



Progressive Green PTY LTD T/A Flow Power
ABN 27 130 175 343

Victorian Default Offer review 2026-27

Flow Power submission

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About Flow Power

Flow Power is an electricity retailer that works with energy customers throughout the National Electricity Market (NEM). Together with our customers, Flow Power is committed to our vision of creating Australia's renewable future.

We empower customers to take meaningful action. By providing energy knowledge and innovative technology, we are delivering smarter ways to connect customers to clean energy to make our renewable future a reality. We provide our customers with:

- + Engineering support, access to live data and transparent retail tariffs that reward demand flexibility and encourage electricity usage at times of plentiful renewable output.
- + Hardware solutions that equip customers with greater information, visibility and control over energy use.
- + Access to renewable energy, either through distributed solar and storage installed on site, or through a power purchase agreement with utility-scale wind and solar farms.

We believe that by equipping customers with these tools, we can lower costs for all energy users and support the transition to a renewable future.



Summary of submission

This submission focuses on the proposal to introduce a free power period. Our key points of feedback are:

- + We support the objectives of a proposed free power period. However, we note that these objectives can be, and are being, provided by market offers.
- + The Victorian DNSPs' proposed solar soak network tariffs provide a clear and consistent basis on which retailers can develop market offers than include a free power period.
- + We encourage the ESCV to consider the issues and outcomes of the AEMC's pricing review before deciding on a free power period VDO.
- + If a free power period VDO is to be introduced, we encourage the ESCV to:
 - address the treatment of network prices within the free power period
 - ensure retailers have flexibility to recover costs outside the free power window
 - implement an exemption framework to balance costs and benefits.

The remainder of this submission sets out these points in more detail.

If you have any queries, please contact me on [REDACTED]

Yours sincerely,

[REDACTED]

Regulatory Policy and Corporate Affairs Manager

Flow Power



We support the objectives of a free power period

As the consultation paper notes, shifting more demand into the middle of the day would flatten the aggregate demand curve and provide broad benefits, including better network utilisation and lower wholesale prices.

Flow Power has been a long-term advocate for these objectives and has designed retail products specifically to meet them. Load shifting is at the core of Flow Power's business model and retail offer. Unlike most other retailers, we pass through incentives to all our customers to encourage them utilise their demand flexibility, including by using electricity at times of low prices and high renewable output. The tariff structure of all our market offers is designed to link customers with wholesale market signals; not only providing them with opportunities to achieve financial savings but to also reduce the carbon-intensity of their electricity usage.

We equip our customers with the tools they need to start using energy in smarter ways. Demand flexibility improves outcomes for our customers and improves market outcomes by moving load out of peak periods into otherwise low demand periods, improving reliability, network utilisation and integrating grid-scale renewables. In our experience, enabling demand flexibility requires:

- + **Engaging with consumers.** Direct engagement with customers is a precursor to any meaningful demand flexibility.
- + **Providing customers with choice and control.** Energy customers engaged in providing demand flexibility need to be provided with choice regarding how, when and if they participate.
- + **Delivering value.** Energy consumers need to be able to understand and access the value of demand flexibility. Without the appropriate incentives in place, consumers will not provide demand flexibility.

While we are supportive of the objectives listed in the consultation paper, we are not convinced that the proposed free power period VDO will be an effective mechanism to deliver on them, beyond what innovative retail offers like Flow Power's can deliver.

These objectives can be, and are being, provided by market offers

Several retailers have residential market offers that include a free power period. The current arrangements enable retailers to offer free power windows whilst retaining the flexibility they need to provide competitive pricing outside the free power window in order to attract and retain customers.

Flow Power's residential offer (Flow Home) does not include an explicit free power period but is designed to incentivise load shifting into solar hours. It has a fixed base price that is adjusted based on when the customer uses their electricity. If customers use more of their electricity during low wholesale price periods, their base rate is reduced. This provides customers with an incentive to shift their energy usage to times when renewable generation is typically plentiful. The only eligibility requirement for the Flow Home market offer is that the customer has a smart meter – they need not have solar PV or a battery.



Under the Flow Home offer, pricing is reflective of what is happening in the wholesale market and therefore the actual benefit to the customer, and to the grid, of load shifting. The \$/kWh price customers pay can be clearly referenced back to what was happening in the wholesale market, which makes it easy for customers to scrutinise and understand.

