Hon Lily D'Ambrosio MP

Minister for Climate Action
Minister for Energy and Resources
Minister for the State Electricity Commission

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Dear Clare Savage

Re: Victorian Government Submission – Response to AER draft decisions for the Victorian Electricity Distribution Determination 2026-31

Thank you for the opportunity to provide further feedback on the Australian Energy Regulator's (AER) draft decisions for the Victorian Electricity Distribution Price Review for the 2026–31 regulatory control period. The Victorian Government appreciates the AER's consideration of our previous submission and acknowledges that a number of our recommendations have been reflected in the draft decisions. These changes demonstrate the AER's commitment to rigorous assessment and to delivering outcomes that serve the long-term interests of Victorian consumers.

Victoria's energy system is undergoing an unprecedented transformation. The next regulatory period will be pivotal in enabling the renewable energy transition, household and business electrification, the rapid uptake of electric vehicles, and integrating consumer energy resources while maintaining affordability, reliability, and safety. We welcome the AER's efforts to ensure prudent and efficient expenditure during this time of significant cost-of-living pressures and accelerating energy transition.

Our submission builds on the priorities outlined in our earlier response and focuses on seven key themes:

- **Resilience** – ensuring networks are prepared for increasing extreme weather events through justified and efficient investment.
- **Reliability** – improving service quality, particularly for regional and rural communities, while avoiding blanket allowances that undermine scrutiny.
- **Demand forecasts** – supporting robust, transparent forecasting that accounts for electrification, electric vehicle uptake, and emerging load drivers such as data centres.
- **Data centres** – addressing risks of overestimated demand growth and ensuring fair cost allocation.
- **Consumer energy resources and distributed energy resources integration (DER)** – enabling distributors to transition toward the distribution system operator role, with investment in low-voltage visibility, flexible exports, and orchestration.
- **Network tariffs** – ensuring cost-reflective, technology-neutral pricing that sends clear market signals, supports transport electrification, and enables innovative DER products like seasonal and two-way tariffs.

- **Electric vehicle charging** – ensuring fair, cost-reflective, technology-neutral tariffs for all EV charging infrastructure to encourage charging during solar soak periods and discourage peak-time charging, while avoiding reliance on command-and-control measures as a substitute for market signals.

We support the AER's draft decisions where they promote efficient expenditure and protect consumers, and we encourage continued scrutiny of proposals to ensure they align with the National Electricity Rules and deliver outcomes consistent with community expectations. At the same time, we encourage the AER to consider the critical need for investment in capabilities that enable the energy transition, such as flexible exports, low-voltage network visibility, and non-network solutions.

The Victorian Government remains committed to working collaboratively with the AER and distribution businesses to ensure that the 2026–31 period delivers a resilient, reliable, and future-ready network that supports Victoria's clean energy objectives and net-zero targets.

The attached submission provides further detail on priority themes for the Victorian Government in this context. If you would like to discuss these matters further, please contact Katie Brown, Executive Director, Electrification, Efficiency and Safety Division at the Department of Energy, Environment and Climate Action, via katie.brown@deeca.vic.gov.au or 0428 691 547.

Yours sincerely

Hon Lily D'Ambrosio MP
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28 / 01 / 2026

Encl.

Victorian Government submission to the AER – response to Victorian electricity distribution determination draft decisions for 2026-31

The Victorian Government appreciates the opportunity to provide feedback on the Australian Energy Regulator's (AER) draft decisions for the Victorian Electricity Distribution Price Review (EDPR) for the 2026-31 regulatory control period. We support the AER's rigorous approach and welcome its commitment to ensuring prudent and efficient expenditure that delivers value for Victorian customers. We welcome the draft decisions outlining a forecast reduction in network charges to residential and small business customers during a cost-of-living crisis.

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 reduction, and seeks to support the ongoing energy market transformation at a time of rapid transition.

