



12 December 2025

Essential Services Commission

Via email: [vdo@esc.vic.gov.au](mailto:vdo@esc.vic.gov.au)

### 2026-27 Victorian default offer

Thank you for providing CitiPower, Powercor and United Energy (the networks) the opportunity to comment on the 2026-27 Victorian Default Offer: Request for Comment Paper (Paper). Our comments are restricted to the proposed free power period tariff and its flow on consequences for the distribution grid and potential network tariff.

#### Network tariffs

Victorian distributors, including our networks, have recently completed extensive engagement to support their submission to the Australian Energy Regulator (AER) for the 2026-2031 regulatory period. In our case, this has involved over four years of engagement with our customers and communities across the breadth of our network including network tariffs. This engagement culminated in our revised Tariff Structure Statement (TSS) for 2026-2031 which was submitted on 1 December.

As the Paper notes, our final residential network time of use tariff offering for our three networks includes a new solar soak period running from 11am to 4pm and an adjustment to the peak period to run from 4pm to 9pm every day of the year. Stakeholders were supportive of the symmetry of a five hour low priced period and a five hour high priced period. The new solar soak period will have a charge of 1 cent per kWh to encourage consumption during this period.

Whilst we have not received our final decision from the AER, we expect they will approve the changes. Once the final decision is received, these revised structures will be locked in for five years and determine when and how we recover our allowed revenues.

We do not object to the consideration of a regulated free power period for residential electricity customers. Our concern is that the definition of the free power period has not been defined other than in the middle of the day. Should the Essential Services Commission (ESC) determine that the free power period differs from 5 hours included under our TSS, we expect some stakeholders will want a realignment or a new network tariff to correspond with the ESC determined free power period. Neither outcome is desirable nor supported.

Reiterating, we have spent four years engaging with customers, communities, retailers and the AER on our TSS. We believe, and we are confident the AER will agree, the TSS is reflective of our future customer needs and preferences and consistent with maximising the utilisation of the network. We would not want to see this relatively short consultation overturn what has been a robust and transparent process used to arrive at our TSS. Should the ESC contemplate a

realignment or a new network tariff, we would encourage the ESC to engage with AER to discuss the feasibility of imposing this change on Victorian distributors.

Lastly, we understand that retailers generally prefer less network tariffs rather than more. Therefore, we don't believe there will be support for a creation of further network tariff to support a different free power period.

### Impact on the distribution grid

Increasing volumes of consumer energy resources (CER) continue to result in abundant renewable electricity and cheap or negative wholesale prices during the middle of the day, with new retail offers already taking advantage of network tariffs and wholesale incentives to encourage consumption locally and pass this cheap electricity to customers. Uniquely in Victoria this trend is occurring alongside significant customer investment in electrification to support the gas transition, such as electric space heating, hot water and cooking. These initiatives increase network demand but also enable customers more opportunity to align their consumption with lower-cost periods of market operation. The extension of the free power period tariff to residential electricity customers would rapidly expand this trend.

### Our experience with free power periods and network security

OVO's 'Free 3 Plan', is an innovative retail product offering free electricity for customers between 11am and 2pm. This offer encourages customers to:

