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Essential Services Commission
Level 8/570 Bourke Street
Melbourne VIC 3000

Submitted online: www.engage.vic.gov.au

2026-27 Victorian Default Offer: Request for comment paper

Alinta Energy welcomes the opportunity to respond to the Essential Services Commission's request for comment paper (RCP) on the Victorian Default Offer (VDO) for 2026-27.

We maintain our position that intervening through price regulation in the retail energy market damages competition and incentives for retailers to innovate, reduces consumer choice and is not in the long-term interests of consumers. This is particularly the case as the market for energy services for small customers rapidly evolves, increasingly outside the traditional regulatory framework and customers increasingly find benefit in investing in Consumer Energy Resources (such as solar PV generation, battery storage and electric vehicles). A more sustainable and light-handed approach to price and energy regulation in general will be required to support these choices in the long-term.

Allowance for the wholesale electricity costs of exports (Question 2)

While Alinta Energy does not believe excluding solar exports from the profile an efficient retailer would use to hedge against is appropriate, we support the inclusion of an allowance for the wholesale electricity costs of exports as part of the wholesale electricity cost component of the DMO.

Proposal for a "free power period" tariff (Questions 6 and 7)

We do not believe a regulated residential electricity tariff including a free power period (FPP) is consistent with the purpose of VDO, which is to:

> "…provide a simple, trusted and reasonably priced electricity option that safeguards consumers unable or unwilling to engage in the retail electricity market without impending on the consumer benefits experienced by those who are active in the market."[1]

A FPP tariff would constitute an additional option that would:

- Require customers to opt-in - in contrast to VDO, which can be chosen by customers but also can be applied as the default tariff in its role as a 'safety net';
- Undermine customer choice and the incentives for retailers to offer and maintain similarly structured market offers;
- Reduce the return on investment for customers who have invested in rooftop solar PV generation; and

[1] Department of Environment, Land, Water & Planning (2018), "Fair pricing in the energy market – Terms of reference for the Essential Services Commission", page 1.

- Amplify cross-subsidies between customers with CER and the capacity to respond to price signals and those who are unable or unwilling to respond.

Retailers offer similar products today. Mandating a regulated FPP would reduce the incentive to offer similar market offers or for other retailers to develop their own zero-cost tariff products to respond to high solar PV generation in the distribution network.

We note the Department of Climate Change Energy the Environment and Water has sought jurisdictional views on a regulated FPP offer for jurisdictions outside of those subject to the National Energy Consumer Framework. Alinta Energy responded to the Department's consultation on its 'Solar Sharer Offer' in November, advising that there are material challenges to implement a regulated SSO/FPP structured offer by 1 July 2026 and ongoing administrative costs. Our response to the Department has been provided with this submission. We believe a minimum of 12 months would be required to implement a regulated FPP.

This, combined with the cross subsidies that are highly likely to arise where retailers continue to pay network and market charges during the free period (but are unable to recoup these from customers assigned to a regulated FPP) indicates further work is required to assess the costs and benefits of a regulated FPP.

We believe that restrictions on eligibility for customers accessing a regulated FPP would be required to ensure that the benefits accrue to customers without CER or the ability to access battery storage, rather than being biased to customers with large battery storage systems and electric vehicles. Without a clear fair-use policy and potential limits on storage and EV charging capacity, a regulated FPP would be increase costs unfairly for customers without CER at the residential level.

<u>Distribution tariff reforms – 'Solar soak' period (Question 4)</u>

We understand that the Victorian electricity distributors are proposing three-part time of use tariffs (TOU) with a 'solar soak' period under their respective Tariff Structure Statements as part of the 2026-31 determinations. This is also summarised on page 11 of the RCP. With respect to question 4, we believe that it is important to maintain consistency between the structure of network tariffs and the VDO.

The benefits of the proposed three-part network tariffs featuring a solar soak period will be significantly diluted if the TOU VDO does not reflect the same time periods. Furthermore, should the VDO not reflecting the underlying network costs and calculating the VDO and allocating consumption on a different basis could lead to over, or underestimation of the VDO as a fair and reasonable price.

The transition from legacy network TOU tariffs to the two-part structure in 2021 resulted in a smooth transition from a range of TOU network tariff structures to the common two-part TOU structure. We believe a similar process can be achieved moving to a three-part structure with a solar soak component.

Alinta Energy welcomes any further opportunity to discuss our response with the Commission. Please contact David Calder [redacted] in the first instance.

Yours sincerely

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