Submission on Victorian Default offer

to The Essential Services Commission (ESC)

Closing date for submissions: 12 December 2025

Introduction

Lighter Footprints welcomes the opportunity to make a submission on the Victorian Default Offer.

Lighter Footprints is a community-based group that lobbies Australian local, state and national decision makers to take the action necessary to halt global warming as a matter of urgency. We advocate a speedy transition away from fossil fuels. We believe that this is necessary both to reduce emissions and to avoid unnecessary development of new fossil gas resources.

For over a decade, we have educated, advocated and brought people together in Boroondara and surrounding suburbs to inform the community and promote a clean energy future. We have 3,900 people on our mailing list.

It is our belief that we are now entering the stage where behind-the-meter activities linked to innovative tariffs can help us transition to a more reliable and efficient grid and can help all households to benefit from cheaper daytime renewable energy.

Our submission is structured as follows:

1. Contents

1. Executive summary

We believe that the process for establishing the Victorian Default tariff is well established and requires minimal changes. Our response reflects that fact.

Our major comments will address the suitability of a regulated residential tariff with a free power period in Victoria.

Lighter footprints has already made a submission to the Department of Climate Change, Energy the Environment and Water (DCEEW) regarding the Solar Sharer Offer (SSO). and we believe that our views are also relevant to Victoria's possible adoption of a regulated residential tariff with a free power period.

We believe that the ESC should determine its objectives before making a decision on a free power period. We note that the DCEEW consultation website states that the aims of the initiative are to:

- help households cut costs and make informed choice by promoting simple behaviour changes
- help households, such as those without rooftop solar or batteries, benefit from cheaper daytime renewable electricity
- help use excess renewable energy instead of wasting it, which reduces curtailment and supports a more reliable, stable and efficient electricity grid.

Our understanding is that achieving significant grid improvements is likely to favour some customers more than others and that compromises may be required if it is required to meet all of the objectives stated above. In particular, we note that changing the usage profile of customers with large demand profiles may be the best way to use excess renewable energy and produce a more reliable grid but that:

- this would not provide the widespread benefits looked for, and
- might result in electricity prices rising to low positive levels in periods of peak supply, making free electricity difficult to deliver.

We believe that the concept has some merit, in that it raises the awareness of periods of cheaper electricity, but we are not aware of any analysis of implications for distribution costs and that this needs to be considered. We do not support any initiative that will transfer costs from large residential users to smaller users.

We would also like to see more detailed analysis including an assessment of likely wholesale prices once the coal generators are no longer operating and the REZ support is withdrawn in 2030.

We would prefer to be able to understand the potential consequences of a new regulated tariff with a free power period but based on our current understanding:

- we favour a regulated tariff including a period of very cheap power (possibly free) but limiting the amount of free electricity available per hour on this tariff. This amount of free electricity could cover most customers but be designed to exclude EV owners and battery owners.

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- We know that retailers already have tariffs the offer periods of free electricity to large users and we expect that they will come up with alternative tariffs to meet the demands of high-power users. For this reason, we do not think that a regulated tariff is needed.
- We believe that some co-ordination will be needed for large users as a large number of customers commencing battery and EV charging at 11:00 am could issues for the grid.
- We believe that some retailers are already experimenting with innovative tariffs and that this innovation should be encouraged (innovations may include seasonal tariffs and varying periods of free power).
- We encourage the ESC to look more widely at ways to share the benefits and to introduce further initiatives to ensure that the benefits are spread more widely.
- We also think that the ESC should consider whether the period of free electricity will lead to increased network costs and, if so, determine who will pay these additional costs. It would be inappropriate for low users to bear the costs of reinforcing the network so that high users can virtually eliminate network costs.
- Keep customers informed. Retailer comparison sites need to be amended so that users can get comparisons based on changed usage. Most, if not all, current comparison sites will compare tariffs based on past usage. Moving forward we need to understand the benefits of changing usage profiles.

In the responses to questions, we discuss different implementation pathways and changes together with a high-level summary of beneficiaries and risks.

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2. Responses to questions

a) General matters

Are there matters that you would like to raise, including methodological approaches to other cost components not mentioned in this paper?

We have no matters to raise.

b) Wholesale electricity costs

We propose to continue the approach adopted in our final 2025–26 Victorian Default Offer decision to account for the wholesale cost of exports within the Victorian Default Offer. This includes a forecast export volume weighted wholesale price, multiplied by small customer export volumes, and divided by total forecast consumption. Do you agree with this approach? If not, why, and what alternative approach should we consider?

We propose to continue to use data sourced from the Australian Energy Market Operator and the Australian Energy Regulator to inform our estimate of the wholesale cost of exports. Do you agree with these data sources? If not, why, and what alternative data sources should we consider?

We agree with your approach to wholesale electricity costs.

c) Network costs

Given the objective of the Victorian Default Offer is to provide a simple, trusted and reasonably priced electricity option that safeguards consumers unable or unwilling to engage in the electricity retail market, do you foresee any difficulties in transitioning from a two-period to three-period time of use (ToU) tariff? And if not, is continuing our pass-through appropriate or are there other approaches we should consider?

