

FQ1 How might we allocate revenue across different tariff classes in a balanced, justified and proportional way, that also provides support for customers with specialised needs?

Key outcomes of engagement

- There are limited opportunities to make substantive changes to the revenue allocation between tariff classes, as that might create bill shocks, and the AER priorities consistency between regulatory periods.
- Tariff classes should be technology neutral as much as possible, given rapid emergence of new technologies. However, this may create cross-subsidies within tariff classes, which should be addressed.

Status: Answered

Approach in Draft Proposal

There are **limited opportunities** to how much AusNet, stakeholders or the AER can change **revenue allocation between regulatory periods** without creating potential bill shocks for some revenue classes.

There are **opportunities to make the revenue allocation within a tariff class more balanced, justified and proportional, by reducing cross-subsidies** within tariff classes (e.g., between solar and non-solar customers within the residential tariff class). This should be done in a technology-neutral way as much as possible.

- Given the limited scope for change in revenue allocation between regulatory periods, **we are proposing to make revenue allocation more balanced, justified and proportional by:**
 - **Maintaining the current revenue allocation between the different tariff classes**, adjusted for usual marginal impacts from updated customer numbers and consumption forecasts. We may consider opportunities for adjustments specific to certain programs that may only affect one tariff class.
 - **Addressing cross-subsidies within tariff classes through tariff design.**

FQ2 How might we better analyse and understand customer impact, including understanding the impact of ‘doing nothing’, to help us make more informed decisions?

Key outcomes of engagement

- Tariff design should be based on network cost drivers and how different customer types within tariff classes are driving those costs, including understanding the impact of ‘do nothing’.
- The tariff impact assessment should be more ‘personalised’, including examples of customers underpaying or overpaying based on current tariffs, and how a new tariff would offset those cross-subsidies.
- Acknowledgement it is difficult to understand customer impacts when tariffs are optional.

Approach in Draft Proposal

Understanding customer impacts of both changing nothing from today, and of any proposed changes, is **necessary to inform tariff reform**.

For this EDPR, **we have expanded our customer impact analysis substantially compared to the past**, to ensure the impact of tariff design is informed and evidence-based (see below).

We have engaged with customers through the Customer Workshops on their views on flexibility of load, including what types of behaviour changes they would consider and for what type of incentives and rewards.

Through Joint Victorian distributors’ engagement we have conducted a range of customer impact assessments, including:

- Current cross-subsidies between different customer types within tariff classes (the ‘do nothing’ assessment).
- ‘Personalised’ bill impact assessment for a range of customer personas for the average Victorian, using AusNet’s Customer Segmentation analysis.
- Highlighting how updated tariff design can address cross-subsidies, with or without customer behaviour change in response to new tariffs.
- Understanding customer impacts of some tariffs being optional, and the likelihood of these optional tariffs resulting in favourable outcomes for those opting in, at the cost of other customer groups.
- Understanding usage patterns by small business customers and whether incentives to use more energy during the day may result in adverse outcomes (given difference in usage patterns between small business customers and residential customers).
- Understanding commercial customer impacts from proposed changes to commercial customers tariffs, through direct engagement with medium and large commercial customers.

These impact assessments and customer research results are being used to develop both residential and commercial tariff design that may instigate change without significant adverse effects to customer bills.

FQ3 How might we use tariffs to enable and facilitate an energy transition without unexpected downside impact, and reflect the value of CER in the energy system irrespective of their specific technologies?

Key outcomes of engagement

- Agreement on the need for a broader communication strategy to educate the public about changes in the energy network, and how network tariffs contribute to the transition, including how customers can benefit by responding to pricing signals.
- Support for technology-agnostic tariffs, acknowledging some tariffs may only be effective with specific technologies.
- Support for optional two-way tariffs with relatively weak pricing rewards, but available to all.

Approach in Draft Proposal

Our customers value rooftop solar, however **solar exports are not currently optimised, resulting in wasted energy and higher costs for all**. This is partially due to lack of broad understanding of where the value lies and how people can optimise on these investments. This **lack of understanding and action to optimise customer outcomes can create 'downside risk'**, such as increasing cross-subsidies between solar and non-solar customers.