Our submission is guided by these priorities and is centred around seven key themes: resilience, reliability, demand forecasts, data centres, consumer energy resources and distribution energy resources integration, network tariffs and electric vehicle charging tariffs.

Resilience

It is vital that the proposals from each of the electricity distribution network service providers (DNSPs) recognise the increased frequency and intensity of extreme weather events and the associated need to improve network resilience and emergency response capability. Therefore, the Victorian Government supports increased investment in network resilience provided that it is justified and prudent. However, we agree with the AER's draft decisions to significantly reduce proposed resilience expenditure across all DNSPs, reflecting the AER's findings that DNSPs (in some instances) overestimated economic cases, inflated benefits projections, and relied on excessive cost assumptions.[1]

We note the AER identified modelling errors in key inputs such as values of customer reliability (VCR) and value of network resilience (VNR) methodologies, which contributed to overestimation of costs and benefits. DNSPs failed to provide sufficient evidence of efficiency and did not adequately analyse non-network options. We support the AER's position that only clearly justified projects should be accepted, with DNSPs required to present robust evidence and prioritise cost-efficient alternatives, such as targeted asset hardening rather than large-scale programs.

In the new regulatory period from 2026-31, we note that approved resilience projects will be monitored and enforced by Energy Safe Victoria, through approved DNSP Network Resilience Plans, to ensure compliance and delivery.

We encourage the AER to invest in establishing a long-term, evidence-based VNR informed by empirical studies, customer research, and broader socio-economic data. The current VNR provides a useful and conservative initial anchor that enables DNSPs to begin applying

[1] AusNet Services' (AusNet) proposal of $260.9 million was reduced to $42.3 million (84% reduction), Powercor's $98.4 million proposal was reduced to $25.8 million (74% reduction), UE's $35.2 million proposal was reduced to $12.7 million (64% reduction), and Jemena's $19.8 million proposal was reduced to $1.3 million (93% reduction).

resilience expenditure in a consistent way. However, we consider the present value to be conservative, and we encourage the AER to commence development of a more robust, empirically grounded VNR. Over time, a stronger evidence base will support more efficient investment decisions, improve transparency, and give stakeholders greater confidence that resilience funding aligns with community preferences and the evolving risk environment.

Reliability

Network reliability ensures the consistent day-to-day delivery of services and remains a high priority for customers and the Victorian Government. Improving reliability not only delivers equitable access to electricity but also increases the ability of regional and rural Victorians to electrify and participate in the energy transition. We appreciate the AER's scrutiny of DNSPs' proposals to ensure that they improve network reliability.

We support the AER's draft decision to reject AusNet's $137.4 million reliability improvement program, including the Regional Reliability Allowance (RRA). We reiterate that creating a large discretionary fund such as the RRA undermines the scrutiny provided by the EDPR process.

The Victorian Government is of the firm view that DNSPs must provide robust, quantitative cost-benefit analysis to demonstrate prudency and efficiency of their reliability improvement proposals. We emphasise the need for transparency and targeted investment programs that are focused on poor-performing feeders, rather than blanket allowances. The Victorian Government will continue discussions with DNSPs on improving regional reliability and known areas at risk of prolonged power outages, as part of implementing recommendations from the Network Outage Review.

One example of an investment that is designed to improve regional reliability is AusNet's proposed Benalla to Euroa express feeder. The Victorian Government sees merit in this investment, although notes that in the most recent proposals it has become net present value (NPV) negative. The Victorian Government encourages the AER to consider the significant benefits that this new express feeder would deliver to customers in this area, who have experienced extremely poor network reliability since late 2023.

Demand forecasts

The Victorian Government notes that household electrification and electric vehicle uptake has been underway in Victoria now for several years, and we support the use of DNSP empirical data, where it exists, as a primary input for demand forecasts and modelled projections. It is critical that DNSP demand forecasts are transparent, with demand drivers clearly separated (e.g., household electrification should be distinct from commercial and industrial electrification and electric vehicles) to ensure appropriate visibility of the impact of expenditure decisions relating to demand forecasts.

