Electricity Distribution Price Review (EDPR) for the 2026-31 regulatory period. We recognise the importance of the AER's role in ensuring that Victorian consumers pay no more than is necessary for an energy system that delivers safe, reliable, secure energy and that contributes to the reduction of greenhouse gas emissions.
2. The Victorian Government is focused on supporting energy market reform and policy that meets the long-term interests of consumers in relation to affordability, reliability, security, safety and emissions, and seeks to support energy market transformation at a time of rapid transition. Our submission is guided by these priorities and is centred around four key outcomes that are critical for delivery in the next regulatory period:
    - enhance resilience investments to improve preparedness for extreme weather events
    - unlock further value from distributed energy resources
    - support electrification and minimise its cost
    - unlock value for customers through network tariffs.

Enhance resilience investments to improve preparedness for extreme weather events

3. The Victorian Government is supportive of the distribution network service providers' (DNSPs) proposed investments in network resilience, but more information is required to determine whether this level of expenditure is prudent and justified. The Victorian Government recommends the AER ensures:
    - methodology transparency and consistency of expenditure
    - proposed spending delivers value that DNSPs will be accountable for
    - scrutiny of resilience expenditure across proposals and regulatory periods.
4. As noted in the AER issues papers, the Victorian Government is currently progressing reforms that will require the DNSPs to prepare and submit Network Resilience Plans (NRPs) to Energy Safe Victoria in each regulatory control period. We expect that DNSPs will submit NRPs for the 2026-31 regulatory control period.

Ensure methodology transparency and consistency of expenditure

5. The AER needs to ensure there is a clear, transparent and consistent approach by DNSPs in presenting their proposed resilience expenditure. The AER should closely scrutinise whether resilience projects proposed by DNSPs are consistent with the recommendations in the

Victorian Government's Electricity Distribution Network Resilience Review,[1] the Network Outage Review (NOR),[2] and the AER's guidance note on network resilience (guidance note).[3]

6. The extent to which each of the DNSPs have provided evidence of meeting the guidance note varies dramatically. For example, AusNet has provided justification against each of the requirements along with reports demonstrating the economic modelling applied to arrive at its proposed resilience measures. Powercor and United Energy have provided documentation demonstrating climate and economic modelling but have not provided an account of how their proposed resilience initiatives meet the AER's guidance note. Jemena has not provided any information on how its resilience expenditure meets the AER guidance note.

Ensure DNSP accountability and value delivery

7. The Victorian Government encourages the AER to ensure that there is accountability on DNSPs in delivering resilience projects. There is also need for compliance mechanisms to ensure that customers receive the benefits that justify these proposals.

8. For example, the network hardening expenditure proposed by AusNet is justified on the assumption that 100 percent of network hardening projects will be delivered in the 2026-31 regulatory period, maximising the value to customers compared to other staged delivery options. Ensuring that the resilience expenditure approved by the AER is acquitted in line with DNSP commitments is essential to delivering value to customers.

9. To support this, the Victorian Government requests that DNSPs include implementation timelines, key milestones, and the location of each proposed resilience project in their proposals, along with a clear explanation of how each project is expected to contribute to improved resilience outcomes.

10. It is noted that in the New South Wales (NSW) DNSP regulatory proposals for the 2024-29 regulatory period, most approved resilience expenditure stemmed from the AER's acceptance of the DNSPs' total capital and operating expenditure forecasts. If the AER had not accepted these overall forecasts, it is likely that less funding would have been allocated to resilience projects. Rather than a single combined operational expenditure/capital expenditure allowance for resilience, we recommend that the AER assess which resilience projects meet the prudency and efficiency requirements on a case-by-case basis. This will support the implementation of network resilience reforms, and the proposed Distribution Annual Planning Report (DAPR) requirements proposed in the resilience rule change.

