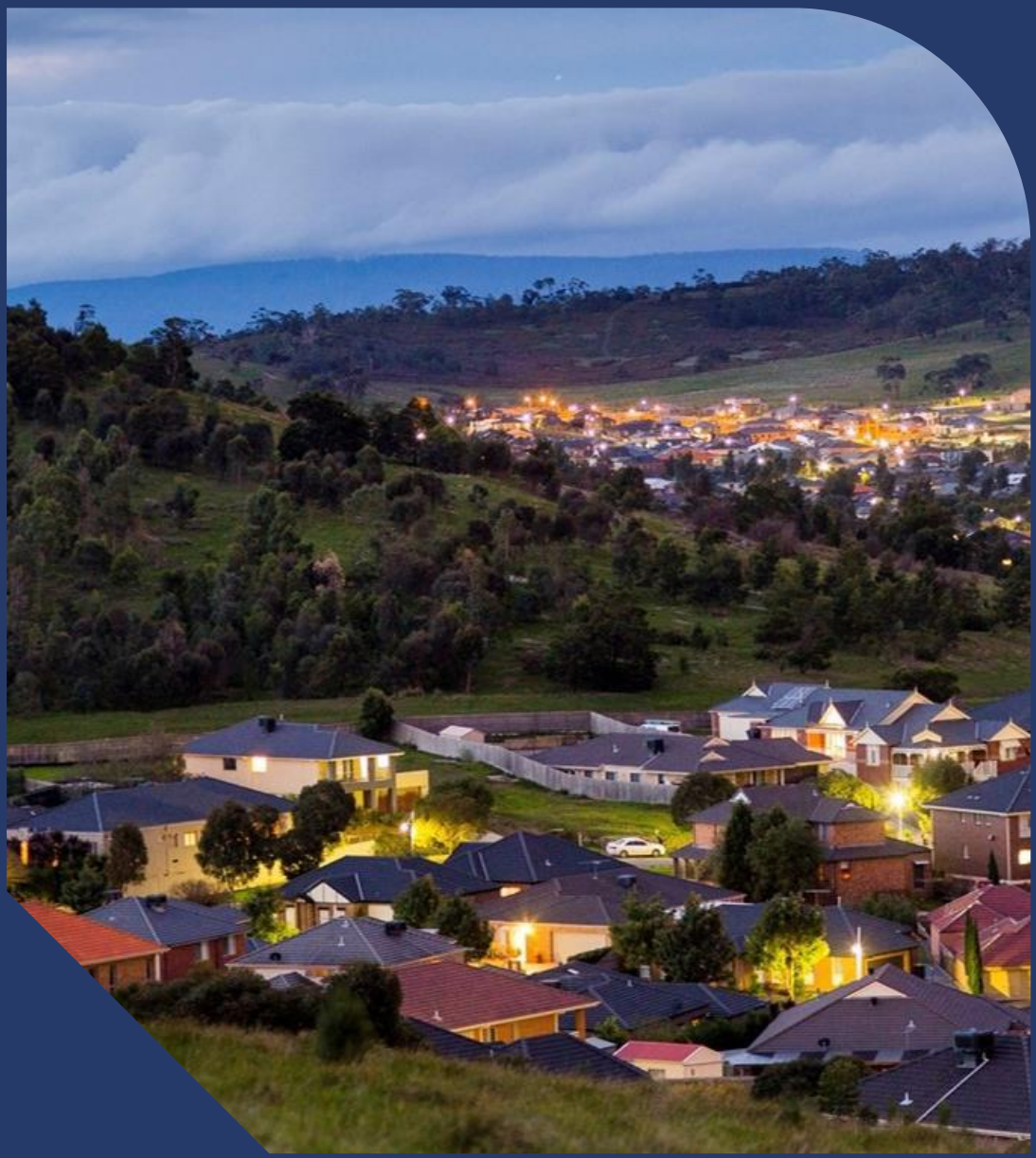
AusNet

AusNet Electricity Services Pty Ltd

Proposed Tariff Structure Statement 2026-31

Explanatory paper

Friday, 31 January 2025



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1. Introduction

AusNet is one of five Victorian electricity distributors providing distribution network, metering and public lighting services to our customers. Every five years, AusNet is required to prepare a Tariff Structure Statement (**TSS**) that describes how our distribution tariffs are structured and the arrangements for assigning and reassigning customers to these tariffs.

This explanatory paper accompanies AusNet's TSS compliance document, which sets out the information that we are required to provide in accordance with the National Electricity Rules (**Rules**). The purpose of this explanatory paper is to provide the reasons behind our proposed tariff structures and assignment and reassignment policy for the 2026-31 regulatory period, including how we have taken account of feedback received from our customers and stakeholders.

This document focuses on the changes proposed for this regulatory period as well as reproducing some of the information that was provided in the previous version of this document covering the 2021-26 regulatory period. Tariffs and policies that remain unchanged are not the topic of this document.

Summary of changes to tariffs

For our residential and business customers (consuming not more than 40MWh per year), AusNet took a collaborative approach to engagement, with the four other Victorian electricity distribution businesses, and have proposed an aligned position. Together with the other Victorian electricity distributors, we will make the following changes for our residential customers:

- Update the residential time of use (ToU) tariff structure to incorporate a solar soak period of 11am-4pm and a peak period of 4pm-9pm local time, applicable to all days of the week;
- Retain our single-rate tariffs;
- Introduce a new residential consumer energy resource (CER) tariff, allowing eligible residential customers to opt in and out; and
- Close the residential demand tariffs due to low take up from residential customers.

Our assignment policy for these tariffs remains consistent with the current regulatory period and the Advanced Metering Infrastructure (**AMI tariffs**) Amendment Order in Council (2021)[1]. This means during 2026-31 we will continue to assign the following customers to the ToU tariff:

- New connections (i.e. new homes connecting to the network for the first time, not re-energisations);
- Customers who choose to upgrade from single-phase to three-phase supply;
- Customers who choose to install solar or batteries; and
- Customers with a dedicated charger for an electric vehicle (EV) with a specified capacity or charging rate of 3.6kW or greater.

Separately, we will introduce a new dedicated circuit (hot water) tariff with updated time periods to replace the existing residential dedicated circuit tariffs. We will reassign all existing residential customers on a dedicated circuit tariff to this tariff, and close the existing dedicated circuit tariffs for residential customers.

For our small business customers, we are not proposing any changes to the existing tariffs, and the assignment and reassignment rules from the 2021-26 regulatory period will carry over into the 2026-31 regulatory period.

For business customers consuming more than 160MWh per year, we are proposing the following changes:

- Updating when we call our critical peak demand (CPD) events as required under our CPD tariff structure;
- Closure and reassignment of customers on older single rate and ToU tariffs to our new transitional CPD tariffs which will gradually transition these customers to our standard CPD tariffs; and
- Introducing new Individually Calculated Customer (ICC) CPD locational tariffs for new high voltage and sub transmission customers with demand greater than 10MVA and 25MVA respectively, where the locational transmission use of system (TUOS) cost will be individually calculated and passed through directly to customers.

The remainder of this document explains the rationale for our proposed approach and is structured as follows:

- Chapter 2 provides background information, including the purpose of the TSS and our distribution network, the pricing principles that our tariffs must satisfy, our approach and summary to working collaboratively with customers on tariff design; and a summary of the key challenges from the energy transition.

[1] Victoria Government Gazette, No. S 295 Wednesday 16 June 2021 By Authority of Victorian Government Printer, Electricity Industry Act 2000, Advanced Metering Infrastructure (AMI tariffs) Amendment Order in Council 2017.

- Chapter 3 outlines the tariff classes for standard and alternative standard control services.
- Chapter 4 discusses our proposed tariff changes for the 2026-31 regulatory period.
- Chapter 5 summarises our proposed changes for the 2026-31 regulatory period.

2. Background

As one of five Victorian electricity distributors, AusNet provides customers in its service area with distribution network services, residential and small business metering, public lighting and other related services that they might request. We charge electricity retailers for these services, but ultimately, our customers pay for our services through the bill they receive from their retailer.

2.1. What is the tariff structure statement?

A "tariff" is how we charge a retailer for the services we provide to our customers. The tariff can be made up of different components such as fixed charges, usage charges or demand charges. These tariff components, the charging parameters[2] and the applicable prices constitute the tariff structure.[3] The total network charges for any particular customer will depend on their assigned network tariff and their network usage.

The TSS sets out the distributor's proposed tariffs, charging structure, and the policies and procedures for assigning or reassigning customers to particular tariffs. The TSS must ensure that the proposed tariffs conform with pricing principles specified in the Rules. It also provides information on alternative control services, which are subject to separate charges. The Rules also require that each distributor submits its TSS to the AER for approval alongside its Regulatory Proposal.

Our TSS explains our proposed tariff structures for the 2026-31 regulatory period. It is published concurrently with this explanatory paper, which provides detailed information and analysis to support the TSS.

2.2. Purpose of this explanatory paper

In this explanatory paper, we outline the context for how we propose to set network prices for customers in the 2026-31 regulatory period including:

- Describing our residential and business customers, and the changing way our customers use the network;
- Explaining how we engaged with customers and detail how their feedback has informed our proposal; and
- Providing reasons for the tariff classes and tariff structures we are proposing.

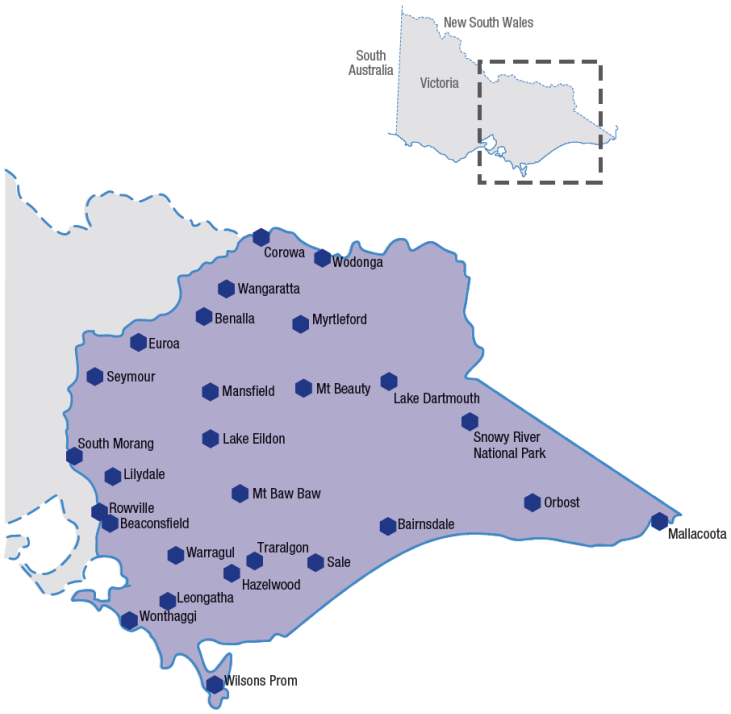
A key objective is to provide consumers and stakeholders with an understanding of the reasons for our proposed changes to tariff structures for the 2026-31 regulatory period.

[2] Charging parameters help to explain key information such as peak periods and minimum chargeable demand levels.
[3] In this document we use the term tariff structure to be consistent with the terminology in the National Electricity Rules, but we have often used the term "price structure" to mean the same thing within our engagement materials.

2.3. Our network

AusNet operates and manages an electricity distribution network serving the fringe of the northern and eastern Melbourne metropolitan area and the eastern half of rural Victoria (see Figure 2-1) delivering electricity to approximately 814,000 households and businesses.

Figure 2-1: AusNet Electricity distribution network



Approximately 90% of our customers are households and around 60% of our customers are in rural areas.

The electricity network comprises a sub-transmission network that consists of predominantly overhead lines operating at 66kV, with zone substations transforming the voltage and providing the feeder exit points for the distribution network, which generally operates at a voltage of 22kV and consists mainly of overhead lines but also includes underground cables. Some customers in remote and low population density rural areas are supplied by Single Wire Earth Return (SWER) medium voltage (12.7kV) distribution networks. Most of our customers are supplied at low voltage from distribution substations on the 22kV network.

Table 2-1: AusNet's distribution system

Key network element	Number of elements
Zone substations	67
Distribution substations	62,830
Power and public lighting poles	431,780
Underground cable and overhead lines	45,980 kilometres

Source: AusNet AMS20-01

Each year our renewal and maintenance activities typically include approximately:

- 115,000 poles and pole tops being inspected;
- 3,000 poles being replaced;
- 2,100 cross-arms being replaced;
- 235 km overhead conductors being replaced; and

- 22,000 streetlights being replaced.

The cost of distributing energy across our network is paid for through customers' electricity bills. Our network charges typically amount to around 36% of a typical bill.

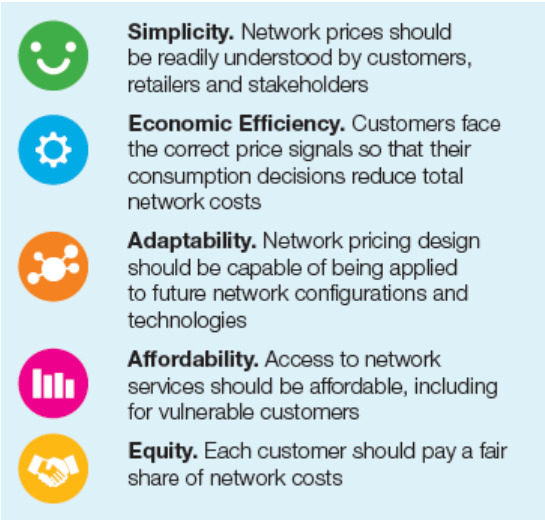
As a regulated business, the distribution revenue we can recover from our customers is determined by the Australian Energy Regulator (**AER**) on a five-yearly basis to ensure this reflects the efficient costs of providing network services. The revenue determination process for the 2026–31 regulatory period is currently underway, which means that changes in this TSS will be implemented from 1 July 2026.