The Victorian Government notes that the AER's draft decisions limited DNSPs to historical demand projections as an approach to ensuring prudency in this inexact field. It is our view that there is significant risk in relying on historical projections at a time of significant evolution in distribution networks, including policy-driven electrification, projected gas shortages and price increases and rapid uptake of distributed energy resources (DER) and electric vehicles (EV).

We note the DNSPs revised proposals included updated demand forecasts which were based on new data, inputs and assumptions. We encourage the AER to carefully consider these latest demand forecasts and ensure that modelled projections, which are critical to the revenue cap form of control regulating the DNSPs, are not only robust, but also take into account the unprecedented demand growth that is expected to occur over the next regulatory period driven by electrification, electric vehicle uptake and data centre connections.

Data centres

The Victorian Government notes the rapid growth in data centre connections over the 2021-26 regulatory period and regards the emergence of data centres, generative artificial intelligence and cloud computing as an evolving policy area. We have concerns about the accuracy of the DNSPs' projected data centre growth and anticipated load profiles, which translate to broader concerns around the accuracy in DNSPs' demand forecasts and risks of over-estimating demand growth.

We support the AER's draft decisions to rigorously test the DNSPs' proposed data centre-related expenditure.[2] We encourage the AER to continue to ensure consistent and robust methodologies for data centre connection impacts and analyse DNSPs' forecasts, to ensure projected network utilisation outcomes and resultant downward impacts on network prices are realistic. The Victorian Government will continue working with the AER through the national working group to review protections for existing customers under the regulatory framework.

Consumer energy resources (CER) and distributed energy resources (DER) integration

Distribution System Operator

To enable the energy transition in the distribution network through maximising value from DER, DNSPs must transition to the role of Distribution System Operator (DSO) within the 2026-31 regulatory period.

Work to support this is progressing as part of the National Consumer Energy Resources Roadmap (CER Roadmap). While formal obligations are yet to be imposed, it remains essential that DNSPs strengthen their DSO capabilities in the immediate term, including by enabling low-voltage network visibility, procuring network support services, and enabling flexible exports and flexible services.

The Victorian Government supports expenditure in these critical areas where DNSPs have put forward compelling cases, and the benefits are clear. We note that DNSPs have taken different approaches to how they structure their proposals related to these capabilities – only AusNet indicates specific DSO expenditure;

- we support AusNet's proposed DSO expenditure of $30.8m, which bundles the implementation of flexible exports, a non-network solutions portal, increased low-voltage network visibility, and flexible demand orchestration for commercial and industrial customers.

[2] Jemena's $195.9 million proposal was reduced to $56.9 million; AusNet's $24.7 million proposal was reduced to $17.5 million, and Powercor and CitiPower's proposals ($33.6 million and $19.7 million respectively) were rejected in full due to speculative assumptions and flawed methodologies.

- CitiPower Powercor United Energy (CPU's) revised proposal includes a DSO vision, with expenditure for specific DSO functions proposed under its CER integration strategy. CPU's revised proposal and DSO vision acknowledges undervoltage events on its network in the middle of the day are due to its low-voltage networks not being strong enough to support this load. The Victorian Government is concerned that CPU's vision prioritises augmentation investment in the 2026-31 period, with orchestration being seen as a longer-term solution and encourages the AER to satisfy itself that network augmentation is justified when optimising CER orchestration may provide more efficient benefit.
- Jemena acknowledges their changing role as a DNSP and proposes expenditure for some expected DSO functions but has no DSO-specific proposal. It is likely they may develop this at a later stage when reforms are introduced to formalise the DNSPs in the DSO role. We encourage Jemena to take a proactive approach to ensure they are ready to transition to DSO functions.