11. In their proposals for the 2024-29 regulatory period, NSW DNSPs were found to have overstated the benefits of specific locational investments. To ensure that this is not the case in Victorian proposals, DNSPs must adequately link the identified need to an expected increase in extreme weather events for the particular location with an appropriate level of granularity.

12. While the Victorian Government recognises the need to balance ex-post and ex-ante expenditure more efficiently, we encourage the AER to approve investments delivering net benefits to consumers only, comparing the Net Present Value of an ex-ante investment

[1] https://www.energy.vic.gov.au/about-energy/legislation/regulatory-reviews/electricity-distribution-network-resilience-review
[2] https://www.energy.vic.gov.au/about-energy/safety/network-outage-review
[3] https://www.aer.gov.au/industry/registers/resources/guidelines/aer-note-network-resilience

against a “do-nothing” approach, where all costs are incurred ex-post. The AER and DNSPs must weigh the costs of upfront resilience measures against the risk profile of their networks and customers’ willingness to pay.

Scrutinise resilience expenditure across proposals and regulatory periods

13. The AER must also consider whether any proposed resilience projects have already been put forward for the current regulatory period to remove the potential for double counting.

14. The AER must also consider whether double counting may arise through implementation of the NOR. Recommendation 13 of the NOR requires a licence condition to be placed on AusNet to improve its worst performing feeders and install quick connection points on high-risk townships susceptible to prolonged power outages. AusNet has provided a proposal of capital works to the Department of Energy, Environment and Climate Action (DEECA) to address this recommendation. While the scope of works required is still being analysed and refined, a Ministerial licence condition on AusNet would be material in nature and meet the AER requirements for a positive change event (cost pass-through event) within the current regulatory period.

15. Some of the initiatives in AusNet’s proposal in relation to the proposed licence condition could also be included in AusNet’s regulatory proposal for the 2026-31 regulatory period under criteria such as resilience investment or bushfire safety. While AusNet has committed to remove any double counting associated with the licence condition in its draft proposal, there is the potential for confusion that could result in funding of works from either the current or future regulatory period.

16. DEECA will work with the AER and AusNet to ensure there is sufficient transparency of information so that double counting can be identified.

Unlock further value from distributed energy resources (DER)

17. Victorians are embracing the use of DER to generate, store, manage or sell their own energy. Accelerating the shift to DER will help consumers save money through control of their own energy and will help Victoria meet its legislated renewable energy targets.

18. DNSPs will play a crucial role in enabling the technical requirements that promote coordination by market participants who can aggregate DER and share value with consumers. This is vital in enabling DER services to be delivered by market participants to provide firming capacity and respond flexibly to both network and system-wide needs to put downwards pressure on consumer bills.

19. To unlock further value from DER, within the 2026-31 regulatory period DNSPs must transition to their evolving role to deliver Distribution System Operator (DSO) functions as part of an increasingly decentralised energy system, as outlined in the National Consumer Energy Resources Roadmap (CER Roadmap) national reform priority*: Redefine roles for market operations*.[4] This project will be completed in 2026, after which DNSPs will be compelled to fulfil DSO obligations.

[4] https://www.energy.gov.au/sites/default/files/2024-07/national-consumer-energy-resources-roadmap.pdf

20. The Victorian Government supports strong expenditure in this critical area which will help limit cost increases in future regulatory periods as the energy transition progresses. However, The Victorian Government calls for more clarity on expected outcomes of DSO expenditure – which includes enabling low-voltage network visibility, procuring network support services, and enabling flexible services – and increased expenditure to procuring network support services to significantly increase network utilisation and augmentation deferral savings.

Enabling low-voltage network visibility

21. The efficient deployment and integration of DER is dependent on access to data on the low-voltage network to enable increased utilisation of existing network assets while putting downwards pressure on network costs.