Are there any other matters proposed by distribution network service providers, or the Australian Energy Regulator that you think we should consider in setting the Victorian Default Offer?

We do not know of any difficulties in transitioning or matters for consideration.

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d) Free power period tariff

What are your views on the suitability of a regulated residential tariff with a free power period in Victoria?

Are there additional safeguards – such as eligibility requirements – that should be implemented before a customer could opt-in to such a product?

Before we comment on the suitability of a regulated residential tariff with a free power period we would like to look at the benefits and risks of some different approached.

1. Introduce a free power period that enables high users to access free or cheap electricity

Discussion

If high electricity users can switch demand to the middle of the day this will maximise the demand during the free period. Users who could benefit from such a free tariff would be EV owners, Battery owners, Hot water heat pump owners and spa / swimming pool owners.

These groups would help narrow the gap between generation and demand during the peak solar generation period and would also probably lead to a reduction in demand during periods of peak demand. Battery owners and EV owners could make the greatest contribution to reducing demand in peak periods with owners running off batteries.

Retailers offering these tariffs are currently able to purchase electricity in the wholesale market at negative prices during the middle of the day (Courtesy of the coal generators and generation in the Renewable Energy Zones). On that basis they can provide free electricity and make a profit. Even better, many of their customers have batteries and so have low or zero demand at peak times where retailers can face high prices.

There are already retailers offering free electricity to high energy users.

As Distribution businesses in Victoria have already proposed periods of zero distribution charges the cost of providing free electricity to customer will reduce and it is likely that more retailers will offer periods of free electricity.

One of the considerations that the ESC needs to take account of is whether a significant take up of free electricity during peak periods will result in solar generators being able to sell more of the electricity that they produce, at peak supply times. If this is the case, it is likely that wholesale prices may rise during the peak solar generation period.

It is unclear to us whether the increased take up of electricity in the free period will be sufficient to eliminate the surplus supply or just reduce it. If the change is significant and large enough to change the market dynamics so that existing solar generators can export during periods of peak solar production wholesale prices may have to rise and it might be prudent to require users to pay a low tariff during peak production periods. (Example of problem if free electricity decreed - A high user can switch demand to the free period and then rely on a battery for the remaining hours in a day, paying nothing for the electricity they

use even though the retailer is paying and will only pay the daily distribution charge. This will require subsidies from other customer groups if the retailer is not to be forced to lose money).

If the ESC's objective is to bring the supply and demand curves into closer alignment it should consider lobbying the Federal Government to make battery subsidies available to households and apartment buildings without solar. These customers would charge their batteries during periods of fee supply and would probably run off batteries during peak demand periods.

Benefits and beneficiaries

The major beneficiaries would be large energy users although low energy charges may be necessary in the longer term.

Existing solar generators may also benefit.

A large take-up by these users could change the grid profile and should result in lower energy prices in peak periods. Lower energy prices in peak periods would provide a secondary benefit to all customers.

Risks

- Take up of low tariffs may not be as quick as liked. However, moving customers to tariffs with times of free or low electricity costs may backfire if customers do not change their behaviours.
- If large numbers of customers start charging EVs and home batteries and turning on hot water heat pumps at the same time, there may be major issues for the grid.
- If large users with batteries adapt and virtually eliminate their bills another consumer group will have to have increased charges to keep the distribution businesses and the retailers whole.

Recommendations

- **Allow the market to operate with retailers able to make offers of free electricity to customers in line with existing retail offers. The removal of distribution charges during periods of peak supply will make such offers cheaper to deliver. Customers in the high use groups have invested in electrification and are usually willing to switch retailer to obtain a good deal.**
- **Work with Distribution Businesses to ensure that the new rules do not lead to unnecessary spikes in demand (all turning on at 11:00 am) or network stress.**
- **Allow customers without solar to participate in the Cheaper Home Batteries Program.**
- **Analyse what is likely to happen to wholesale prices once the coal generators close and the REZ support expires.**
- **Ensure that the period of free electricity does not lead to increased network costs. It would be inappropriate for low users to bear the costs of reinforcing the network so that high users can virtually eliminate network costs.**

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2. Design a free electricity period to enable low energy users to access free electricity

Discussion

There is an option for a limited amount of free electricity per day targeting those with a limited availability to switch demand. This option should be considered because there is no one size fits all tariff and exiting tariffs focus on high energy users. A period of free electricity with a limited amount of free electricity per day would not require significant price increases outside the free period and could provide benefits to several customer groups.

Based on experience it is likely that there will be strong retailer resistance to an early implementation of the proposed scheme based on system constraints. Consideration should be given to making the scheme voluntary (from a retailer viewpoint) initially allowing for a measured take-up.

Benefits and beneficiaries

The major beneficiaries would be low energy users. In an ideal world even small changes in behaviours could benefit customers.

The impact on the grid and energy prices is likely to be relatively low.