By contrast, retailers required to offer a free power VDO may be exposed to significant price risk if wholesale electricity isn't free during the free power window but needs to be sold as free under the VDO. It also makes the recovery of these costs more complex and less transparent if retailers must offer a \$0/kWh price during the window but then have varying ways of recovering residual costs outside that window.

We are not convinced that the introduction of a mandatory free power period VDO will have a material impact on residential load shifting beyond what existing market offers can provide. Mandating a free power period VDO therefore has the potential to impose new costs on all retailers for no clear benefit.

The Victorian DNSPs' proposed network tariffs provide a clear basis upon which Victorian retailers can develop free power market offers

The federal government has proposed a solar sharer offer for DMO regions. One of the key arguments for its introduction is that existing free power market offers differ in their time windows, charges outside the window and eligibility requirements, and hence may create customer confusion.

As the ESCV paper notes, the Victorian DNSPs have proposed three-window residential network tariffs with a solar soak period between 11am – 4pm. This approach, if approved, will provide a clear and consistent basis upon which retailers can develop market offers that include a free power period or other offers that deliver a similar incentive. The Victorian DNSPs' solar soak pricing is likely to increase the attractiveness of load shifting and therefore the incentive for retailers to offer load shifting incentives in their market offers.

It may therefore be sensible to assess the impact of the new Victorian network tariffs before considering the introduction of a mandatory free power period in the VDO.

The ESCV should consider the outcomes of the AEMC's pricing review before deciding on a free power period VDO

The AEMC is reviewing the state of electricity pricing across the NEM, including retail and network pricing arrangements and the interaction between the two. While any rule changes arising from the review might not apply in Victoria, the review contains a valuable, first principles assessment of consumer outcomes under the existing retail and network pricing frameworks. In Flow Power's view, it would be prudent to consider the recommendations of that review before introducing a mandatory free power period VDO with unclear benefits.



If a free power period is to be introduced, the ESCV should consider these three things

If a free power VDO is introduced, there are three things we encourage the ESCV to consider the following to ensure that the costs and risks of implementation and ongoing compliance don't outweigh the benefits.

Network cost recovery

Network costs make up almost 40% of a typical residential electricity bill. Network tariff structures and prices have been a key challenge for developing market offers with a free power period or other load shifting incentives.

As noted above, the Victorian DNSPs have proposed a consistent solar soaker network tariff window to apply from 1 July 2026. This approach will support consistency and customer understanding of market offers and increase the attractiveness of offering load shifting incentives in a market offer.

However, DNSPs' draft proposals indicate that network prices in the solar soak window will be "low cost", i.e. not free. Unlike wholesale electricity costs, there are no effective avenues for retailers to manage or hedge network costs without passing these costs through to the customer. If power is to be truly "free" within the free power period, consideration needs to be given as to how retailers will be able to recover network costs.

Recovery of other costs

Other costs on a customer's bill include environmental scheme costs and other scheme costs. These costs tend to be charged to retailers on a volumetric basis and recovered from customers via a volumetric charge. In designing an free power period in the VDO, it will be important to ensure that liable retailers have the flexibility to increase prices outside the free usage window to recover costs incurred during the window.

Exemption framework

Retailers like Flow Power with innovative retail tariff structures do not tend to have many customers on standing offer. Introducing a new default offer therefore risks imposing billing system, customer communication and ongoing compliance costs for little discernible benefit.

Given the availability of comparable market offers and the costs of introducing a new standing offer (particularly on smaller and/or innovative retailers with small numbers of customers on standing offers), we consider the application of a free power VDO could be narrowed.

Specifically, we believe there is merit in considering an exemption framework that can be administered by the ESCV under a guiding set of principles. An exemption framework would ensure that the free power VDO is broadly available to those customers most likely to take it up but does not impose unjustified costs on smaller and more innovative retailers. The ESCV could consider:



- + Limiting the liability to offer a free power VDO to the big three retailers or the largest retailer in Victoria. This approach would ensure a material proportion of customers has access to the offer without imposing costs on all retailers.
- + Allowing retailers to apply for an exemption if they can demonstrate they have a market offer that shares the intra-day benefits of renewable energy and wholesale pricing with customers. Exemptions should be tied to the overall objectives of the free power VDO, to allow for a broader range of retail models that can give effect to these objectives.
- + Providing an exemption for retailers with customer numbers below a specified threshold, like the approach taken with the consumer data right.

The ESCV could also consider setting a free power benchmark price and incorporating it into Victorian Energy Compare to allow consumers to compare offers more easily.