22. The AER must scrutinise proposed expenditure on network visibility platforms to ensure these focus on delivering critical use cases and data formats for non-network service providers identified in the AER Low-voltage Network Visibility Phase 3 Final Report.[5] Use cases include expedited connection approval timelines for electric vehicle (EV) charging providers, improved information for Virtual Power Plant (VPP) providers to inform efficient aggregation and efficient deployment of neighbourhood batteries that are all enhanced through the provision of freely accessible network capacity maps.

23. CitiPower, United Energy, Powercor and AusNet have not adequately justified why investing in new platforms is efficient and necessary, when they already use the Rosetta platform that is capable of providing the priority datasets identified in the Network Visibility Phase 3 Final Report. The AER should not approve expenditure on new platforms in the absence of a compelling case. The Victorian Government encourages the AER to consider whether any approved expenditure is contingent on use of a common platform which delivers efficiencies for third-party users of the data.

24. The Victorian Government notes that Jemena has not committed to publishing low-voltage network data. Given the speed of the transition, and the foundational importance of this information, it is critical that Jemena is required to provide this information from 1 July 2026, including network constraint information to inform efficient deployment of DER technologies and to enable the procurement of network support services.

Procuring network support services

25. Procuring network support services to efficiently manage network congestion will be critical to managing capital expenditure in future years in an increasingly two-way distribution network. The Victorian Government calls for significantly more expenditure on paying third-party service providers for network support services, appropriately recognising the benefits provided by DER technologies and sharing the benefits of DER with all Victorians.

26. The Victorian Government notes that:

- AusNet proposes $6 million in ‘flexibility services’ payments to service providers through procuring network support services, which would result in $29 million of deferred capital expenditure. Over a five-year period, these values are very low. Given the size of its

[5] https://www.aer.gov.au/news/articles/communications/aer-publishes-low-voltage-network-visibility-phase-3-report

network and proposed overall expenditure, AusNet should procure these services at a much larger scale to increase network cost savings through deferred capital expenditure.

- Powercor proposes to spend $5.9 million to establish a non-network marketplace to defer just $1.3 million of capital expenditure through procuring network support services. As a similarly sized network compared to AusNet, this value is extremely low for the 2026-31 period.
- United Energy and CitiPower propose to spend $4.7 million and $2.5 million respectively to implement the same non-network marketplace, with similarly low capital expenditure deferral values of $0.8 million and $0.5 million respectively.
- Concerningly, Jemena has not committed to procuring network support services as part of its CER integration strategy.

27. Proposed expenditure for network support service procurement platforms should only be approved in cases where there are not existing tools and capabilities to procure network support. Expenditure should instead be directed towards payments to third-party providers of these services.

28. The Victorian Government notes the current consumer energy resources (CER) Data Exchange Industry Co-Design work and strongly encourages Victorian DNSPs to adopt the same platform for procuring network support services to establish efficiencies and reduce costs for both networks and network support service providers.[6]

Enabling flexible services

29. Flexible exports are a key enabler of dynamic DER integration, which benefits all consumers by maximising network utilisation to defer the need for costly network investment to deliver savings to consumers. Flexible exports also have the potential to enable improved consumer access to markets. For example, trials are already underway in South Australia where retailers are paying customers to be able to dynamically control their exports to respond to market price signals, generating greater market value from consumer-owned DER.

30. Victoria's implementation of the emergency backstop mechanism via the Common Smart Inverter Profile – Australia (CSIP-Aus) technology ensures that the technical foundations are already in place for DNSPs to be able to offer flexible exports. The Victorian Government notes that this has been delivered using cost pass throughs in the current regulatory period. Within this context, the AER should consider the impacts on economic efficiency and consumer benefit of DNSPs deferring the implementation of flexible export products beyond 1 July 2026. The Victorian Government notes that only AusNet has committed in full to this delivery timetable.