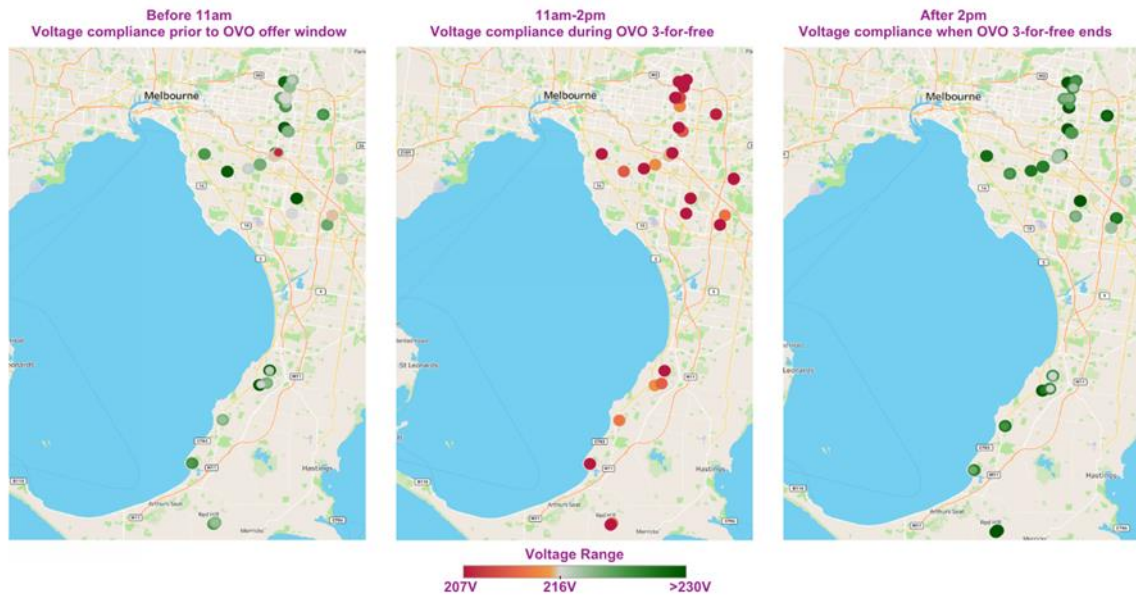
*plug in all the things, the kettle and the washing machine, your aircon and your EV. From 11am to 2pm all your electricity usage is free. Every day.*

We support this innovation, which seeks to make use of renewable generation when it is cheap and abundant. More opportunities to use low-cost or free electricity should lead to lower household bills and encourage electrification.

However, these offerings are made with a focus on wholesale market impacts. No consideration is given to seasonal variation in consumption and generation and the distribution network that connects customers to the wider market. For these offerings to be successful, the low voltage (LV) network must be strong enough to support this significant shift in how electricity is consumed while still providing a reliable supply during periods of high demand and low solar PV production. LV networks are designed based on natural diversification of customer energy use, which is now being gradually replaced with concentrated, sudden periods of coincident peak demand. We are already observing areas where customer responses to innovative retail products are creating undervoltage constraints on our LV networks when they act to turn on most if not all electric appliances during the free power periods.

Figure 1 shows the voltage levels at distribution substations with one or more OVO Free 3 Plan customers across the United Energy network before, during and after the offer period. Between 11am-2pm, voltage levels rapidly decline from compliant to non-compliant and significantly below 207 volts before recovering after the free period ends at 2pm.

**FIGURE 1 OVO 'FREE 3 PLAN' VOLTAGE COMPLIANCE IMPACTS**



*Free power period can raise compliance concerns*

We are seeing similar issues arise across our networks and, under the *Electricity Distribution Code of Practice (EDCoP)*, we are obligated to address these constraints if notified of the poor power quality by customers.

In the short period of time since the new offer has been available, we are detecting increasing numbers of customers experiencing non-compliant voltages after they have signed up to OVO's retail offer. Also, for every non-compliant OVO customer we detect, they are responsible for creating an additional six non-compliant neighbours experiencing poor power quality on the same circuit on average. An example of this non-compliance at street level is shown in figure 2.