➤ **Our proposal includes the following changes to minimise that risk:**

- **Introducing a low-cost 11am-4pm solar soak period in the residential TOU tariff**, to provide low-cost electricity to all residential customers. Customers on single rate tariffs can opt into this tariff, in line with Victorian Government's position on tariff assignment.
- **An uplift in our customer communications about the energy transition and the role of network tariffs**. We are seeking **an operating expenditure step change** to support these capabilities. We believe the benefit of improving customer understanding, and the resulting change in behaviour, far outweighs the modest proposed cost.
- **Optional 2-way tariff for flexible bi-directional technologies (eg., batteries or vehicle to grid chargers)**, including export tariff and reward components.
- **New hot water tariff with a 24-hour heating window**, simplifying existing hot water tariffs and allowing flexibility to shift usage to when most suitable (with no noticeable customer impacts). From 1 July 2026, all existing customers on a hot water tariff will be reassigned to the new hot water tariffs and other customers can opt-into it.
- **Continuing the EV dynamic tariff trial and 4 storage tariffs from the current regulatory period into 2026-31**. We propose to maintain these trials from the current period as we do not have sufficient evidence from these trials to date.
- **No change to commercial tariffs to incorporate a solar soak period**, due to already high network usage throughout the day and lower evening peaks (encouraging more usage throughout the day may result in network constraints in areas with high small business penetration).
- **CPD locational tariffs for new and existing large (HV and Sub-T) commercial customers**, to provide cost reflective signals to commercial customers and incentivise behaviour that can directly improve utilisation in the local network.

Our tariff proposal should be considered in conjunction with other proposed initiatives to manage CER, including our proposal to **make Flexible Exports available to all new solar customers from 1 July 2026**. This allows us to manage risks from high exports more flexibly and limiting unoptimised exports, which improves network utilisation and reduces the risk of cross-subsidies between customers.

FQ4 How might we build customers' agency on tariff choices, and smoothly support customers to transition to cost-reflective tariffs?

Key outcomes of engagement

- There is need for a broader communication strategy to inform the public about changes in the energy network, focusing on peak/off-peak times and the transition to sustainable energy.
- Difficulty is that customers may not have retail tariffs that reflect network tariffs, so communications should cover retail as well as network tariffs.
- Tariff discussions should build on (and are secondary to) broader messaging to customers on the energy transition, changes and how customers can adapt. The water sector was cited as a good example (simply focusing on water pipes would not have resonated with communities).

Approach in Draft Proposal

There is need for a broader communication strategy that provides informative materials to all customers on the energy transition, including what role network tariffs will play in delivering fair and equitable outcomes. **Networks should play a larger role** in this communication strategy than they have in the past.

➤ **As part of the EDPR we are proposing:**

- **An uplift in our customer communications about the energy transition and the role of network tariffs.** We are seeking **an operating expenditure step change** to support these capabilities. We believe the benefit of improving customer understanding, and the resulting change in behaviour, far outweighs the modest proposed cost.
- **Changing the way we present bill impact analysis** to show customers how their total energy bills, including electricity, gas and transport fuels, will change as part of the energy transition. This is important as customers today rarely think of energy bills as the total of the different fuels.
- **All customers have equal opportunity to benefit through the updated time of use tariff.**
- **Stronger retailer engagement to increase chances of aligning pricing signal and higher take-up of new time of use tariffs.**

For those engaged customers who are comfortable with more complexity in their pricing and service offerings, we are introducing an opt-in two-way tariff that will incentivise and reward highly flexible responses.

FQ5 How might we ensure tariff design reflects agreed pricing objectives?

Key outcomes of engagement

- Importance of maintaining simplicity in the pricing objectives, as customers do not want to engage with complex tariffs
- Economic efficiency was seen to be a key objective in the long term, which would ultimately lead to customer behaviour that is to the benefit of all consumers. This includes considerations of efficiency of imports and exports.
- Affordability and equity are also very important, but these terms are not well defined today in the objectives.
- The objectives lack the broader picture of the energy transition and a move to Net Zero.

Status: Answered

Approach in Draft Proposal

The current pricing objectives are no longer fit for purpose, as they lack clarity around some of the objectives (e.g., affordability and equity are not explained well) and there isn't a clear process for resolving prioritisation between pricing objectives, e.g. friction between simple and efficient.

- **Victorian distributors have proposed a set of streamlined objectives:**
- **simple**—network tariffs should be simple and consistent, readily understood by retailers, customers and stakeholders
 - **efficient**—network tariffs should incentivise customer behaviours that make network costs more affordable and equitable in the long term
 - **adaptable**—network tariffs should be capable of being evolved for future network configurations and emerging technologies, consistent with the Net Zero future

These principles should guide the design of tariffs, noting these need to be balanced as there are inherent trade-offs underpinning these.