Each year, we submit an annual pricing proposal to the AER. The purpose of these pricing proposals is to obtain approval for how we recover our distribution revenue allowance, transmission costs and other government policy charges in any given year. The way we set our prices does not impact the total amount of revenue we collect but it does influence how much individual customers pay for their energy services.

2.4. Pricing objectives

In developing potential changes to our tariff structures for the 2021-26 regulatory period, we were guided by the following pricing objectives that were developed during our customer and stakeholder consultation process.

Figure 2-2: Pricing objectives reflected in our current TSS



As we explained in developing our current TSS, these five objectives provide a framework for assessing options to determine how we design our proposed residential and small business tariff structures, and assignment and transition rules. We also noted that no single tariff option can address all of these objectives, which means that trade-offs or compromises need to be considered.

In our current TSS, we used these objectives as a foundation for engaging on the tariff structures for the 2021-26 period. We also explained that these objectives provide a framework for exploring options on pricing designs with customers and stakeholders. The table below also showed how these objectives linked to the pricing principles specified in the Rules.[4]

Table 2-2: Current pricing objectives and Rules requirements

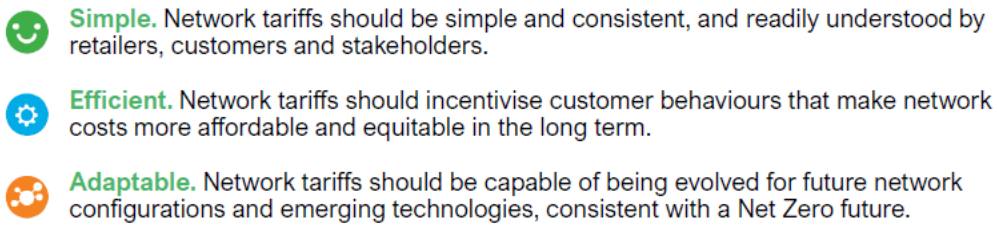
Pricing objective	Explanation	Aligns to pricing principle in the Rules
Simplicity	Customers, retailers and stakeholders should readily understand information about network prices	Rule 6.18.5(i) – customers must be reasonably capable of understanding the tariff structures.
Economic efficiency	Customers face the correct price signals so that their consumption decisions reduce total network costs.	Rule 6.18.5(a) – The network pricing objective.[5]

[4] The pricing principles for direct control services are set out in clauses 6.18.5(e)-(j) of the Rules.
[5] The network pricing objective is 'that the tariffs that a Distribution Network Service Provider charges in respect of its provision of direct control services to a retail customer should reflect the Distribution Network Service Provider's efficient costs of providing those services to the retail customer. See Rule 6.18.5(a).

		Rule 6.18.5(e)-(g) – General efficiency principles.
Adaptability	Network pricing design should be capable of being applied to future network configurations and technologies.	This pricing objective is not specifically linked to the principles in the Rules but is consistent with promoting efficient outcomes.
Affordability	Access to network services should be affordable, including for vulnerable customers.	Rule 6.18.5(h) – requires us to consider the impact on customers of changes in tariffs.
Equity	Each customer should pay a fair share of network costs.	Rule 6.18.5(h)&(i) require us to consider customer impact.

In our engagement with customers and stakeholders for the proposed TSS covering the 2026-31 regulatory period, stakeholders strongly supported further simplification of the pricing objectives. Through our Joint Victorian distributor engagement, the objectives were simplified and synergised into three key objectives, shown in Figure 2-3 below.

Figure 2-3: Pricing objectives for our proposed 2026-31 TSS



AusNet supports the focus on the smaller subset of pricing objectives for the purpose of considering changes to the current tariff arrangements. We also agree that tariffs should be technology agnostic while being supportive and complementary to existing and future CER. The table below also shows how these updated objectives link to the pricing principles specified in the Rules.

Table 2-3: Proposed pricing objectives and Rules requirements for 2026-31 TSS

Pricing objective	Explanation	Aligns to pricing principle in the Rules
Simple	Network tariffs should be simple and consistent, and readily understood by retailers, customers and stakeholders.	Rule 6.18.5(i) – customers must be reasonably capable of understanding the tariff structures.
Efficient	Network tariffs should incentivise customer behaviours that make network costs more affordable and equitable in the long term.	Rule 6.18.5(a) – The network pricing objective.[5] Rule 6.18.5(e)-(g) – General efficiency principles. Rule 6.18.5(h) – requires us to consider the impact on customers of changes in tariffs. Rule 6.18.5 (i) require us to consider customer impact.
Adaptable	Network tariffs should be capable of being evolved for future network configurations and emerging technologies, consistent with a Net Zero future.	This pricing objective is not specifically linked to the principles in the Rules but is consistent with promoting efficient outcomes during an energy transition where technologies are changing rapidly.

As discussed later in this explanatory paper, the expected growth in CER is an important factor in identifying potential tariff changes for the 2026-31 regulatory period.

2.4.1. Alignment with pricing principles

When designing tariffs for the 2026-31 regulatory period, we consider the application of the Rules pricing principles to ensure our TSS is compliant with the Rules. In addition to having regard to the pricing objectives that was developed in the Joint DB engagement workshops (as shown in section 2.4), we want to ensure that our charges take into

account these principles, including the long run marginal costs of customers connecting to our network, and to also provide incentives to connect to our network where the costs do not exceed the cost of bypassing our network. More details on how our TSS aligns to the pricing principles can be found in the TSS compliance document.

2.5. Designing tariffs collaboratively with our customers

AusNet has undertaken a comprehensive customer engagement program for the development of the 2026-31 TSS proposal. Since 2023, AusNet has met with customers, customer advocacy groups, retailers, industry experts, the Victorian government and the AER to discuss and seek to address key challenges that AusNet will be facing in the 2026-31 regulatory period.

Through this process, AusNet along with the four Victorian distribution businesses, jointly organised and planned three joint Victorian distributor forums, engaging with our stakeholders on pricing objectives, designing tariffs and assignment policy for the 2026-31 regulatory period.

Separately, AusNet also developed its own engagement program consulting with our own customers, retailers and customer advocacy representatives. We will discuss both engagement programs in more detail below.

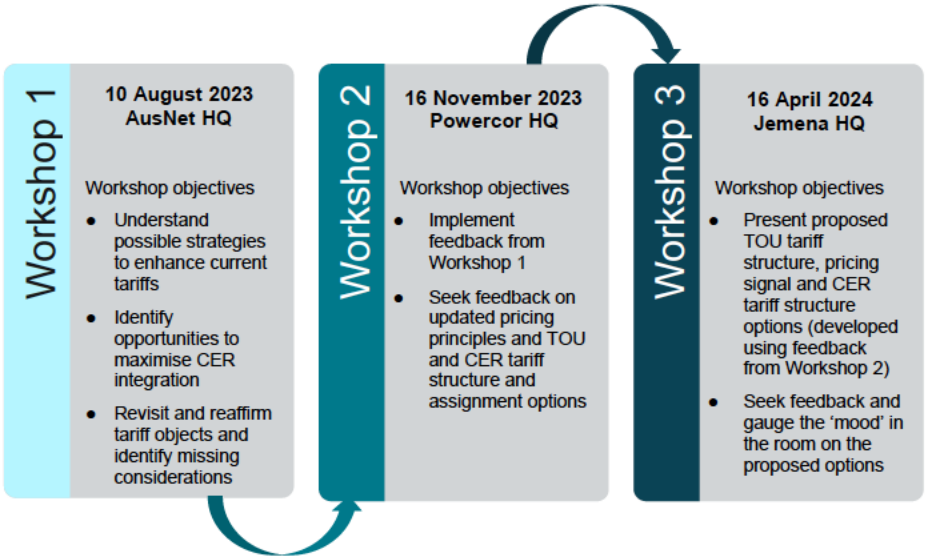
2.5.1. Joint Victorian distributor workshops

We are mindful of the impact that tariff structures have on our customers, as any change will make some customers better off and others worse off. Since 2020, we have taken a customer-led approach to ensure we understand and reflect our customers' and related-stakeholders' priorities.

In preparing the proposed TSS for the 2026-31 regulatory period, we held three joint tariff engagement workshops with the other Victorian electricity distribution network service providers involving customer advocacy groups, retailers, industry experts, and representatives from the AER, and the Victorian Government, to develop our pricing objectives, workshop our proposed future tariff structures and seek feedback.

The figure below provides an overview of the three workshop objectives.

Figure 2-4: Joint distribution forums to inform the proposed TSS for the 2026-31 regulatory period



The objective outcomes from each of the workshops are summarised below.

2.5.1.1. Workshop 1

Workshop 1 was held at AusNet's office on 10 August 23. As the first of three workshops planned for our joint Victorian distributor workshop, we set the scene by introducing the types of network tariffs we currently offer to customers, a snapshot of our journey towards cost reflective tariffs, the number of customers we have on each network tariff type, and discussed the various opportunities to enhance our existing tariff offerings.

There was then a presentation focused on integrating CER, including:

- the challenges that networks currently and will continue to face from CER;
- the need to manage these issues to ensure customers can continue to have access to CER; and
- how network tariffs can play an important role to help integrate CER into our networks.

Lastly, we revisited the pricing objectives from the 2021-26 period and asked workshop participants if we need to update these.

At the end of each topic, participants were encouraged to have a roundtable discussion with other participants, and complete worksheets available at their tables. A representative from each table was then asked to share the outcomes of the group discussion with the wider group. Below is a summary of the key themes and feedback that emerged from the workshop.

Table 2-4: Summary of key themes and feedback from workshop 1

Themes	Key points
The challenges and opportunities of the energy transition	The electricity network has changed considerably in recent years and will continue to change over coming years as Victoria and Australia work to achieve legislated Net Zero targets and different technologies are used to generate and store renewable energy.
Integrating CER	CER technologies, including electric vehicles, solar PV and batteries, impact the way consumers generate and use electricity, driving the need to re-think tariff design.
Designing tariffs	Tariffs are complex to design, introduce and implement – and they may not be the only way to change electricity consumption behaviours.
Who should tariffs be designed for?	Should tariff design focus on retailers, customers or a mix of both? Key considerations include the level of risk, implications for both retailers and customers, and updates to IT and other systems and processes that might need to be made.
Shifting time of use behaviours	A mix of incentives and penalties can be considered to help change and level out when electricity is generated and used. Storage technologies and flexible loads can make it easier and/or more affordable to shift energy consumption.
Ongoing customer awareness and education	Customers need to become aware or more aware of how their electricity bills are calculated, what retail tariffs they're charged and any alternative options they could consider.
Support for vulnerable people/ communities	Stakeholders, distributors and retailers need to be aware of vulnerable customers and provide support to them where possible while also noting that the Victorian government and other organisations have an important role to play.

2.5.1.2. Workshop 2

Workshop 2 was held at Citipower, Powercor and United Energy's office on 12 November 23. We started by revisiting the pricing objectives and presenting an updated set of pricing objectives, based on the feedback we received from workshop 1. We then proceeded to present the following topics to participants. The topics included:

- Residential ToU tariff structure;
- Residential ToU tariff assignment options; and
- CER tariff structure.

Multiple stations representing each topic were set up, and participants were free to approach any station to ask further questions as well as collaborate with other participants. Participants were also instructed to provide their feedback on post-it notes and stick them on the butchers paper provided at each station.

Below is a summary of the key themes and feedback that emerge through discussions from the workshop.

Table 2-5: Key themes and feedback from workshop 2

Themes	Feedback
Residential ToU tariff structure	**Inclusion of solar soak period** Stakeholders generally expressed support for the inclusion of a solar soak period.

	Generally, most stakeholders who provided feedback on a possible solar soak period supported its inclusion in the ToU tariff structure. Offering 'carrots' is seen as better than implementing 'sticks' to effect intended behaviour changes amongst electricity users and doing so could help encourage equitable and efficient electricity usage. **Shifting the peak period from 3-9pm to 4-10pm** Most stakeholders expressed support for shifting the peak period, although there were differing views on its proposed length and expected finishing time. Support for the Victorian DNSPs proposal to shift the peak period from 3-9pm to 4-10pm was mixed. Most stakeholders generally supported the Victorian DNSPs to push back the peak period's starting time from 3pm to 4pm. However, most of the stakeholders who commented specifically on the timing suggested the proposed 10pm finish time was too late and that 9pm was a more suitable time. **Seasonality of the tariff structure** Stakeholders generally supported keeping tariffs the same throughout the year and not adjusting for seasonality. Amongst stakeholders, there was stronger support for maintaining the same rates and time every day of the year and not making changes based on the time of the year (e.g. daylight savings). **Contingent triggers to change the tariff structure** Generally, and for differing reasons, most stakeholders were opposed to contingent triggers although a few did express support.
Residential ToU tariff assignment options	**Support for Option 1 (ToU transitional tariff) or Option 2 (Reassignment to ToU on 1 July 26)** A higher number of stakeholders expressed direct support for Option 2 than they did for Option 1. Reasons for supporting option 2 include: • It would be simpler for customers. • Simpler to transition customers on the one date. • There is enough time to prepare for the 1 July 2026 reassignment date. • Allowing customers time to adapt and save money to purchase and use their own battery and/or solar products. • The fixed date will allow for standardised/ uniform communications. **Opt-out to a flat tariff** Limited information was received from stakeholders directly in relation to an option to opt-out to a flat tariff.
Opt-in two way CER tariff	**Opt-in two-way tariff** While most stakeholders were not opposed to the concept of a CER tariff, a key concern for stakeholders is the inclusion of an export charge period between 10am and 4pm. In contrast, some were concerned that the two-way opt-in tariff might widen the cost burden gap between solar and non-solar customers, and some wanted the tariff with export charges to be mandatory for solar customers. Some assumed that most solar and customers would opt into the tariff, while others assumed that only a limited number of customers would opt in. **Having a midday export charge and a midday solar soak** Stakeholders were against the introduction of a midday export charge. However, there was stronger support for the solar soak period concept. **Having an evening export rebate** Stakeholders expressed strong support for an evening export rebate. **Seasonality in two-way tariff** While there were mixed views, there were more stakeholders who provided feedback against seasonality than in support of it. **Introducing a 'shoulder' between the export charge and export reward periods** Most stakeholders expressed support against the introduction of an export shoulder as they want to keep the opt-in two-way tariff as simple as possible, and shortening

	the time periods either side of the shoulder period would increase the differences between export charge and export reward prices offered. **Adapting the same structure for community batteries** • Very limited feedback was provided by stakeholders in relation to adapting the same opt-in two-way tariff structure for community batteries.
Pricing objectives	**Fit for purpose** Stakeholders indicated their support for the proposed pricing objectives. Aside from expressing general support, specific reasons for this include: • The wording and descriptions being clear to understand • They work well together as a set of three • They are limited to three objectives when previously there were five • They would likely be supported by electricity customers. **Support for the energy transition and alignment to a Net Zero future** Limited feedback was provided by stakeholders specifically about how the pricing objectives might support the energy transition and align to a Net Zero future.