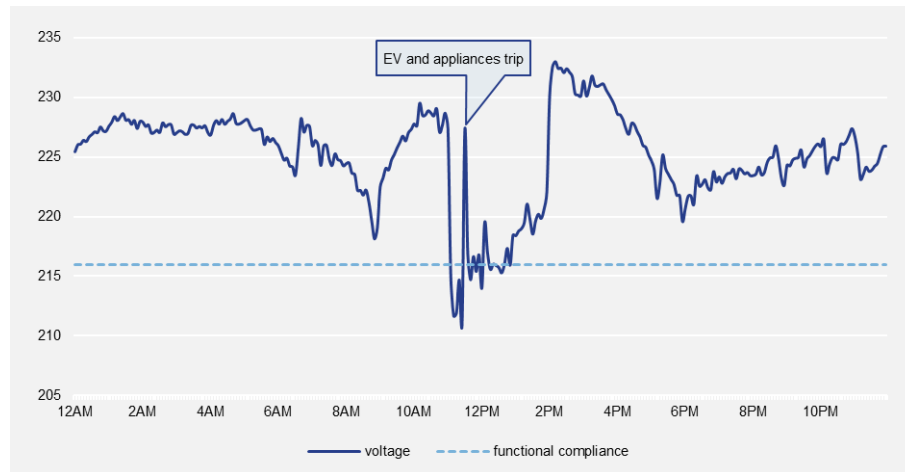
**FIGURE 2 STREET LEVEL OVO EXAMPLE**



### Large scale load shifting results in undervoltage

Figure 3 is an example of how OVO customers experience undervoltage when acting as instructed by their retailer. Voltage at the customer's connection dropped sharply (twice) because of the customer's response to the retail tariff, proceeding to trip the customer's own electric vehicle (EV) charger and home appliances for undervoltage on both occasions.

**FIGURE 3 DAILY OVO CUSTOMER VOLTAGE (VOLTAGE)**



The examples above demonstrate even at a relatively small scale, the distribution grid is not universally capable of supporting the scale of electrified load that is required in a dynamic and high consumer energy resource (CER) future. Weak LV networks will not support broad customer participation in wholesale market responses, including through CER aggregation and engagement with cost-reflective time of use tariffs.

### Undervoltage impacts customers

Undervoltage will impact the daily lives of all customers. Specifically undervoltage can lead to:

- degradation or malfunction of household and commercial appliances
- failure of EV charges to operate or be curtailed
- inefficient and interrupted heating and cooling.

Furthermore, these challenges will be more pronounced during winter, as customers increasingly transition from gas to electrified heating. During winter, rooftop solar generation is significantly reduced, limiting the ability to offset demand during free power periods. This creates a scenario where electrified heating, EV charging, and other appliances compete for capacity on already constrained LV networks, amplifying voltage compliance issues and customer confidence in network performance.

The culmination of these outcomes, if unmanaged, is that impacted customers will be unable to fully utilise the CER they have invested in. Orchestration and market benefits are also at risk, as aggregators experience lower than expected supply from participating batteries. As the LV network performance degrades, the first experience for many customers adopting CER on weak sections of our network will be unresponsive devices or curtailment.

The disruption customers experience will have flow-on impacts to the achievement of Australia and Victorian government net-zero targets. By 2030, the Australian Government's net zero plan requires new CER to be 'well integrated and responsive to price signals' and 'the share of orchestrated CER to be actively increasing' by 2035 to achieve its 2035 emissions reduction target. The government's Solar Sharer scheme signals that the policy and market shifts to reach these targets will take shape during the 2026-31 regulatory period.

Sufficiently strong LV networks are critical and foundational in a highly electrified and flexible future. Engagement with distribution networks will be critical to success. Before adopting free power periods at scale, the ESC needs to be confident it will not undermine the security of the distribution grid, and consequently the benefits of cheap energy it is seeking to utilise, becomes unavailable to customers.

*Remediation is not a 'quick fix'*

Remediating undervoltage typically takes up to 12 months. Reactive fixes often require complex site-specific investigations, design and upgrades. In the meantime customers will continue to experience recurring undervoltage events until a permanent solution can be found. We support proactive fixed which can avoid customer impacts altogether at a lower cost but note the proactive solutions we have proposed are subject to a regulatory decision by the AER, and secondly if approved, will still take time to be implemented.

If you would like to discuss the submission further, please do not hesitate to contact me at

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