Risks

- Victoria could experience a much higher take-up of an offer with a period of free power than states impacted by the Solar Sharer scheme as Victorian customers have interval meters. This means that Victoria will be impacted more than other states by any volatility introduced by the widespread adoption of a tariff with a period of free electricity.
- Customers are wary of change, and many do not engage with the market.
- It will be difficult for customers to understand if they will be better off under a new tariff. Existing tariff comparisons work with historic usage but benefits from the new tariff will come from changed behaviours.

Recommendations

- **Focus on tariffs for low energy users where small changes in usage can produce savings for customers.**
- **The scheme should be promoted heavily by government stressing the direct and indirect benefits for customers. Customers need to understand the implications of the proposals and be able to assess whether the scheme is of benefit to them.**
- **Retailer comparison sites need to be amended so that users can get comparisons based on changed usage. Most, if not all, current comparison sites will compare tariffs based on past usage. Moving forward we need to understand the benefits of changing usage profiles.**
- **Changes should not be rushed.**

3. Other considerations - Seasonality

Discussion

Most of the discussion assumes that the periods of free electricity will be the same in all seasons and that the issues are constant across the year. This is not the case.

Firstly, the total rooftop and grid solar generation is highly variable. On top of this the timing of exports to the grid and drawdowns can vary greatly.

In Winter rooftop solar generation is at its lowest and households may require support from the grid. Customers with batteries may charge their batteries during periods of free electricity.

At other times of year household consumption is lower and households may have surplus energy to export. In addition, most battery owners will have full batteries by 11:00 am and will not need to charge their batteries using free electricity.

It is possible that retailers will offer longer periods of free electricity during the summer if the conditions support such a change. It is also possible that retailers will demand some control of the supply of free electricity, especially to high energy users.

Benefits and beneficiaries

It may be possible to provide greater benefits to customers outside Winter. Further analysis is required.

Risks

- Customers are wary of change, and many do not engage with the market.
- It will be difficult for customers to understand if they will be better off under a new tariff. Existing tariff comparisons work with historic usage but benefits from the free power period will come from changed behaviours.

Recommendations

Further innovative tariffs from retailers such as offerings that encourage load shifting over extended periods (say 10am–4pm in Winter and 9am–5pm in spring/summer) should be encouraged and taken as a sign of success.

Retailers should be encouraged to work with battery owners and EV owners to manage their demand.

In addition to the above recommendations, we encourage the Victorian government to look at actions that would allow more customer groups to participate in free power periods. These are set out in the section below.

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4. Other considerations –

a. enabling more customer groups to participate

Discussion

Our view is that large customer groups may not be able to participate directly in the SSOs and that these customer groups have much in common with those who have not been able to participate in the solar boom. We can identify the following disadvantaged groups:

- Apartment dwellers
- Renters
- Low income and vulnerable groups
- EV owners without home chargers.

We believe that it should be possible to help some of these groups to participate.

Benefits and beneficiaries

It may be possible to provide benefits more customers by taking certain actions.

Recommendations

We recommend the following actions to assist more customers to participate in the cheap electricity offers:

- **Approval for removable solar panels and small batteries suitable for apartment dwellers and renters. Balcony devices are currently poplar in Europe.**
- **Further assistance to low income and vulnerable groups. Immediate actions should include assistance with insulation and with the installation of hot water heat pumps.**
- **Establishing areas where residents can access free or cheap EV charging during periods of high solar supply. Councils could be encouraged to assist with this initiative.**

b. Impact on the Victorian Default Offer

Our understanding is that a regulated offer with a period of free power has to be more expensive than the Default offer outside the zero-cost usage window for the retailer to recover costs. (The retailer will lose at least 3 hours of revenue and can expect to recover that elsewhere).

We believe that the current Victorian default offer should not be worsened because of the introduction of a free power period as this would represent a subsidy.

c. Section summary

Based on our analysis above we favour a regulated tariff including a free power period but limiting the amount of free electricity available per hour on this tariff. This amount of free electricity could cover most customers but be designed to exclude EV owners and battery owners.

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We believe that retailers will come up with alternative tariffs to meet the demands of high-power users and that this does not need to be regulated.

We believe that some retailers are already experimenting with innovative tariffs and that this innovation should be encouraged.

e) Other costs

Do you support our proposed approach to pass through the Australian Energy Market Operator's recently introduced 'Cyber Security & Resilience' fee and if implemented, the updated National Electricity Market Participant fee structure? If not, why, and what alternative approach should we consider?

Do you have any feedback on our proposed use of the Australian Energy Market Operator's updated data to inform our ancillary service fee estimate?

We support your proposed treatment of additional fees and your proposed use of the Australian Energy Market Operator's updated data to inform your ancillary service fee estimate.

We agree to publication of this submission on the Victorian Default Offer.

SUBMISSION BY:

Organisation name: Lighter Footprints Inc.

Organisation Position: Convenor, Lighter Footprints Energy Transition Group

Date: 12 December 2025

This submission has been authorised by:

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