2.5.1.3. Workshop 3

Workshop 3 was held at Jemena's office on 16 April 24. Taking into account the feedback received in the previous two workshops, the Victorian distributors presented to stakeholders their proposed tariff structures, pricing signals and assignment options. After the presentation of each topic, stakeholders were asked to discuss and collaborate amongst other stakeholders seated at their table, guided by a series of questions relating to each topic. A representative from each table was then asked to present their discussion points and feedback to the wider audience.

Below is a summary of the key themes that emerge through discussions from the workshop.

Table 2-6: Summary of key themes and feedback from workshop 3

Themes	Support	Misalignment
ToU structure and reassignment	• Updated proposed ToU tariff structure is easy for customers to understand and the revised off-peak and solar soak periods reflect customer feedback. • Keeping the tariff the same during the year, without introducing seasonal pricing. • Any change to tariffs needs to be supported by a comprehensive communication campaign and tools for customers to understand impacts.	• Some stakeholders were concerned with the proposed mandatory assignment, particularly considering impacts to vulnerable customers. • Some stakeholders were concerned the impact on customers with solar may reduce solar uptake in the future. • DNSPs need to be mindful of terminology used to describe changes to customer bill impacts.
ToU pricing signal	• There are marginal differences between the proposed weak and strong signals. • Weak signal provided minimal incentives for behavioural change.	• Varying levels of support for medium and strong signals, with reasoning focused on minimising transition shock and impacts to vulnerable customers.
CER tariff	• Support for the opt-in, two-way structure which targets retailers and aggregators of customers with home batteries and vehicle-to-grid electric vehicles (EVs).	• Seasonality adds a level of complexity that seems at odds with pricing objectives. • Potential for a cross-subsidy to emerge between customers who have installed batteries and those who do not. • Tension between having location specific strong price signals vs weaker average price signals available everywhere.

In subsequent chapters of this explanatory paper, we will provide more detail on how we have responded to the feedback our stakeholders have provided in the series of joint DB workshops.

We also note that the outcome for customers experiencing vulnerability was an important consideration in these workshops, as it was in our tariff proposals that were developed for the 2021-26 regulatory period. At that time, we heard that the level of customer advocate support for tariff change depends materially on the possible outcomes for these customers, noting that it was not appropriate to regard customers experiencing vulnerability as a single cohort. For example, stakeholders indicated that customers under mortgage stress or pensioners — who as a group are increasingly installing solar panels — may also be considered to be experiencing vulnerability. Further feedback in relation to these customers is discussed later in this document.

2.5.2. AusNet Tariffs and Pricing panel

In parallel with the joint Victorian DB forums, AusNet developed a tariff and pricing engagement program looking to engage with stakeholders to address pricing and tariffs issues impacting the 2026-31 regulatory period. This is described below with further detail provided in Chapter 2 of the Regulatory Proposal.

AusNet's EDPR Tariffs and Pricing (**T&P**) panel consists of panel members with a vast array of experience including members from energy consumer advocates, retailer and customers within AusNet's region with a personal and/or professional interest in improving outcomes for their communities.

Over a period of one and a half years, we organised 11 meetings consisting of 8 panel meetings and 3 off-site forums.

In mid 2023, the T&P panel developed a set of focus questions to guide their work and to drive the right outcomes for customers in the 2026-31 regulatory period. More specifically, the focus questions formed the agendas for T&P meetings, kept the panels' eye firmly on outcomes, made panel focuses clear to avoid duplication and gaps, and to provide a clear link between the engagement program and its impact for the 2026-31 TSS. Five focus questions were developed for the T&P panel in which we engage panel members to answer. The focus questions and key outcomes from the T&P customer engagement include:

Table 2-7: T&P focus questions and key outcomes

Focus questions	Key outcomes from engagement
Revenue allocation between tariff classes: How might we allocate revenue across different tariff classes in a balanced, justified and proportional way, that also provides support for customers with specialised needs?	• There are limited opportunities to make substantive changes to the revenue allocation between tariff classes, as that might create bill shocks, and the AER prioritises consistency between regulatory periods. • Tariff classes should be technology neutral as much as possible, given rapid emergence of new technologies. However, this may create cross-subsidies within tariff classes, which should be addressed.
Impact of tariffs on customers including impact of doing nothing: How might we better analyse and understand customer impact, including understanding the impact of 'doing nothing', to help us make more informed decisions?	• Tariff design should be based on network cost drivers and how different customer types within tariff classes are driving those costs, including understanding the impact of 'do nothing'. • The tariff impact assessment should be more 'personalised', including examples of customers underpaying or overpaying based on current tariffs, and how a new tariff would offset those cross-subsidies. • Acknowledgement it is difficult to understand customer impacts when tariffs are optional.
Accommodating CER: How might we use tariffs to enable and facilitate an energy transition without unexpected downside impact, and reflect the value of CER in the energy system irrespective of their specific technologies?	• Agreement on the need for a broader communication strategy to educate customers about changes in the energy network, and how network tariffs contribute to a smooth and equitable transition, including how customers can benefit by responding to pricing signals. • Support for technology-agnostic tariffs, acknowledging some tariffs may only be effective with specific technologies. • Support for optional two-way tariffs with relatively weak pricing rewards, but available to all.
Take-up of tariffs: How might we build customers' agency on tariff choices, and smoothly support customers to transition to cost-reflective tariffs?	• There is a need for a broader communication strategy to inform the public about changes in the energy network, focusing on peak/off-peak times and the transition to sustainable energy. • A difficulty is that customers may not have retail tariffs that reflect network tariffs, so communications should cover retail as well as network tariffs.

	• Tariff discussions should build on (and are secondary to) broader messaging to customers on the energy transition and how customers can adapt. The water sector was cited as a good example (simply focusing on water pipes would not have resonated with communities).
Pricing objectives: How might we ensure tariff design reflects agreed pricing objectives?	• Importance of maintaining simplicity in the pricing objectives, as customers do not want to engage with complex tariffs. • Economic efficiency was seen to be a key objective in the long term, which would ultimately lead to customer behaviour that is to the benefit of all consumers. This includes considerations of efficiency of imports and exports. • Affordability and equity are also very important, but these terms are not well defined today in the objectives. • The objectives lack the broader picture of the energy transition and a move to Net Zero.

In the subsequent chapters, elements of our key engagement outcomes will be highlighted as we discussed our proposed changes for the 2026-31 regulatory period.

2.6. Key challenges from the energy transition

2.6.1. Managing maximum and minimum demand and network utilisation

Increasing customer numbers and the electrification of gas and transport are key drivers of our demand growth over the next 10 years. AusNet's maximum demand is anticipated to grow by 13% during the 2026-31 regulatory period in the summer months, and by 18% in the winter months, reaching a new record peak each year after 2025. Currently, the summer months have the highest peak in demand at a network level, but by 2027, winter peaks are anticipated to overtake summer peaks.

Rooftop solar generation has helped to reduce the impact of maximum demand in summer months, however, in the winter months, the solar generation is not sufficient to dampen the winter peak demand which is another contributing factor for winter peak demand growing faster despite more rooftop solar being installed over time.

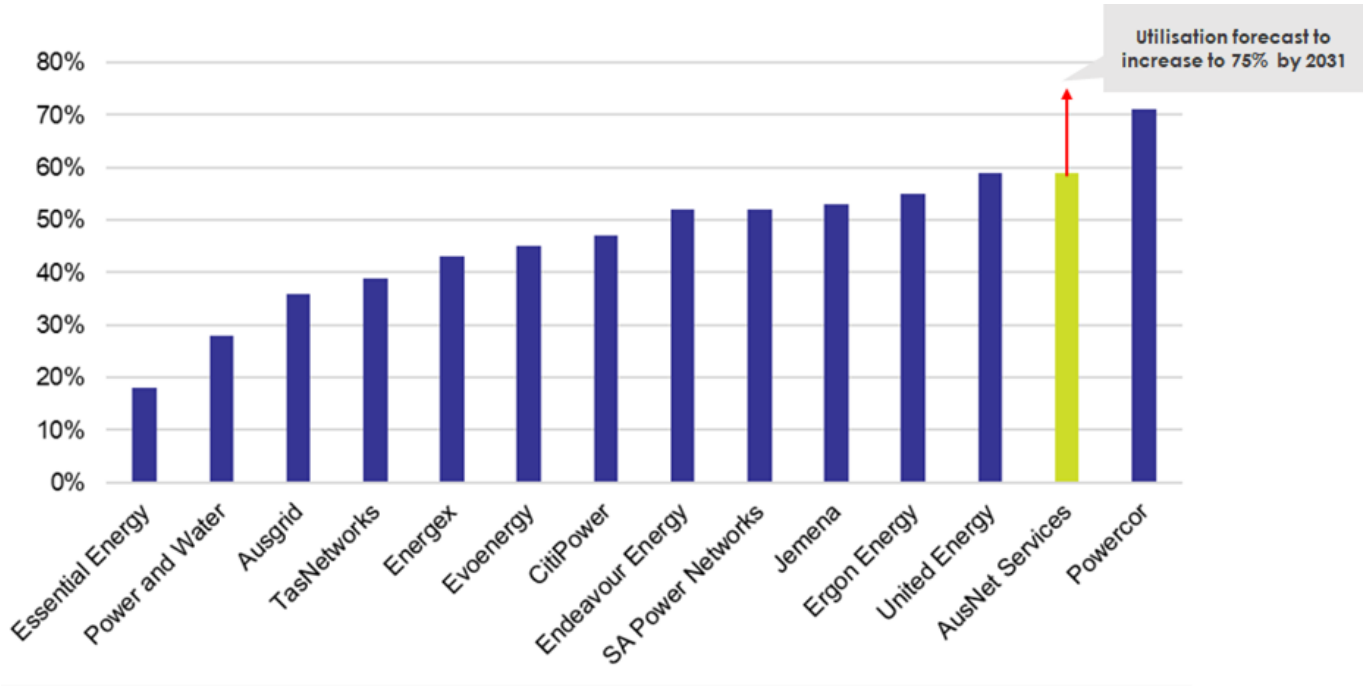
With maximum demand expected to reach record levels after 2025 and with the penetration of rooftop solar increasing over time, and other larger wind and solar farms connecting to the network, the challenge to manage maximum demand as well as minimum demand is becoming more prevalent.

Distributors are increasingly playing a role of managing two extreme ends of the spectrum of demand, needing to maintain the network for two-way flows across the network. This requires networks to move to a more dynamic form of network management and tariff design.

One way to manage demand at each end of the spectrum is to improve network utilisation. Network utilisation, measured by the AER as distribution networks' maximum demand divided by the total capacity of zone substation transformers, is an indicator of how much capacity is in the network to accommodate additional demand. AusNet has the second highest utilisation rate in the NEM, with other Victorian distributors also having high utilisation comparison to other jurisdictions. This is because Victorian distributors use 'probabilistic' planning for network augmentation, rather than a more deterministic approach used in other jurisdictions. However, even with probabilistic planning, as utilisation grows networks have less ability to absorb growing demand without network augmentation.

To accommodate the anticipated growth in network demand to 2031, even with our proposed expenditure highlighted in Figure 2-5, we will continue to increase the utilisation of our assets, increasing from around 60% in 2023 to 75% in 2031. All AusNet customers benefit from higher utilisation, through lower unit costs of electricity.

Figure 2-5: Network utilisation across electricity distribution networks, 2023



Source: AusNet

As part of our tariff strategy to manage peak and minimum demand and encourage increased network utilisation, we are proposing to:

- Update our residential ToU tariff to include a low cost solar soak period;
- Introduce a new optional two-way CER tariff for eligible customers;
- Introduce a 24 hour dedicated circuit and residential CER tariff;
- Continue to trial our dynamic EV tariff and four storage tariffs;
- Transition business customers consuming greater than 160MWh per year from older type single rate and ToU tariffs to our CPD tariffs by the start of the following regulatory period, to ensure that all medium to large customers are facing up to date pricing signals and given the opportunity to reduce the peak demand by responding to our CPD event; and
- Update CPD events so that they meet specific network needs (rather than fixed event numbers).