Greater detail regarding the Victorian Government's view on proposed expenditure for specific key DSO functions is outlined in the sections below, including where DNSPs have not directly linked these functions to the DSO role in their own proposals.

Enabling low-voltage network visibility

Low-voltage network data held by DNSPs is critical to identify optimal locations to efficiently deploy DER technologies and non-network solutions, including EV charging. Current inconsistencies in the availability of the required data, and lack of transparency in processes to access it, prevents real competition and market innovation. Public provision of network capacity information on the low-voltage network is required in a consistent, accessible and timely manner, to unlock investment in the critical infrastructure of a high DER energy system, support innovation and better serve the long-term interests of energy consumers.

The Victorian Government acknowledges the AER's concerns around bespoke solutions ahead of the Integrated Distribution System Plan (IDSP) rule change and we support the AER having regard to the outcomes of this process in its final determinations.

However, the Victorian Government is concerned that meaningful national changes are uncertain and still years away, providing no near-term solution for third parties. We also note that Victoria's leadership in the delivery of near universal smart metering gives Victoria the ability to move more quickly to optimal low-voltage network data provision than may be possible in other states. As this issue remains a critical bottleneck for the deployment and integration of DER – particularly EV charging infrastructure – we support measured expenditure for all DNSPs to improve their data visibility, provided that:

- The proposed expenditure to uplift existing data platforms delivers meaningful improvements and efficiencies for third-party users.
- DNSPs engage with third parties (including the EV charging industry) to ensure the level and format of data meets their needs. This includes making data available on the National Electric Vehicle Charging Infrastructure Mapping Tool.
- The expenditure is prioritised in the near-term, and the necessary changes are delivered by DNSPs within 12 months.

- Basic network data remains accessible without direct charges to requesting parties, in line with the AER's Framework and Approach.[3]
- DNSPs have regard to potential future obligations arising from the IDSP rule change.

We note that Jemena does not currently have a public-facing platform comparable to AusNet's GridView Portal and CPU's Network Visualisation Portal. While Jemena meets minimum compliance through its digital Distribution Annual Planning Report (DAPR) map, it lacks advanced low-voltage network data visibility. Victoria supports Jemena's proposed Strategic Network Analytics Platform (SNAP), provided it delivers significant improvements in network transparency and enables timely data sharing with third parties to support DER integration. Given the speed of the transition, the foundational importance of this information, and the fact that SNAP is almost complete, it is critical that Jemena is required to provide this information from the end of 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

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.

We note the AER did not approve AusNet's proposed $6 million for flexibility services payments in its draft decision, and AusNet has since revised this down to $0.2 million. In our initial submission, we expressed support for expenditure that is directed towards payments to third-party providers including households for network support services and demand response initiatives that can delay augmentation.

AusNet has also proposed expenditure for a platform that allows customers or third parties to easily sign up to provide flexible services. CPU have also proposed expenditure for further investment in their existing Piclo platform, both of which the Victorian Government supports.

In its draft decision, the AER noted that the market is not presently mature enough to meet network constraints at a lower cost than network augmentation. The Victorian Government acknowledges that investment in a non-network marketplace platform is just one enabling factor, and experience to date (for example, CPU's Piclo platform) shows that simply deploying a platform is not sufficient for procuring economically viable non-network alternatives from the market. However, the platforms are a necessary foundation for procuring network support services and demand response at scale and are necessary to drive market maturity. The Victorian Government is therefore supportive of measured expenditure for these platforms provided that DNSPs consult with third parties to ensure they are fit-for-purpose and that there is transparent demonstration that funds are being used to upgrade or establish platforms in line with what is indicated in their proposals.

The Victorian Government is concerned that Jemena has not proposed any expenditure, as non-network solutions can deliver substantial benefits as an alternative to network augmentation.