31. While the Victorian Government is very supportive of this commitment, AusNet's proposed low static limit of 1 kW per phase for flexible export products should be lifted to 1.5 kW in line with what has already been successfully implemented in South Australia for all new solar customers. This should be consistent, and factored into expenditure plans, across all Victorian DNSPs. 1.5 kW should also apply as the lower bound of a flexible export. National consistency

[6] https://aemo.com.au/initiatives/major-programs/nem-distributed-energy-resources-der-program/markets-and-framework/cer-data-exchange-industry-codesign

in technical standards and settings to the extent possible is fundamental to keeping costs of the transition down for technology providers and therefore the Victorian public. Furthermore, feedback from original equipment manufacturers indicates that anything below a 1.5 kW limit would compromise minimum energy thresholds required to use excess solar for load diversion, particularly for charging EVs.

32. The Victorian Government notes that DNSPs have put forward proposals to implement flexible loads within the regulatory period. While flexible loads may increase network utilisation, defer network augmentation and further prepare the grid for flexible DER integration, there is also significant potential for consumer harms. It is noted that effective adoption of DER coordination, DSO functions and meaningful tariff reform could reduce the need for command-and-control flexible load measures. The AER must satisfy themselves that the implementation of options to limit access to an essential service is done with appropriate oversight and consumer protection. Any approach to flexible loads within the regulatory period should be limited to trials that ensure trial participants, particularly EV customers, have expressly opted into such trials and are not forced or required to participate. This expenditure should also not precede the implementation of the CER consumer protections workstream, being delivered by the Victorian Government, and the national CER Roadmap.

33. The Victorian Government notes that Jemena has proposed expenditure for implementing a Dynamic Voltage Management System (DVMS) for which it received approved expenditure for the 2021-26 regulatory period. In its 2024 DAPR, [7] Jemena committed to full network rollout of DVMS in 2025. It is critical that in reviewing proposals, the AER can satisfy themselves that previously approved expenditure has delivered the commitments for which it was justified and that any new expenditure is not double counting.

34. Further, the Victorian Government urges AusNet to commit to a full network rollout of its DVMS at the beginning of the 2026-31 regulatory period to ensure consumers can benefit earlier from reduced consumption and bills associated with reduced average voltages.

Support electrification and minimise its costs

35. Electrification is critical to achieving Victoria's energy transition goals and ensuring long-term affordability, reliability, emissions reductions and equitable outcomes for consumers. The Gas Substitution Roadmap is helping Victorians embrace sustainable energy sources, including by incentivising electrification.[8]

36. Considering this, the Victorian Government calls on the AER to scrutinise DNSPs' proposals to ensure that they:

- improve network reliability and enable electrification in regional areas
- provide sufficient information on the impacts of electrification, including connections and demand forecasts
- maintain Capital Expenditure Sharing Scheme (CESS) settings
- manage the uptake of EVs.

[7] 2024 Distribution Annual Planning Report p. 81
[8] Victoria's Gas Substitution Roadmap

37. The Victorian Government notes the recent regulatory re-openers in both the gas and electricity distribution areas, and the increased potential for uncertainty in this period of rapid change. The AER needs to scrutinise connections forecasts in this context to ensure minimal over forecasting.

Improve network reliability and enable electrification in regional areas

38. Network reliability ensures the consistent day-to-day delivery of services; it remains a high priority for customers and the Victorian Government. Improving reliability ensures equitable access to electricity but also increases the ability of regional and rural Victorians to electrify.

39. It is hard to determine precise levels of capital expenditure proposed directly linked to reliability in the draft proposals, as it is tied to other core components of the DNSP operations, such as network safety, system security, and resilience.

40. Given that reliability is a key basis for justifying expenditure, the AER needs to ensure that DNSPs better outline how their proposed expenditure will improve or maintain it, beyond what has already been identified in their draft proposals.

41. The Victorian Government notes that AusNet is proposing an innovative reliability investment program of $118.9 million (direct, real 2023-24), focused on its worst served customers. While $20.7 million is requested to improve reliability on AusNet's ten worst performing feeders, the majority of reliability expenditure consists of $76.5 million allocated to the Regional Reliability Allowance (RRA). This fund is intended to provide AusNet with flexibility to address issues as they emerge, however creating such a large discretionary fund undermines the scrutiny provided by the EDPR. The AER should ensure that any spending of this magnitude will deliver improved reliability and more value for consumers.