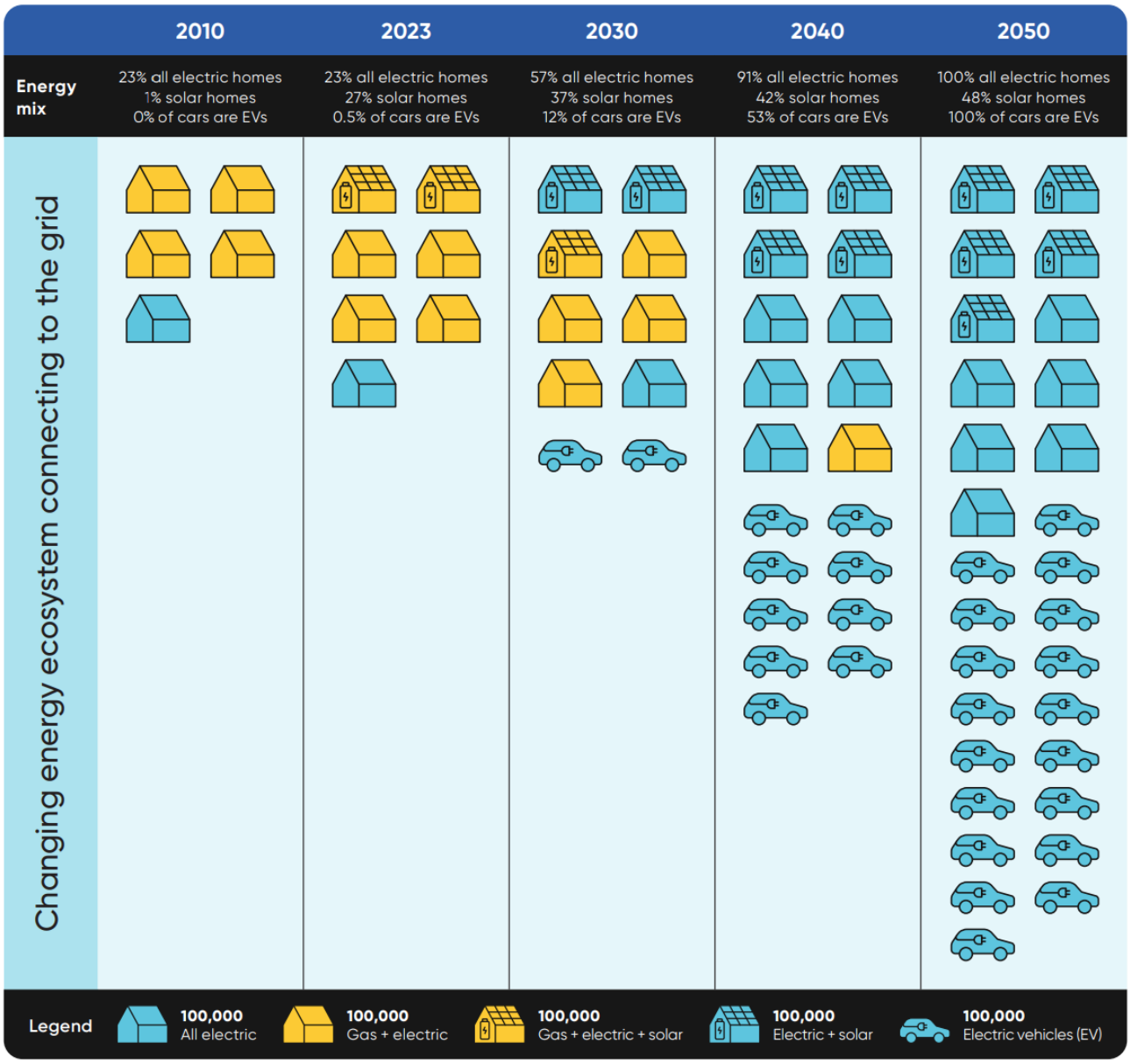
We discuss these changes in more detail below.

2.6.2. Evolving customer needs

We are moving to an increasingly decarbonised energy system with all-electric homes and businesses, electricity for transport and energy from renewables on a small scale (e.g. rooftop solar) and large scale (e.g. solar and wind farms, and commercial battery systems) scale. This transition is creating new challenges for the grid and the energy system, including the risk of very high evening peaks from electrification of gas and transport and minimum operational demand and reverse flow peaks during solar exports in the middle of the day. Network tariffs can play a role in managing those new challenges, by providing customers with pricing signals to incentivise changes to the way they use energy.

Figure 2-6 summarises historical and forecast customer trends in AusNet's network, from 2010 to 2050.

Figure 2-6: Historical and forecast customer trends in AusNet's network, 2010 to 2050



Source: AusNet

In the past, networks have mostly needed to manage evening peaks, so tariffs have been designed to make evening usage more expensive. However, with the growing penetration of solar, there is a new opportunity for all customers to shift their electricity consumption to the middle of the day to soak up the electricity generated from the hundreds of thousands of solar-equipped homes and businesses. Customers that can shift some usage from the evening peak to middle of the day would benefit from doing so by accessing lower network prices.

Our tariff strategy is designed to offer customers multiple opportunities to save on their energy bills through tariffs. The tariffs are also designed to reduce the difference in network costs paid by customers with and without solar, where today customers with solar have an annual network bill around half that of non-solar customers By reducing the cost of electricity during the middle of the day to align with the abundance of electricity being generated at the same time, both customers with and without solar benefit from cheap electricity during the day, equalising the cost sharing between both types of customers.

Figure 2-7: Tariff strategy for 2026-31, giving customers options to save on their bill

- **Enable all customers to benefit from solar** by are adding a cheap 'solar soak' period (11am-4pm) to the residential time of use tariff. Opt-in for single-rate customers without solar or EV chargers.
- **Rewards flexibility** through an optional two-way CER tariff that is available to all customers. Updating existing hot water control tariff to more flexible control times.
- **Rewards grid-scale storage flexibility** through four new storage tariffs (LV and HV connected).
- **Increase optionality for I&C** with optional CPD tariffs for medium and large (LV connected) customers and exploring if we can call CPD days more flexibly, as well as considering potential locational tariffs.
- **Builds customer agency to engage with tariffs (and save money)** via communication campaign and through regulatory framework advocacy.

2.6.3. Building customer agency

As the energy transition progresses, and with the visible changing impacts from climate change, there is an increasing need to keep customers better informed on various topics that they may not have been as engaged on in the past. This includes, for example, providing more information to customers about what they can expect to see happen during the energy transition, how some of their services may change, what price structures mean and how they can benefit from them, among many others.

Our customers and stakeholders have told us networks need to play a bigger role in these types of communications, much bigger than we ever have in the past. We have been encouraged to develop a communication campaign that targets specific topics and areas of need, to build customer agency and keep them informed.

We need to empower our customers and build their agency with simple to use and understand information on the energy transition, what options exist regarding tariffs, devices and similar, and how they can get the most out of what is available to them.

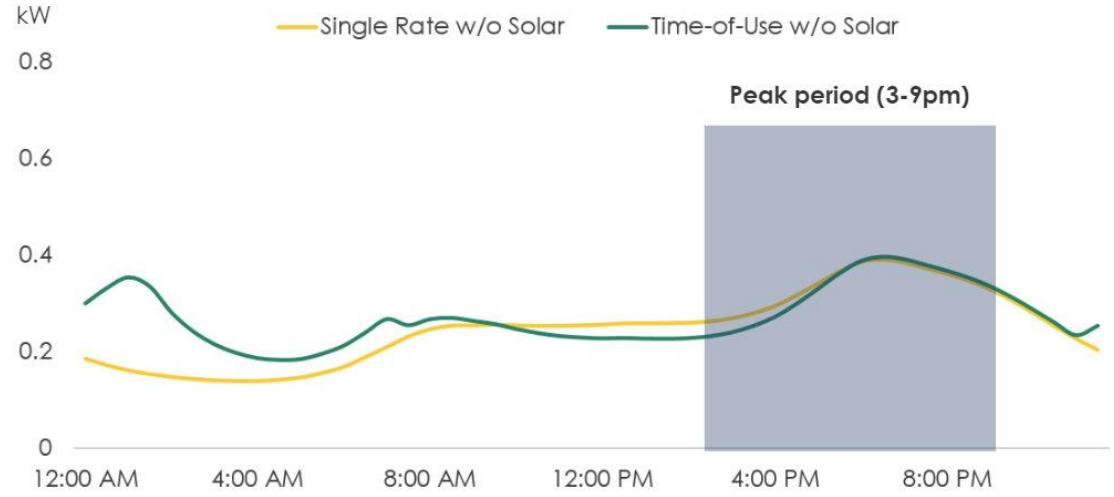
2.7. Relationship to other parts of the expenditure proposal

2.7.1. Tariff response assumptions in expenditure proposals

The effects of cost reflective tariffs were considered when developing our expenditure proposal. As our TSS reflects the Victorian Government's policy in providing customers with greater tariff optionality, this optionality has made it more difficult to forecast our customers' demand response. Our demand forecast has incorporated the impact of cost reflective tariffs by using any historical response to tariffs that is embedded within the demand forecast as a starting point.

While around 40-50% of our customer base on ToU tariffs is captured in our demand forecast, our research has shown that many of our residential customers are convenience motivated which limits their responsiveness to our network tariff pricing signals. Our segmentation study shows that our largest customer segment (65% of customers surveyed) is on a single rate tariff, will not change their behaviour in response to tariff reform, and therefore contribute most to the evening peak. Our sentiment research has also indicated that 40% of customers are either unable or unwilling to shift usage of appliance. This reflected in figure X below, which shows no difference in peak between customers on single rate and ToU tariffs today. As such, we have not made assumptions about changing customer behaviour in response to tariffs in our forecasts. We will monitor the roll-out of cost reflective tariffs in other jurisdictions to obtain learnings that we can further consider for our final proposal.

Figure 2-8: Comparison of customers peak on single and time of use tariffs



Source: AusNet

To encourage the take-up of ToU tariffs, we propose to continue to discount our residential ToU tariff relative to the single rate tariff by 1% each year in the 2026-31 regulatory period, so that by the end of FY31, the residential ToU tariff will be 10% cheaper when compared to the single rate tariff.

Finally, a key barrier to a higher take-up and response to cost reflective tariffs may be a lack of customer understanding of the tariffs they are on, and what opportunities are available for them to optimise their energy use and save on energy bills. Our customer research shows most customers are unaware of their tariff structure, or believe they are on a different structure from what they are on. We believe networks have a role to play in building customer agency on the role of network tariffs and opportunities for customers to save on their bills, which is why we have proposed a targeted communication and education campaign.

2.7.2. Flexible exports / load and tariffs

For the 2026-31 Regulatory Proposal, we have engaged in detail with our Future Networks panel on emerging customer needs and how we should best invest to unlock more value from all CER on our network, including rooftop solar, batteries and EVs/EV charging units. We have also been engaging directly with the Victorian government and community energy groups on their energy ambitions, particularly through the implementation of the Neighbourhood Battery Initiative. Finally, we engage with our customers every day on their energy needs and pain points, including most recently with customers looking to install public charging stations across our network, or to upgrade existing connections to incorporate EV charging units.

Our proposal includes two investments in customer flexibility:

- Offering Flexible Exports to new solar customers from 1 July 2026. As we've already invested in capabilities to meet the new VEBM requirements, our transition to Flexible Exports for all customers from 1 July 2026 will come at a much lower cost than if we were starting from scratch. By moving to offer this to all customers, we are making the most of our foundational investment to date, as well as increasing network utilisation while unlocking more exports as we are only constraining solar exports at the time when they are likely to either cause network constraints or create minimum demand risk. This is a more efficient and fairer way of managing exports than applying conservative static constraints that are on a 'first come first serve' basis. A move to Flexible Exports is highly supported by our EDPR Future Network panel; and
- Assuming a level of take-up of demand response in the low voltage network, most likely by customers with CER through contracts with retailers/aggregators. Our proposal is to streamline the provision of these 'Flexible Services' to the network through a platform that simplifies the exchange of services and contractual arrangements, increasing the number of customers and responses to requests for flexible service or non-network solutions. We therefore anticipate the provision of these services and our payments of them to grow each year of the regulatory period.

In Victoria, government policy dictates that network tariffs need to be optional to customers and that the opt-out ToU tariff cannot have an export tariff component. Therefore, we cannot rely on tariffs alone to manage customer exports or demand, which is why our primary approach to export and load management in the low voltage network is the roll-out of Flexible Exports and Flexible Services as optional to all customers. However, the range of optional tariffs will complement this roll-out, and to the extent customers respond to the pricing signal, result in more efficient use of the network overall.

2.7.3. Large customers and tariffs

Similar to section 2.7.1, we have also considered the impact on our large customers on our CPD tariffs when developing our expenditure proposal. To the extent that large customers have responded to the CPD program, i.e. reduce their demand on the five CPD days that AusNet calls during the summer months (December to March), this is also inherently captured in our demand forecast, which subsequently flows into expenditure forecasts.

Our CPD program has been successful to date, with a large number of customers registering and responding to the CPD events we called annually. In the past 14 years, through our efforts in promoting and educating our large customers on the CPD program that is part of our CPD tariff structures, we have reduced demand on peak demand days. Table 4-9 in section 4.3.1.1 summarises the result of our CPD program.

We will continue to build our large customers' agency by continuing to educate them on our CPD tariffs and the operation of our CPD program, so that they can find opportunities to save on their network costs whilst helping us manage our network on peak demand days.

3. Tariff classes

This section explains the tariff classes we propose for the 2026-31 regulatory period, and how they reflect our pricing objectives and requirements under the Rules.

Tariff classes are described for our direct control services. Direct control services are those distribution services that are regulated by the AER. They are categorised into standard control services and alternative control services (which include AMI metering services as well as specific services requested by a user). Here we describe how we divide our customers for each service into tariff classes.

3.1. Standard control services

The standard control services tariff classes we are proposing to include in our TSS in the 2026-27 regulatory period are shown in Table 3-1.

Table 3-1: Tariff classes for standard control services

Tariff class	Typical customer
Residential	Residential customers Low voltage (230V & 415V) Annual consumption is < 160MWh per year
Small industrial & commercial	Small LV industrial & commercial customers Low voltage (230V & 415V) Annual consumption is < 160MWh per year
Medium industrial & commercial	Medium LV industrial & commercial customers Low voltage (230V & 415V) Annual consumption is > 160MWh and < 400MWh per year
Large industrial & commercial	Large LV industrial & commercial customers Low voltage (230V & 415V) Annual consumption is > 400MWh per year
High voltage	Large HV industrial & commercial customers High voltage (6.6kV, 11kV & 22kV)
Sub transmission	Large extra HV industrial & commercial customers, and supplies to Latrobe Valley Open cuts and works areas Sub transmission (66kV)

The proposed tariff classes are unchanged from the 2021-26 TSS. The six tariff classes enable us to achieve an optimal balance between differentiated price signalling — taking into account customer load and connection characteristics — and the higher transaction costs of providing more customised tariffs.

