

12 December 2025

Essential Services Commission  
Level 8, 570 Bourke Street  
Melbourne Victoria 3000

Dear VDO team

### **2026–27 Victorian Default Offer: Request for Comment Paper**

Energy Trade Pty Ltd (**Energy Locals**) wishes to provide feedback in response to the *2026–27 Victorian Default Offer: Request for Comment Paper (Paper)*.

We are an embedded network operator with extensive expertise in the implementation and management of embedded networks, which include electricity, gas, hot water, solar PV, electric vehicle charging and battery storage. We recently obtained a retailer authorisation from the Australian Energy Regulator and we are eagerly awaiting our Retail Licence from the ESC.

This submission responds specifically to Questions 6 and 7 of the Paper regarding the suitability of a regulated free power period for Victoria.

In this regard, we made a submission to the Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) on the Solar Sharer Offer (**SSO**), which is attached for your reference. In that submission, we identified implementation considerations critical to ensure any free power mechanism operates effectively and sustainably which we encourage the ESC to consider when assessing the feasibility of a regulated free power period in Victoria. In particular:

- Any free power period will, in practice, operate as a time-of-use network tariff, and therefore must be structured and treated as a network tariff rather than solely a retail offering.
- All non-wholesale cost components should also be set to zero during the free power window for customers on the relevant network tariff. This includes environmental scheme charges. In addition, no market fees or AEMO charges should apply within the free power period window. While AEMO may experience a small reduction in revenue, its role will be made easier if the free power period, successfully flattens the intraday load curve as is intended.
- Retailers must retain the ability to recover or offset wholesale losses incurred during the free power window by adjusting usage rates at other times of day, to mitigate residual wholesale cost risk.
- Further, research analysis should be performed before new free power period network tariffs are introduced. We encourage the ESC to consider the "Daytime Saver Trial"<sup>1</sup> implemented by three Victorian networks – CitiPower, Powercor and United Energy in July 2022 – and any learnings as a guide to inform design.

In our submission to the DCCEEW, we also flagged that embedded networks (**ENs**) have unique operational and contractual characteristics, and therefore any extension of the SSO to ENs requires dedicated consultation.

As the VDO, unlike the DMO, already applies to ENs as a maximum price, we urge the ESC to closely consider how a free power period will work for ENs before implementing a regulated residential tariff with a free power period as part of the VDO.

We urge the ESC to closely consider the unique operational and contractual characteristics of ENs:

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<sup>1</sup> <https://media.powercor.com.au/wp-content/uploads/2022/02/28084617/Residential-Daytime-Saver-Trial-Tariff-factsheet.pdf> and the AER State of the energy market 2022 report "<https://www.aer.gov.au/system/files/State%20of%20the%20energy%20market%202022%20-%20Full%20report.pdf>", p70.

**a) Limited hedging options**

Retailers serving embedded network customers have constrained hedging flexibility, as they typically rely on commercial and industrial (**C&I**) contracting at the gate meter.

**b) On-site solar**

Although some ENs have rooftop solar systems, most generation is consumed by residents or common-area loads. Many buildings lack adequate roof space or structural capacity to support sufficient PV to deliver the level of benefits envisaged by the DCCEEW under the SSO.

Given these factors, we consider that any proposal to incorporate a free power period in Victoria, or any application to ENs in Victoria, must not proceed without dedicated, detailed consultation with EN operators and affected stakeholders.

We are happy to discuss this submission with the ESC at any time.

Yours sincerely

Adrian Merrick  
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Energy Trade Pty Ltd