[3] AER - Framework and Approach for AusNet Services, CitiPower, Jemena, Powercor and United Energy 2026-31

Enabling flexible exports

The Victorian Government is strongly supportive of all expenditure proposed for flexible exports given Victorian DNSPs have already invested in utility servers that support Common Smart Inverter Profile – Australia (CSIP-Aus) functionality. The Victorian Government is now working with DNSPs to ensure customers further benefit from CSIP technology and allow continued DER growth and customer choice.

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. Victoria's implementation of the emergency backstop mechanism via the CSIP-Aus technology ensures that the technical foundations are already in place for DNSPs to be able to offer flexible exports.

Previously AusNet assumed 35% of new solar customers would opt into flexible exports but has since downgraded this to an assumption of 10%. The uptake for applicable new solar customers in South Australia connecting with 30kW or less has reportedly been above 80%, which is in line with predictions reported in the South Australia Power Network Trial.[4] The Victorian Government believes the percentage of customers opting in would be higher than AusNet's assumed 10%, which would increase the amount of avoided augmentation.

Voltage management

The Victorian Government notes the critical importance of dynamic voltage management systems (DVMS) to ensure continued safe operation of the networks in a high DER energy system.

We note Jemena has previously committed to full network rollout of DVMS in 2025. It is critical that in reviewing proposals, the AER is satisfied that previously approved expenditure has delivered the commitments for which it was justified and that any new expenditure is not double counting. We note CPU has already rolled out DVMS.

Network tariffs

Since the development of the Tariff Structure Statements, Victoria's Essential Services Commission (ESC) has commenced seeking feedback on its approach to setting Victoria's default electricity price for 2026-27, including on the suitability of a regulated free power period for residential customers in the middle of the day to mirror the proposed Solar Sharer Offer under the National Energy Customer Framework. The proposed three part time of use tariff in the current proposals would support this type of product being introduced in Victoria.

Opt-in CER and DER residential tariffs

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.

[4] https://arena.gov.au/assets/2024/01/SA-Power-Networks-Flexible-Exports-for-Solar-PV-Trial-Final-Report.pdf

In our initial submission, we strongly opposed AusNet's very low export reward during the 4pm – 9pm period, noting this would limit the value that retailers can pass onto consumers, and would be a missed opportunity to incentivise DER operation that puts downwards pressure on network costs through discharging during the evening peak. We are pleased that AusNet has now increased the value of their proposed export reward in line with what CPU and Jemena are proposing.

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). We encourage all DNSPs to offer seasonal pricing within this regulatory period.

Neighbourhood battery tariffs

The Victorian Government reiterates that 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. We note that Jemena's fixed charge, while slightly reduced in the revised proposal, remains high in the absence of incentives for battery operation that takes pressure off the network.

The Victorian Government notes that the AER's draft decision supported AusNet continuing a trial for neighbourhood batteries. To ensure confidence of investors, the Victorian Government calls on the AER to ensure consistency requiring all DNSPs to have business as usual neighbourhood battery tariffs.

EV charging

Affordable and readily accessible EV charging is critical to the electrification of transport – especially over the 2026-31 regulatory period as Victoria progresses toward its targets for 50 per cent zero emission vehicle sales by 2030 and net-zero by 2045. Well managed growth in EV charging loads can mitigate current and growing electricity supply issues, including those arising from excess solar generation. The imminent widespread growth in vehicle-to-home and vehicle-to-grid utilisation from 2026 will create further opportunities to balance mismatches in peak generation and peak demand for electricity.

The Victorian Government reiterates its expectation that distribution businesses develop fair, cost reflective and technology-neutral network tariffs for all types of EV charging infrastructure. Clear market signals using tariffs, such as the flexible CER import/export tariffs DNSPs have proposed in the regulatory period, must be prioritised over the use of command-and-control initiatives.

Cost reflective tariffs

The Victorian Government notes that the current EV charging proposals lack ambition. EV tariffs must be meaningful so that retailers can pass them on, helping to ensure clear market signals are provided to charge point operators and ultimately EV drivers. The Government seeks greater utilisation of very low solar soak periods, complemented by higher tariffs to discourage charging during peak periods.