3.2. Alternative control services

In addition to our standard control services, we provide user-requested services and metering services (alternative control services). The full cost of these services is attributed to the customer who receives the service.

Table 3-2: Tariff classes for alternative control services

Tariff classes	Typical customer	Tariffs
Public lighting	Local councils and other authorities such as Vic Roads	Public lighting tariffs based on lighting type.
Metering services	Retail customers or at the request of a retailer or metering coordinator	Published annual fee based on meter type or an exit fee for meter removal.
Metering services	Unmetered services provided to Government organisations or businesses	Annual charges based on unmetered supply.
Connection services	A retail customer requesting a routine connection service or seeking pre-approval of a PV or small generator installation.	Published fee for service.
Ancillary services – fee based	Retail customers requesting standard services, including Basic Connection Services; Service Truck Visits; Wasted Truck Visits; or Meter equipment tests.	Published fee for service.
Ancillary services – quoted	Embedded generators seeking pre-approval for connection.	Quoted fees, based on approved labour rates.

The proposed approach in relation to alternative control services reflect the nature of the services we provide and the AER's classification of services in its Final Framework & Approach Paper for the 2026-31 regulatory period.

4. Tariff design addressing key challenges

The purpose of this chapter is to set out:

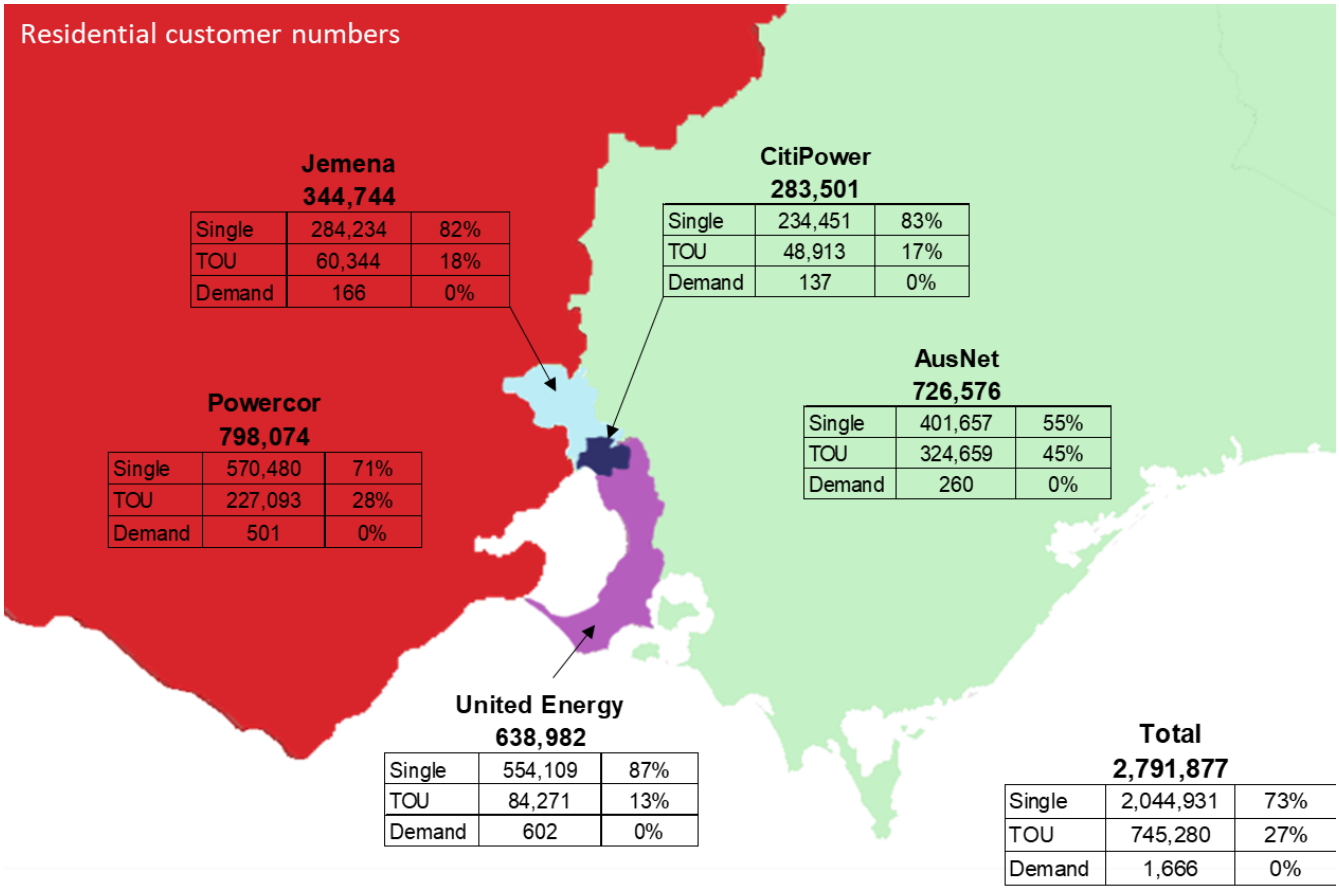
- The different types of customers we have in our network and their existing network tariffs;
- Our proposed changes for each customer type and assignment policy that seeks to address the key challenges; and
- Why we consider our proposed changes best meets the needs of our customers and stakeholders, taking account of our consultation process, our pricing objectives and the Rules requirements.

4.1. Residential customers

The residential customers in our network area are diverse. For example, our customers differ in terms of rural or regional centre location, the number of people in the household, age, medical needs, financial means, and whether they have solar PV.

Figure 4-1 shows the number of residential customers in each Victorian network on single-rate, ToU and demand tariff structures.

Figure 4-1: Victorian residential customers and tariffs



Source: Victorian distribution businesses

Currently, we have three main types of tariff structures for our residential customers. Single rate, ToU and demand tariff structures. The table below outlines the tariff components for each tariff structure.

Table 4-1: Simplified view of existing residential tariff structures

Charge type	Single	ToU	Demand
Fixed	✓	✓	✓
Anytime energy	✓		✓
Peak energy		✓	
Off peak energy		✓	
Maximum demand			✓

In the 2021-26 regulatory period, we introduced a new ToU tariff to support the efficiency objective, by rewarding residential customers that shift their load from peak to off-peak periods.

During this period, however, AusNet and the other Victorian distributors have observed that many households are unaware of their tariffs, whether they are assigned to ToU or single-rate tariff.

The above figure shows that:

- About three quarters of residential customers across Victoria remain on a single rate tariff; and
- Very few customers have opted into a demand tariff.

Customers may also have a dedicated circuit that supplies hot water, which is on a secondary controlled load tariff.[6] These customers are charged a low network price in exchange for us being able to control their load.

4.1.1. Proposed tariff changes for residential customers

4.1.1.1. Residential ToU tariff to include a solar soak period

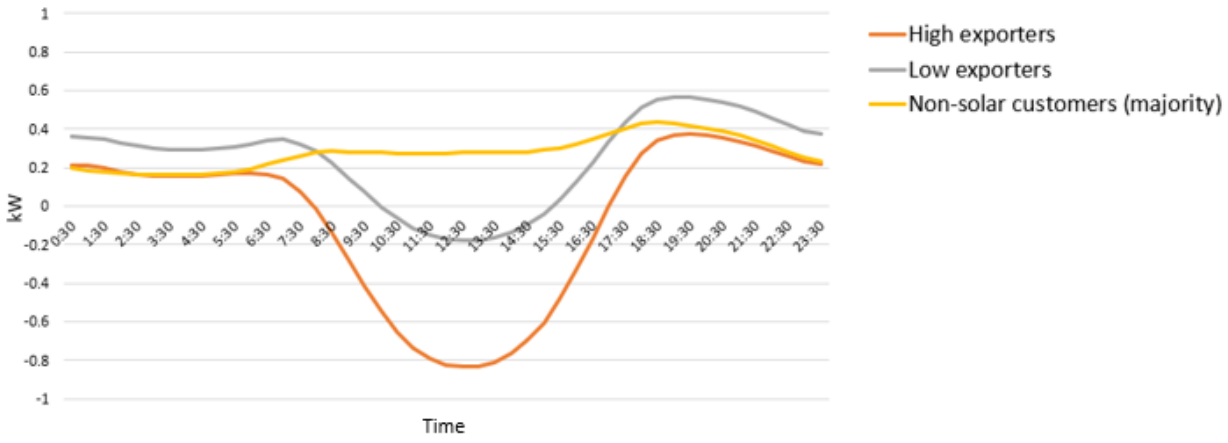
Solar is changing the way customers interact with the network, and has resulted in unintended cross subsidies between customers with solar and without solar. Through our customer segmentation study which combined residential customer attitude surveys with smart meter data, we were able to segment and profile our residential customer base into five key segments (Time surfers, High exporters, Night-time water warmers, Medium exporters and Day time actives) to better understand:

- how households are interacting with the network (i.e. usage patterns);
- demographics of households and their drivers; and
- what could change their energy usage over time.

In addition to the above, we have used our customer segmentation data, to perform customer bill impact analysis which we have use to inform our tariff design in this TSS explanatory document.

The below figure summarises the average daily usage and export for customers with and without solar.

Figure 4-2: Average daily usage / exports for some customers with and without solar, per half hour



Source: AusNet

[6] AusNet customers with dedicated circuits are placed on a single rate with dedicated circuit pricing structure.

Through our analysis, we determined that solar customers impose the same costs on the network at times of peak demand as non-solar customers, yet they pay less in network charges (no variable charge when exporting) whilst non-solar customers make up the shortfall and in some cases that could pay twice as much as solar customers. The table below shows the growing cross-subsidy between non solar and solar customers.

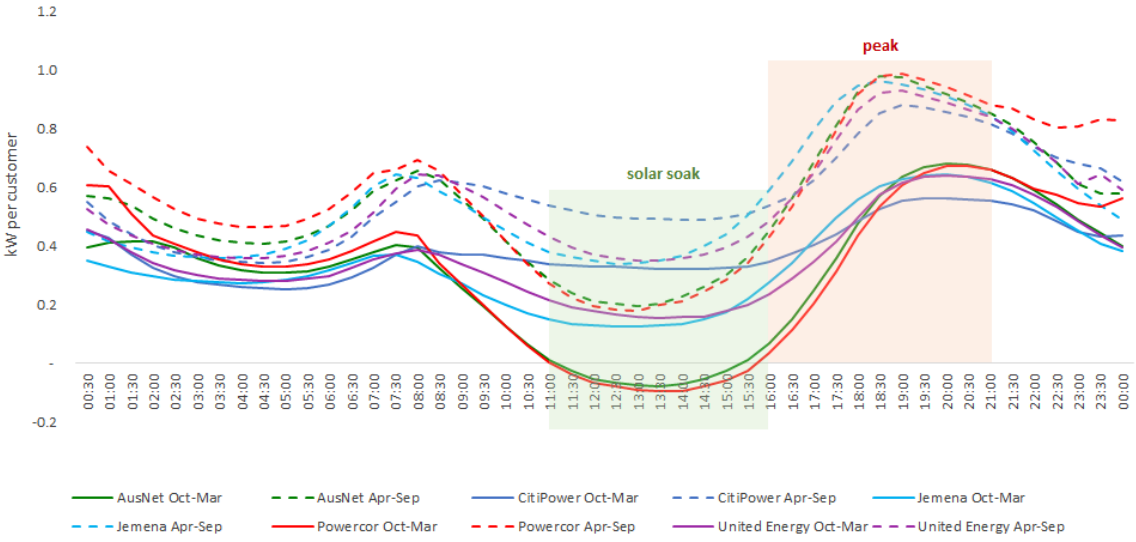
Table 4-2: Difference between exporting and non-exporting customers regarding network usage and contribution to network charges, by 2031, excluding solar soak period

Segment	Maximum demand	Minimum demand	Capacity used (max-min demand)	Network charge
High exporters	0.4kW	-0.8kW	1.6kW	$351
Time surfers	0.4kW	-	0.4kW	$670

Source: AusNet

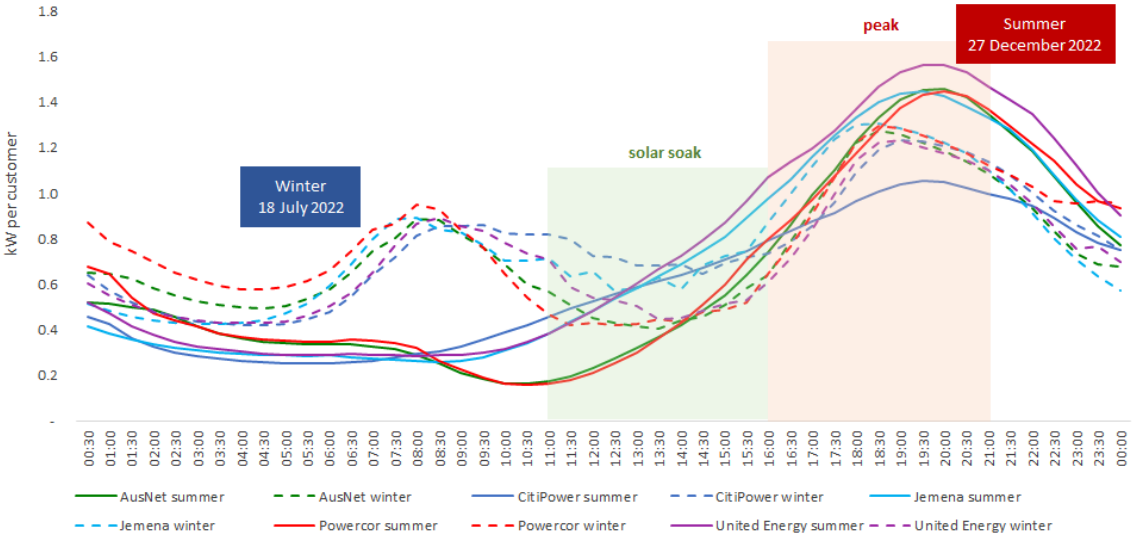
To address the growing cross-subsidies, and as supported by feedback through the engagement process, AusNet and the Victorian networks will be introducing a low cost 'solar soak' in the existing residential ToU tariff during 11am to 4pm. In addition to the introduction of the solar soak period, we are also proposing to shorten the peak period from 3pm-9pm to 4-9pm, reflecting the current daily profile that all Victorian networks are currently observing. The figures below depicts the consumption increasing from 4pm for both average and peak day.

