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Essential Services Commission

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## 2026-27 Victorian Default Offer: Request for Comment Paper

AusNet welcomes the opportunity to comment on the Essential Services Commission (ESC) Request for Comment Paper on the 2026-27 Victorian Default Offer (VDO).

AusNet is the largest diversified energy network business in Victoria – we own and operate three core regulated networks: electricity distribution, gas distribution and the state-wide electricity transmission network, delivering energy to more than six million Victorian households, businesses, and industrial users. As a distribution network service provider (DNSP), our focus is on ensuring that tariff structures and cost pass-through mechanisms support efficient network utilisation, provide clear signals to retailers and customers, and safeguard affordability for those less engaged in the retail market.

### Support for three-period time of use tariff

We strongly support the transition from a two-period to a three-period time of use (ToU) tariff in the 2026/27 VDO.<sup>1</sup> Victorian DNSPs spent a considerable amount of time engaging with our stakeholders on tariff structures in the lead up to our 2026-31 Electricity Distribution Price Review (EDPR) Proposals and received broad support for our proposed tariff structures. The AER in its Draft Decision on our 2026-31 Tariff Structure Statement (TSS) has accepted the proposed tariff structures and we expect this decision to be confirmed in the AER's final determination.

New residential customers connecting to our network and all customers (existing and new) investing in consumer energy resources (CER) will be assigned as a default to our three period ToU tariff. AusNet has, and will continue to, work with retailers to ensure the changed ToU tariff structure will be ready to be implemented on 1 July 2026. The new ToU tariff structure aims to improve network utilisation, reduce peak demand pressures, and contribute to long-term affordability by sending price signals to retailers and customers that encourage shifting consumption away from peak periods and into times of high solar generation.

The ESC notes that, for the purposes of modelling and setting the VDO, it could obtain the percentage split of residential consumption between the three periods from AEMO residential load data. This would result in:

- 19% of consumption falling in the solar soak period
- 29% of consumption falling in the peak period
- 52% of consumption falling in the off-peak period.

Whilst we have no objections to the above approach, the ESC may also have reference to the Victorian DNSPs' forecasts of consumption within these periods as a sense check to ensure that AEMO's percentages align with those expected by the DNSPs. Our own tariff modelling for the 2026-31 EDPR is broadly consistent with the above percentages, with percentages of 20% solar soak, 26% peak and 54% off-peak. To be clear, we are not suggesting that different percentage splits for each DNSP should be applied in the VDO, rather just that the ESC could seek to verify that the AEMO splits are aligned with what the DNSPs are expecting.

### Tentative support for free power period

We support the exploration of a VDO tariff with a free power period, which we envision will be aligned either in full, or in part, with our proposed solar soak period. By mirroring the Victorian DNSPs' network tariff structures, a free

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<sup>1</sup> The three periods comprising a peak period from 4pm-9pm; a 'solar soak' period from 11am-4pm; and off-peak periods at all other times.

power period reinforces the benefits of shifting demand to the middle of the day. This can not only reduce network peaks and help to defer demand-driven network augmentation, but can assist in addressing minimum system load risks, brought about by the abundance of rooftop PV generation in the middle of the day.

If a free power period is implemented within the VDO, it will be important for the ESC to consider how retailers may seek to recover any foregone revenue that they would otherwise have received from customers in that window. For example, to recover this foregone revenue, retailers may increase electricity prices in the peak window instead.<sup>2</sup> This may have adverse consequences for customers who are unable to shift their consumption, or are otherwise disengaged in the electricity market and do not realise the potential benefits of changing their usage profile. As it stands, customers with home batteries or electric vehicles may have the most to gain from a free power period, by being able to charge these technologies at no cost. Our customer research also indicates that many customers are typically convenience-motivated and often do not respond to price signals. The ESC must be cognisant of the risk of embedding cross-subsidies that vulnerable customers, disengaged customers, or customers without the means to invest in batteries or EVs, may end up bearing.

We encourage the ESC to undertake analysis on how different cohorts of customers may be affected by the introduction of a free power period.

### **Support for pass through of NEM Participant Fees**

We support the ESC's intention to pass through AEMO's NEM Participant Fees, including the Cyber Security and Resilience fee. Whilst AEMO's draft report on its fee structure consultation did not propose to levy charges on DNSPs, AusNet as the owner of transmission assets in Victoria does get charged a portion of AEMO's Participant Fees. These costs are passed through to customers in the form of network charges, so are already captured in the network cost component of the VDO. Therefore, whilst supporting the proposed pass through, the ESC must ensure that Participant Fees within network charges are not double-counted in any pass through arrangements.

### **AEMC pricing review**

Finally, we acknowledge that on 11 December 2025, the AEMC proposed significant reforms to network and retail tariffs in its draft report on *The pricing review – Electricity for a consumer driven future*. The AEMC's reform timelines will not impact the 2026/27 VDO and hence we have not provided comments relating to it in this submission. We will continue to engage with the AEMC and other stakeholders throughout the AEMC's consultation process.

### **Conclusion**

We commend the ESC for its consultative approach and support the proposed refinements to the VDO framework. In particular, we endorse the three-window ToU tariff and the further exploration of a free solar period, both of which align with our own tariff reforms and broader objectives of efficient network utilisation.

We look forward to continued engagement throughout the consultation process and to working collaboratively to ensure the VDO remains a simple, trusted, and reasonably priced option for Victorian consumers.

Please do not hesitate to contact [REDACTED] with any queries relating to this submission.

Yours sincerely,

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**AusNet Services**

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<sup>2</sup> Even though wholesale prices can often be negative in the free power period and therefore retailers may realise a margin even when providing energy for free, their margins would still be lower than the counterfactual where there is no free power period and hence may seek to increase charges at other times to preserve their margin.