42. The AER must also consider if further expenditure is warranted to upgrade priority lines or whether wider uptake of Stand-Alone Power Systems (SAPS) and non-network options could be considered to enable rural and regional participation in the energy transition.

Scrutinise electrification and demand forecasts

43. DNSPs are projecting an increase in energy consumption, and peak and maximum demand throughout the 2026-31 regulatory period. This is largely driven by residential electrification and new data centre connections, though the individual contribution of these drivers and impacts is not clear in DNSP proposals. The Victorian Government notes that it is difficult to determine the specific impacts, drivers, and individual contributions of electrification on consumption and demand forecasts from the data provided by DNSPs, but notes that overall projection seem in line with AEMO forecasts.

44. It is critical to the overall costs to consumers that the AER is satisfied that consistent and robust methodologies have been developed and implemented by each DNSP to ensure alignment across their estimates, and that they are verified by real world data. This includes with respect to projected increases in after diversity maximum demand.

45. The Victorian Government also encourages the AER to ensure consistent and robust methodologies with respect to the impact of new data centre connections on demand forecasts. The Victorian Government notes that this is a rapidly evolving area, and there is high potential for inaccuracy of projected data centre growth, and anticipated load profiles due

to emergence of artificial intelligence and other uses. There is also high potential for demand response through onsite generators.

46. The Victorian Government notes the work being undertaken by Energy Ministers and market bodies on the implications for Australia's energy system presented by projected growth in data centres. This includes investigating options to minimise system impacts, maximise potential system benefits and explore whether existing regulatory frameworks for data centres remain appropriate.

47. In this context, the Victorian Government recommends that the AER:

    - calls on DNSPs to better outline the anticipated impacts of electrification, including the expected contribution to increased demand forecasts and overall expenditure compared to other factors, including increased expenditure on DER flexibility which may limit the need for capital expenditure.
    - ensure consistent and robust methodology across DNSP demand forecasts
    - compare assumptions contributing to electrification forecasts across DNSPs (urban networks could be separated from regional networks for fair comparison) to check that these are consistent
    - analyse DNSPs' data centre forecasts to ensure that projected network utilisation outcomes (and resultant downward impacts on network prices) are realistic.

48. Where the AER cannot be reasonably certain that the demand forecasts are reliable then the AER should not accept associated connections capital expenditure proposals from the DNSPs.

Maintain Capital Expenditure Sharing Scheme (CESS) settings

49. The CESS incentivises DNSPs to be efficient by rewarding them when they underspend capital expenditure allowances and penalising when they overspend. The rewards and penalties are shared with customers. DNSPs have stated in their proposals that new connections are 'non-controllable' expenditure and are difficult to forecast.

50. At this stage, the Victorian Government does not fully support the proposal to exclude connections from the CESS, as there is no clear evidence for why connections forecasts are insufficient and why DNSPs are not able to provide more accurate forecasts of connections capital expenditure.

51. We are concerned that excluding connections from the CESS may no longer incentivise DNSPs to plan and carry out works more efficiently. The CESS is based on the total capital expenditure spend and while an overspend may occur in connections capital expenditure, retaining it within the CESS incentivises DNSPs to make efficiency gains in other areas of capital expenditure spending, such as replacement or augmentation expenditure to mitigate against the risk of overall overspend on their allowed capital expenditure that would trigger a CESS penalty. Improved efficiencies in connections capital expenditure, as well as across other areas of capital expenditure benefits consumers by lowering costs.