Figure 4-3: Average day consumption profile of Victorian networks



Source: Victorian distribution businesses

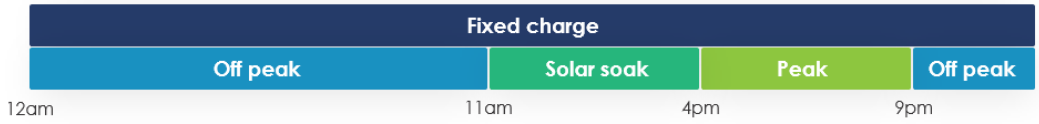
Figure 4-4: Peak day consumption profile of Victorian networks



Source: Victorian distribution businesses

All residential customers on the current ToU tariff will receive the updated residential ToU tariff structure from 1 July 2026. The updated residential ToU tariff is shown below.

Figure 4-5: Updated residential Tou tariff structure



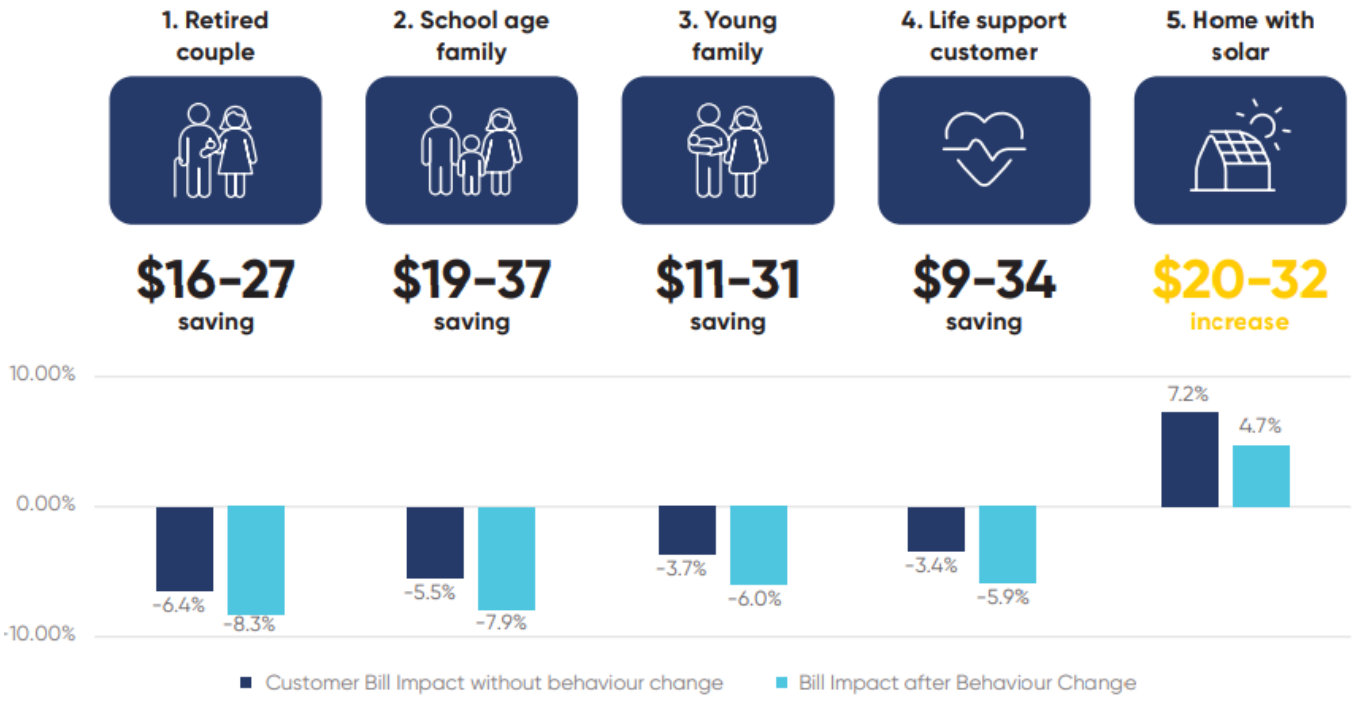
The principal benefits of this new structure are:

- Applying a low-cost solar soak period immediately reduces cross subsidies, as all customers will pay less in network tariffs from 11am to 4pm;
- As cross subsidies reduce, solar customers would pay more in network tariffs (while still having smaller bills from solar generation and self-consumption);
- Introducing a solar soak period is a 'carrot' approach, rather than a 'stick' approach – non-solar customers will be able to save on electricity bills immediately through no change in their usage profile or increase savings by moving additional usage to the middle of the day; and
- As customers electrify and invest in technologies that can be automated (EVs, heat pumps etc.), the opportunity to save becomes more accessible.

4.1.1.1.1. What does this mean for Victorian households?

Figure 4-6 demonstrates the bill impact on the different types of customers in Victoria, averaged across all the Victorian networks, when moving from the existing ToU tariff to the updated residential ToU tariff.

Figure 4-6: Bill impact analysis different customer cohorts, for moving from existing to updated ToU, average of all Victorian network tariffs



Source: Victorian distribution businesses

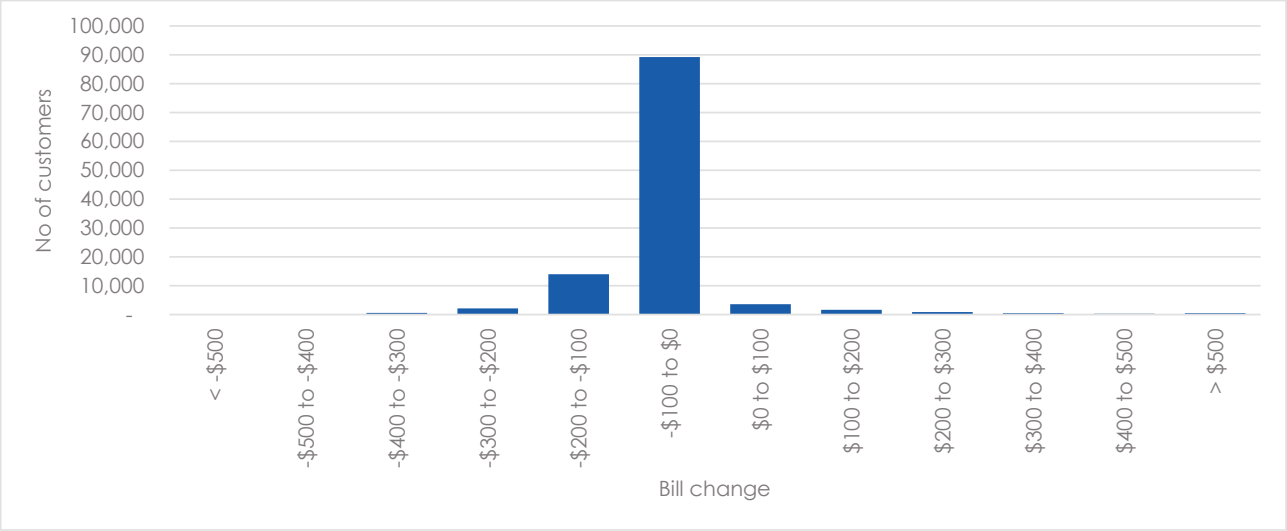
Through this bill impact analysis, we concluded that

- All non-solar customers are better off on new ToU compared to a single rate tariff, including customers with vulnerabilities and hardship;
- Solar-home owners are worse off because our new ToU reduces cross subsidies from non-solar to solar households; and
- Despite paying more in network tariffs, solar customers will still have lower bills compared to non-solar customers, through self-consumption and feed-in tariffs.

4.1.1.1.2. Detailed customer impact analysis

Separately, we also modelled a detailed customer impact on AusNet's residential customers, comparing the current residential customers on the existing ToU tariff moving to the updated residential ToU tariff, and residential customers on the single rate tariff moving to the updated residential ToU tariff. The results for these analysis are shown in the figures and tables below.

Figure 4-7: Bill impact of residential customers on existing ToU moving to the updated ToU tariff



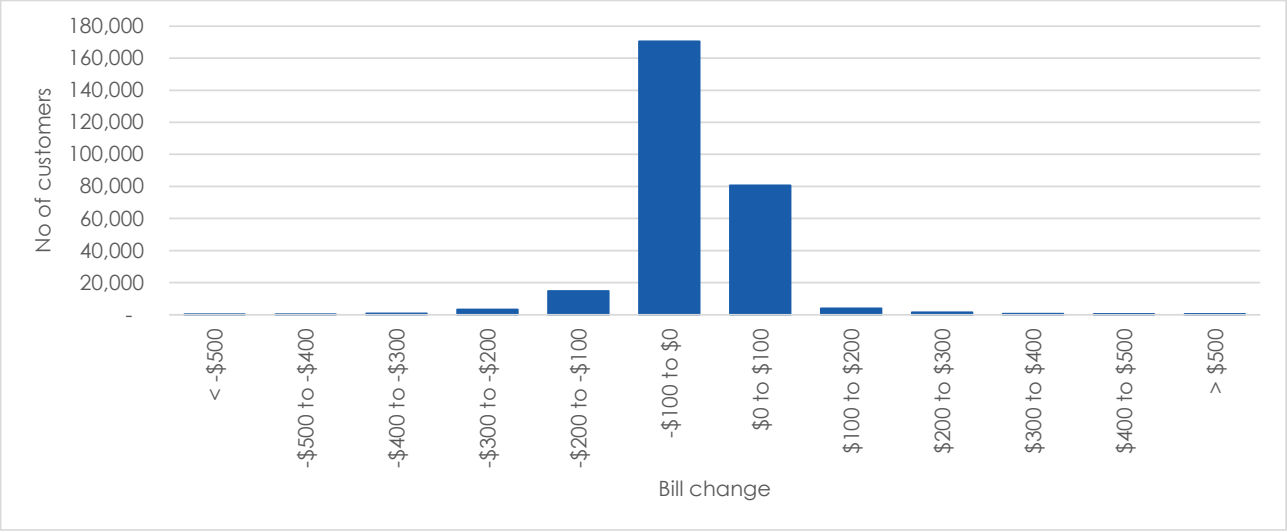
Source: AusNet

Table 4-3: Bill impact of residential customers on existing ToU moving to the updated ToU tariff

Average saving ($)	Average increase ($)	Customers who may realise a saving (%)	Customers who may experience an increase (%)
-$63	$165	93%	7%

Source: AusNet

Figure 4-8: Bill impact of single rate residential customers moving to the updated ToU tariff



Source: AusNet

Table 4-4: Bill impact of single rate residential customers moving to the updated ToU tariff

Average saving ($)	Average increase ($)	Customers who may realise a saving (%)	Customers who may experience an increase (%)
$45	$40	68%	32%

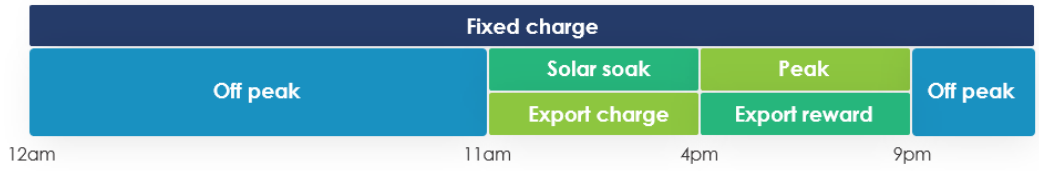
Source: AusNet

4.1.1.2. Residential CER tariff

The second major initiative is the proposed introduction of a new CER tariff that includes an export charge. The rationale for the new CER tariff is that it encourages customers with flexible import and export capability to change their behaviour in a way that reduces the costs of serving those customers. In particular, it applies an export charge at times when solar exports are at their peak, and rewards exports at times when network demand is at its peak.

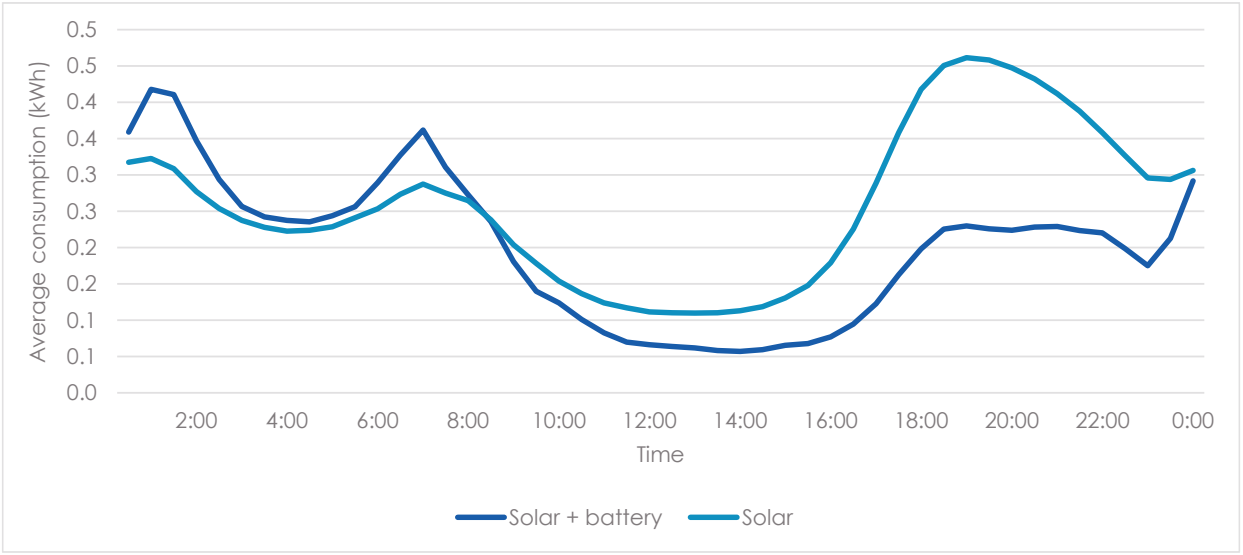
The tariff structure for this tariff is set out below and is available on an opt-in and opt-out basis.