Clear tariff signals support the market to decide the most efficient approach to load management by allowing for innovative approaches to curtailment. In contrast, reliance on

DNSP-led command and control creates an unclear operating environment for charge point operators. It removes agency for operational decision making and introduces uncertainty for charging networking planning and investment. Command and control will become essential for protection of the grid as EV uptake increases, however, should be utilised as a last resort to address market failures and only after meaningful effort has been made to incentivise good charging behaviour that rewards consumers and the network.

Any revised tariff trials should align with the objectives and principles of the NER, support robust competitive markets, and facilitate an efficient and accelerated transition to EVs. This may mean developing parallel tariff trials calibrated to different load profiles. The Victorian Government would support engagement with the AER, DNSPs and the EV charging industry in determining what this could look like. This should include considering tariff trials from other jurisdictions, such as Ausgrid's small business flexible load tariff (EA964) in New South Wales, which has successfully demonstrated strong customer responses to peak-time signals for larger EV chargers, including DC fast chargers.

The Victorian Government does not support DNSPs' proposals to introduce limited EV tariff trials to kerbside charging under 44 kW, on the following basis:

- The 'kerbside' definition unnecessarily discriminates between public chargers with identical capacity (under 44 kW) by varying network charges based on the site of the charger. Public chargers which draw from the same shared network should be subject to the same cost-reflective principles.
- Selectively applying tariffs to only one category of public charging risks distorting public charging investment signals, while also creating competition and credibility risks. This could undermine long-term investment in the state and delay the EV transition.
- Kerbside charging will only represent a minimal portion of the total EV charging network and resultant network load.

Other types of public charging, such as DC fast charging which represent the highest impact loads, should be prioritised for exposure to dynamic, cost-reflective tariffs from a network perspective. The Victorian Government encourages the AER to reject this trial in its current form as it is not consistent with National Electricity Rules (NER) pricing principles or network pricing objective, which require tariffs to be cost-reflective, promote efficient use of the network, and avoid undue discrimination between users with similar network impacts. The AER should amend the proposals to ensure that any tariff trials are technology-neutral and encompass all forms of public EV charging, rather than restrictions by site type.

Finally, while the Victorian Government welcomes CPU's proposed behaviour-based pricing pilot as a complementary innovation, its timing, scope and limited geographic range (CPU network only) mean it cannot substitute for the development of robust, statewide tariff reform for the 2026–31 period.

Use of kerbside power poles by third parties

The Victorian Government supports strong competition in the public EV charging market, underpinned by transparent and consistent fees for access to shared network infrastructure.

The Victorian Government supports the AER's proposal to classify the use of kerbside power poles for EV charging as a negotiated distribution service. Access fees are currently unregulated in Australia, leading to a lack of transparency in how fees are determined, as well

as reports of large discrepancies in fees charged by different DNSPs. This creates uncertainty and significant challenges for third parties seeking to invest in pole-mounted EV charging in Victoria. Classifying pole access fees for EV charging as a negotiated distribution service is an important step toward greater transparency in how fees are set and ensuring terms are fair, reasonable and cost-reflective.

To achieve this, the Victorian Government considers that DNSPs should, as a minimum, publish the fees agreed in each negotiation, ensuring the obligation to publish negotiation outcomes provides meaningful transparency to third parties.

The Victorian Government also advocates for the AER to require all DNSPs to publish negotiation procedure documents and Facility Access Agreement terms prior to 1 July 2026 or within three months from the commencement of the new regulatory period. The Victorian Government notes that CPU is already required to publish these documents under its ring-fencing waiver for kerbside EV charging trials and would welcome the same requirement being applied to all DNSPs. This would reduce information asymmetry, provide clearer guidance to charge point operators, and support more efficient and consistent negotiations across Victoria.