52. We note that the AER are undertaking a review of the Capital Expenditure Incentive Guideline to accommodate the AEMC's rule change on managing Integrated System Plan (ISP) project

uncertainty through targeted ex-post reviews. As part of this review the AER are also considering whether to modify the CESS to allow specific capital expenditure categories to be excluded from the CESS. DEECA is still concerned about excluding connections from the CESS, but note that the AER's explanatory statement for the draft guidelines proposes a volumetric adjustment mechanism to the CESS which allows for prudent changes in volumes of connections following an ex post review, so that DNSPs are not rewarded or penalised for changes in the volume of work they need to undertake. DEECA is assessing the draft proposal as one avenue to allow flexibility in a time of significant connections uncertainty. We acknowledge that the proposal does ensure that some oversight of connections expenditure remains through ex post reviews, but would like further information regarding the approach to ensuring that overinvestment is disincentivised and the overall benefit is to consumers.

Manage uptake of electric vehicles

53. EV uptake is expected to steadily increase over the 2026-31 regulatory period in Victoria. The electrification of transport will mean an increase in the volume of electricity consumed, and the flexible nature of EV charging (particularly in residential and business settings) should be maximised to soak low-cost and abundant solar generation; this will help manage network demand and avoid network augmentation.

54. The AER must ensure that DNSPs proactively and effectively manage the expected growth in EV charging demand, while also increasing network utilisation. This may include trials of EV tariffs, managed or coordinated charging, and leveraging opportunities from bi-directional EV charging capability. The AER should scrutinise these projects to assess whether the proposed expenditure is efficient.

55. To better understand the impact of EV uptake, the AER should also request that DNSPs' customer-driven electrification expenditure projections distinguish between contributions from electrification of transport and switching from gas to electricity.

Unlock value for customers through network tariffs

56. The Victorian Government supports the proposed default residential tariff structures and assignment policies, which balance existing consumer protections while moving towards cost-reflectivity as required by the AER, with gradually more customers being assigned time-of-use (ToU) tariffs throughout the regulatory period.

57. The Victorian Government views the introduction of a solar soak period from 11am – 4pm as part of a three-part ToU tariff a positive step to encourage more retail offers that provide free or very cheap energy in the middle of the day, and is also supportive of reducing the length of the peak period from 3pm to 9pm in the current regulatory period, to the proposed 4pm – 9pm for the 2026-31 regulatory period.

58. Network tariffs must be designed to harness the value that existing DER can provide to the network, as well as to incentivise the uptake of DER technologies in a coordinated way that puts downwards pressure on network expenditure and therefore consumer bills. Tariff design should unlock customer value through:

    - targeting opt-in CER/DER residential tariffs to retailers to generate customer value

- incentivising neighbourhood battery operation that puts downwards pressure on network costs
- exploring tariff trials for EVs
- leveraging formal mechanisms to identify small customers with electric vehicle supply equipment.

Target opt-in CER/DER residential tariffs to retailers to generate customer value

59. Opt-in two-way tariffs will provide incentives for retailers and aggregators to offer products which can offer better value to 'prosumers' that invest in DER technologies (including those with vehicle to grid capability). This should unlock opportunities for DER customers who may be interested in a coordination product, which would be better able to deliver value relative to the standard residential tariff that would otherwise apply.

60. The Victorian Government encourages the AER to consider the higher relative costs of investment to address localised maximum demand, compared to the cost of managing solar exports and sharing the benefits with consumers. With this in mind, export rebates during the 4pm – 9pm evening peak should be higher than export charges during the 11am – 4pm solar peak. This is satisfied by CitiPower, Powercor, and United Energy (CPU) and Jemena but not by AusNet.

61. The Victorian Government strongly opposes AusNet's very low export rebate during the 4pm – 9pm period, which significantly outweighs the corresponding peak consumption charge by a ratio of approximately 50:1. A higher consumption charge indicates high costs to the network to meet demand , but a corresponding low export rebate indicates otherwise. This discrepancy between AusNet's export rebate and peak consumption charge is significantly out of line with what CPU and Jemena are proposing and limits the value that retailers can pass onto consumers, particularly for EV customers with vehicle-to-grid capability. This is also a missed opportunity to incentivise DER operation that puts downwards pressure on network costs through discharging during the evening peak.