Figure 4-9: Proposed new CER tariff structure



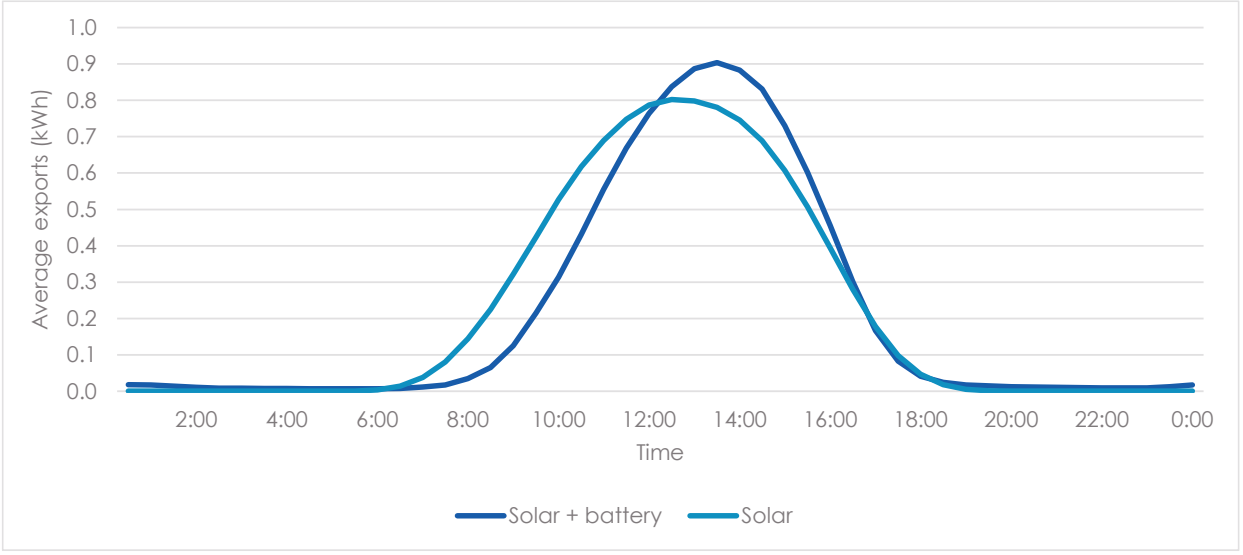
Currently, as illustrated in the figures below, it demonstrates that residential customers with solar and batteries have a greater ability and flexibility to self-consume. As shown in Figure 4-10, the middle of the day and evening peak consumption is lower than residential customers with solar, reflecting the use of solar to self-consume during the middle of the day, and then during the evening period, using the battery to self-consume. In Figure 4-11, it demonstrates residential customers with solar and batteries solar exports increasing later in the day to reflect their need to charge their batteries first before directing excess solar generation back into the grid.

Figure 4-10: Average consumption – Solar customers vs solar and battery customers



Source: AusNet

Figure 4-11: Average exports – Solar customers vs solar and battery customers



Source: AusNet

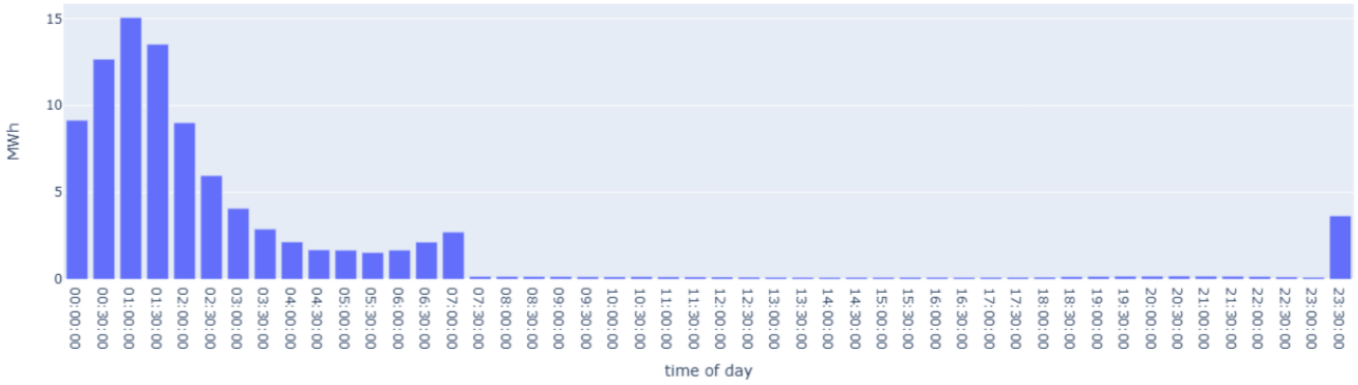
Although the above figures have shown that the use of batteries is mainly for self-consumption, the new CER tariff is likely to be of interest to residential customers with flexible import and export capability who may consider participating in Virtual Power Plants (**VPPs**) e.g. where their retailer has control over a home battery or EV with vehicle to home/grid capability. For these customers, they may be able to further reduce their network costs through their participation.

Over time, as the proportion of customers with this flexibility increases (via VPPs or other means), AusNet would expect a growing number of customers to opt-in to the new CER tariff.

4.1.1.3. Dedicated circuit (hot water) tariff

Our existing fleet of dedicated circuit tariffs was identified as a simple and easy opportunity to address minimum demand issues caused by excess solar generation, whereby the existing hot water load on these tariffs can immediately offset the impact of excess solar generation on our network during the middle of day. However, as shown in Figure 4-12, this cannot be achieved using the existing dedicated circuit tariffs, as the time period we are allowed to schedule is usually during off peak hours i.e. 11pm to 7am. Therefore, scheduling hot water to be heated outside of these periods would make it non-compliant with regards to the existing dedicated circuit tariff structure, TSS and the Rules.

Figure 4-12: Example of average hot water load in Morwell (Spring 2024)

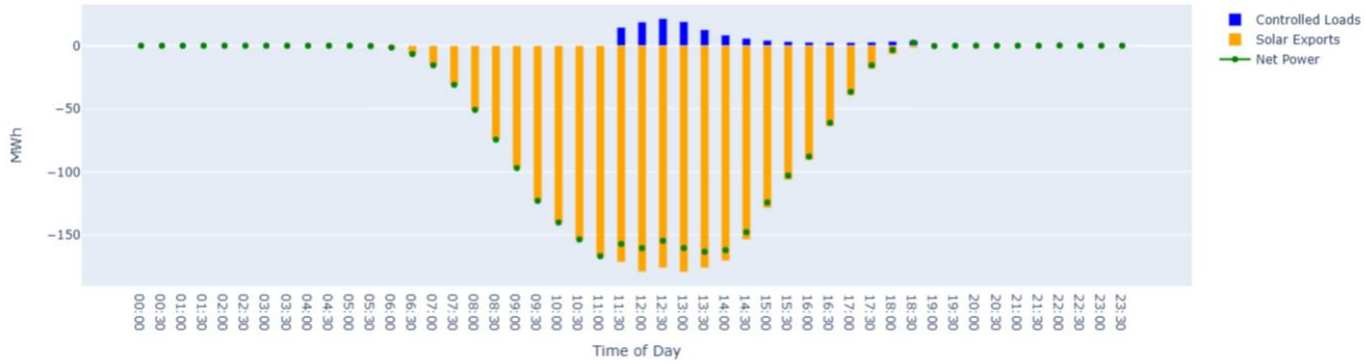


Source: AusNet

To address the current limitation of our dedicated circuit tariffs and to ensure we remain compliant, we are proposing to close all existing dedicated circuit tariffs and replace them with a 24 hour dedicated circuit tariff. We will re-assign all residential customers on an existing residential dedicated circuit tariff to the new 24 hour dedicated circuit tariff.[7]

The new 24 hour dedicated circuit tariff will introduce scheduling flexibility so that the hot water load[8] can be used at times of the day to address and manage current and future network issues. In the case of addressing minimum demand issues caused by excess solar generation, scheduling a 10am to 4pm time period to heat hot water would help to reduce the impact of excess solar generation from 1 July 26. The figure below illustrates how the 24 hour dedicated circuit tariff can help with minimum demand.

Figure 4-13: Using hot water to manage minimum demand in Morwell (Spring 2024)



Source: AusNet

[7] Includes assignment to single rate or residential ToU dedicated circuit price structure combinations.

[8] For clarity, our dedicated circuit tariffs have been used to heat hot water, and may be extended to flexible loads such as loads from EV charging or slab heating in the 2026-31 regulatory period.

As all residential customers on an existing dedicated circuit tariff will be reassigned to the new 24 hour dedicated circuit tariff, we are proposing to apply the same dedicated circuit charge so that no residential customers will be worse off i.e. customers consuming hot water on the 24 hour dedicated circuit tariff will pay the same if they were still assigned to the existing dedicated circuit tariffs.

We will also coordinate and schedule controlled load times to ensure that customers will consistently have access to hot water. Prior to the start of 1 July 26, we will run a targeted communication and education campaign to inform customers and retailers of the proposed changes to our dedicated circuit tariffs (including any new controlled load times). Any future changes to pre-set controlled load times will also follow a similar campaign where we will update and communicate changes prior to it being implemented.

4.1.1.4. Closing residential demand tariffs

Since the introduction of the residential demand tariffs, the take up of the demand tariffs over the past 7 years has been very low and only 264 customers representing approximately 0.04% of our residential customer base (as of June 2024) are assigned to a residential demand tariff. The low take up is attributed to a lack of understanding of how demand tariffs operate and the ability of residential customers to respond to the demand price signals. As a consequence, the residential demand tariffs are not widely offered by retailers.

Table 4-5: Take up of residential demand tariffs since 2018

Tariff	2018	2019	2020	2021	2021-22	2022-23	2023-24
NASN11	1	3	64	110	114	105	110
NASN11P	1	3	3	3	3	4	5
NASN11S	0	6	9	85	141	151	149
Total	**2**	**12**	**76**	**198**	**258**	**260**	**264**

Source: AusNet

From 1 July 26, we are proposing to close our residential demand tariffs that we introduced back in 2018. All impacted customers will be reassigned to our residential ToU tariff. Residential customers with solar, will be assigned to a solar variant of the residential ToU tariff.

4.1.1.5. Discounting residential ToU tariff

In discussions with DNSPs, the AER has set an expectation that DNSPs implement approaches to encourage customers to adopt ToU tariffs. To address this expectation, we propose to continue to discount our residential ToU tariff relative to the single rate tariff by 1% each year in the 2026-31, so that by the end of FY31, the residential ToU tariff will be 10% cheaper when compared to the single rate tariff.

We presented this proposed change to our T&P panel in mid November 2024. Feedback for this proposed change was mixed and included:

- The panel could see what the AER is trying to achieve i.e. encouragement to cost reflective tariffs; but was unsure of the outcome it may have;
- An unintended consequence of discounting could be that retailers request the tariff change to the discounted residential ToU, but leave customers on the single rate tariff. If this occurs, the discount for customers on the residential ToU tariff may not be passed through as savings; and
- Customers who are less likely to change tariffs, such as customers experiencing vulnerability, may end up wearing the burden of higher network costs on the single rate tariff as the discount will need to be redistributed to other tariffs under the revenue cap.

While we are proposing the discounting to meet AER expectations, we will continue to work with the AER before the final decision on the possible implications of this approach to making ToU tariffs more attractive to consumers.

4.1.1.6. Closing residential embedded network tariffs

As proposed in our detailed transition strategy in the 2021-26 TSS, we will close any residential embedded network tariff that have zero customers from 1 July 26. By closing the residential embedded network tariffs, it will help to simplify our residential tariff offerings, making it easier for our residential customers and retailers to understand.

4.1.1.7. Residential assignment policy

From 1 July 2026, AusNet proposes to:

- For new residential customer connections, customers upgrading to three phase metering, customers with new solar or battery installations, and EV customers with dedicated chargers, will be assigned to the residential ToU price structures;
- Close the residential demand tariffs and reassign customers to the residential ToU tariff;
- Allow customers with solar and/or batteries, and EV customers with dedicated chargers to opt-in and opt-out of the new residential CER tariff; and
- All existing residential customers on a dedicated circuit tariff to be reassigned to the new dedicated circuit tariffs, and the existing dedicated circuit tariffs for residential customers will be closed.

The below table summarises our assignment and tariff options for residential customers.