62. The Victorian Government supports opt-in two-way tariffs that incorporate seasonality (such as those proposed by CPU) that better reflect the costs of serving the network at different times of year (for example, during the summer and winter peak periods).

63. While the Victorian Government notes that these tariffs are more complex for households, we consider it unlikely that consumers will opt in to them unless joining a coordination product that can leverage these tariffs to offer value to consumers. Retailers and aggregators are well-placed to respond to more complex price signals that better reflect network costs, generating value and encouraging consumer uptake of coordinated DER products.

Incentivise neighbourhood battery operation that puts downwards pressure on network costs

64. The Victorian Government is committed to seeing consumers benefit from the imminent growth in neighbourhood-scale battery deployment during the 2026-31 regulatory period, supported by the 100 Neighbourhood Batteries Program in addition to the Australian Government's Community Batteries for Household Solar Program.

65. Network tariffs for neighbourhood batteries must reward battery operation that provides network benefits while also enabling response to market signals that provide grid-firming capacity and other overall system benefits. This presents a significant opportunity for consumers to benefit from improved solar hosting capacity, reduced network constraints, improved local energy reliability and downwards pressure on electricity bills.

66. The Victorian Government supports mirrored peak import charges and export rebates for winter and summer as proposed by CPU, as well as the proposed free import during off-peak times. This incentivises battery operation that puts downwards pressure on network costs, while ensuring that batteries are not penalised for operating in a way that does not cause network constraints.

67. The Victorian Government also supports free off-peak import for Jemena's proposed tariff but strongly opposes a high fixed charge in the absence of incentives for battery operation that takes pressure off the network. A high fixed charge indicates a need to recover costs, but low import rebates during the solar soak period and low export rebates during the evening peak indicate otherwise.

68. The AER should reject tariffs that propose high fixed charges in the absence of strong incentives for battery operation that puts downwards pressure on network costs. If tariffs like these are approved, they would undermine competition, efficiency and innovation in contestable markets while serving as a major disincentive for non-network parties to install batteries.

69. The Victorian Government notes that four out of five DNSPs have proposed standardised neighbourhood battery tariffs. To ensure confidence of investors, the Victorian Government calls on the AER to ensure consistency requiring all DNSPs to have BAU neighbourhood battery tariffs.

Explore tariff trials for EVs

70. Network tariff trials for EVs are imperative to help test and refine how price signals can encourage smarter, more efficient EV charging prior to the predicted strong growth in EVs over the coming decade. Such trials can reveal how Victorians respond to incentives, and the degree of customer flexibility for EV charging on maximum or minimum demand days, to ensure that networks are prepared for the growing uptake of EVs in Victoria.

71. The Victorian Government strongly encourages AusNet to continue to work with retailers to encourage uptake of its EV tariff trial that is proposed to continue for the 2026-31 regulatory period.

72. The Victorian Government also encourages other DNSPs to explore tariff trials for EVs during the 2026-31 regulatory period, which can go further than the proposed standard residential and opt-in two-way tariffs to improve network utilisation by leveraging the flexible nature of EV charging load.

Leverage formal mechanisms to identify small customers with electric vehicle supply equipment

73. There is work underway on establishing a formal mechanism for the identification of customers installing electric vehicle supply equipment (EVSE) as part of the National CER Roadmap project on developing a national CER regulatory framework.

74. It is expected that a formal mechanism will be in place during the 2026-31 regulatory period. In the interim, the Victorian Government understands that complementary measures have been implemented by AEMO, DNSPs and other stakeholders to improve EV and EVSE visibility to support system security, reliability and planning. However, these interim measures do not provide DNSPs with sufficient certainty for the purposes of network tariff assignment.