Table 4-6: Residential assignment and tariff options

Tariffs	Assignment	Tariff options (upon request from retailer)
Residential ToU	New connections Supply upgrades to three-phase Customers installing solar or battery EV customers with dedicated chargers[12] Existing residential demand customers	Single rate[9], new dedicated circuit[10] or CER[11]
Single rate	All existing customers remain	Residential ToU, new dedicated circuit[10] or CER[11]
Legacy ToU	All existing customers remain	Single rate[9], residential ToU, new dedicated circuit[10] or CER[11]
Seasonal ToU	All existing customers remain	Single rate[9], residential ToU, new dedicated circuit[10] or CER[11]
CER	Customers with solar and/or batteries, or EV customers with dedicated chargers[12]	Single rate[9] or residential ToU
New dedicated circuit	All existing dedicated circuit residential customers[13]	Single rate[9], residential ToU or CER[11]

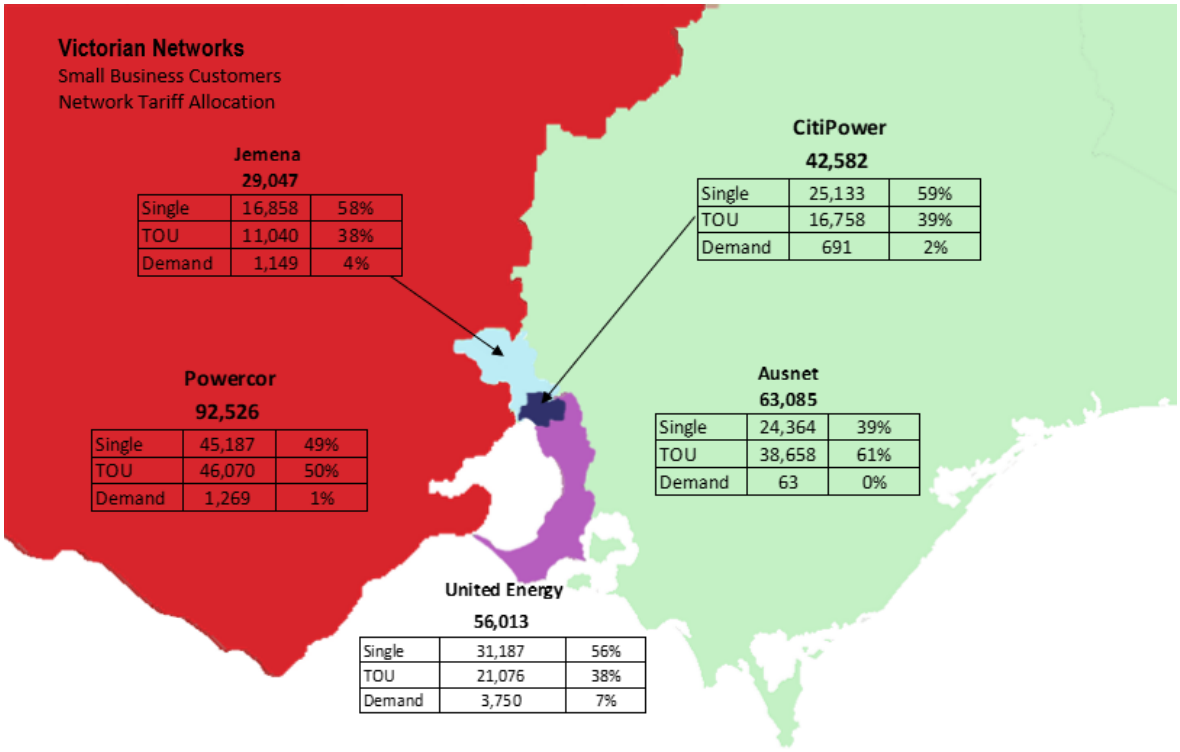
Our full assignment policy for our residential customers is detailed within our TSS compliance document.

[9] AusNet will comply with any requirement of the AMI Order in Council, which may restrict some customers, i.e. small customers with EV charging infrastructure, from requesting transfer to the single rate price structure.
[10] Includes assignment to single rate or residential ToU dedicated circuit price structure combinations.
[11] Eligible to customers with solar and/or batteries, and EV customers with dedicated charges.
[12] Dedicated charger means a dedicated charger for an electric powered passenger car with a specified capacity or charging rate of 3.6kW or greater, as defined in the Victorian Government's Advanced Meter Infrastructure (Retail and Network Tariffs) Order in Council, dated 16 June 2021
[13] Applies to customers on single rate and residential ToU dedicated circuit price structure combinations.

4.2. Small business customers

The figure below shows the number of small business customers across the Victorian networks.

Figure 4-14: Victorian small business customers and tariffs



Source: Victorian distribution businesses

The above figure shows that approximately half of small business customers remain on a single-rate network tariff and only 1% have opted for a network demand tariff. For AusNet, 62% of these customers are assigned to ToU tariffs, which is materially higher than the average level across Victoria.

4.2.1. Proposed changes for small business customers

In the 2026-31 regulatory period, we are proposing to make minimal changes to our small business tariffs. We will be:

- maintaining the existing small business ToU tariff with no change made to the tariff structure;
- retain the small business assignment policy; and
- closing the small business embedded network tariffs.

We will discuss this in detail below.

4.2.1.1. No changes to small business ToU tariff (for customers consuming less than 40MWh per year)

Designing efficient tariffs for small businesses is challenging due to the different types of small businesses, the diversity in consumption profiles and where they are in our network. We also acknowledge that while some small businesses may be able to shift their consumption, others will have limited flexibility to do this (for example, shops open during business hours or restaurants that open during mealtimes). When considering which network tariff and structure to apply to small business, we need to consider customers' needs and balance it against making our tariffs more cost reflective. We are particularly mindful of the potential impact on small businesses who may have limited choice about when to consume electricity to carry out their business operations to serve their customers.

Instead of designing complex network tariffs to target a diverse set of small business customers, AusNet and the other Victorian distributors are proposing to keep things simple by retaining the two rate ToU tariff as the default tariff.

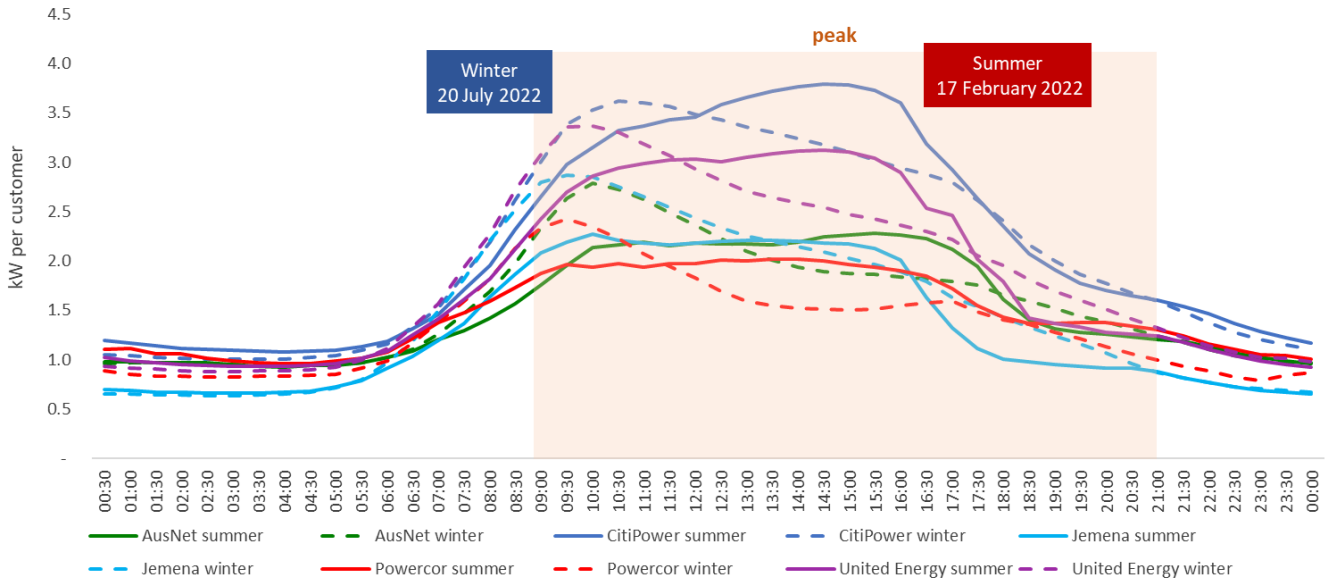
AusNet and the other Victorian distributors also propose that small businesses should be able to remain on their existing single-rate tariff or be able to opt-in to a single-rate tariff, ensuring small businesses have tariff options that can cater to their diverse needs.

The reasons for maintaining the existing small business ToU tariff are discussed below.

4.2.1.1.1. Solar soak for small business ToU tariff

In contrast to residential customers, AusNet and the other Victorian distributors are not proposing to introduce a solar soak period or a new CER tariff for small businesses. This decision reflects the weekday load profile for small business customers, which is substantially flatter than residential customers, as shown in the figure below.

Figure 4-15: Small business maximum weekday demand, imports minus exports



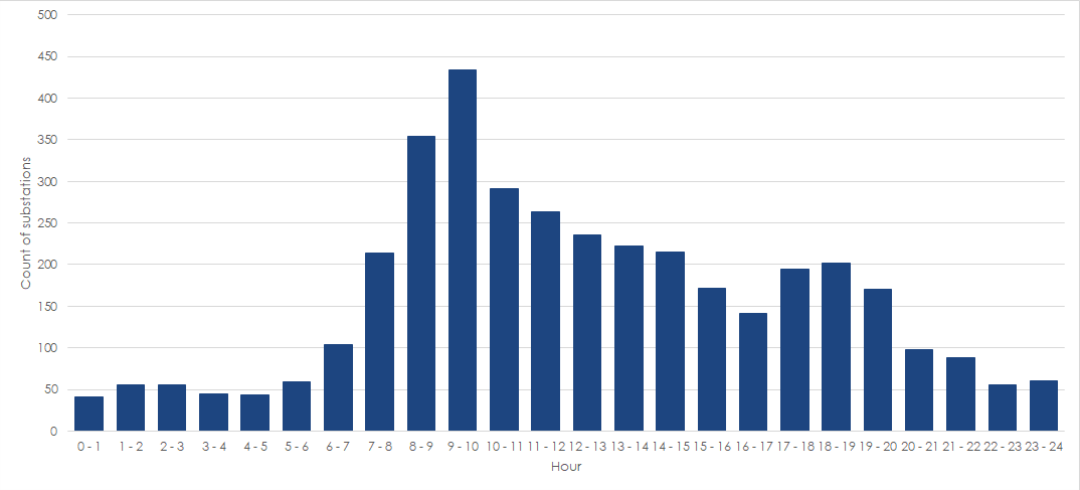
Source: Victorian distribution businesses

The above profile indicates that there is already an alignment between existing small business consumption and peak solar generation. As a result, the need to send a pricing signal to encourage middle of the day consumption does not seem to be required. In addition, introducing a solar soak period could exacerbate the small business daytime peak whilst a cheap solar soak charge contradicts the purpose of cost reflectivity as the solar soak charge will not reflect the cost of serving small business customers when they are consuming at their peak.

AusNet and the other Victorian distributors also performed an additional distribution substation[14] analysis to check this finding. The below figure is an extract of the maximum demand of each distribution substation supplied to small business customers, grouped into hourly blocks over a 24 hour period to show a count of the time the maximum demand is occurring for each distribution substation across the day.

[14] Distribution substations are typically situated close to end customers where it transfers power from the transmission system (at higher voltage levels) and converts it to electricity at lower voltage levels which are fed to end customers in the local network area.

Figure 4-16: Maximum demand of substations supplying small business customers



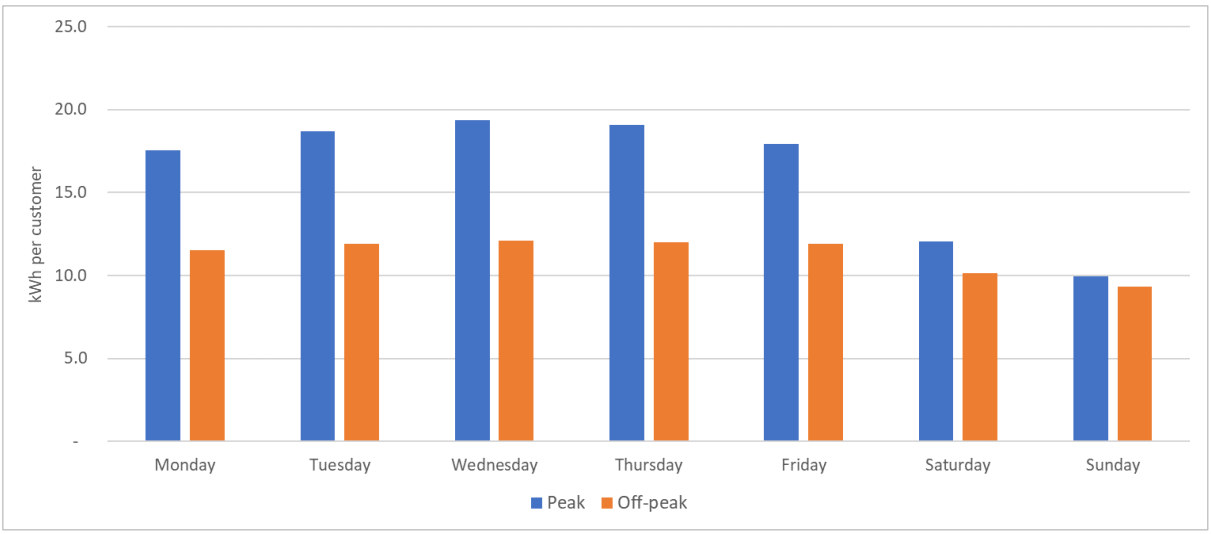
Source: Victorian distribution businesses

Figure 4-15 also indicates that the majority of small business consumption is occurring during the solar soak period. This reinforces the notion that a solar soak period is not required to encourage middle-of-the-day consumption.

4.2.1.1.2. Peak period in small business ToU tariff

As shown in Figure 4-15 and Figure 4-17 below, AusNet and the Victorian distributors concluded that the existing peak periods in the small business ToU tariff is targeting the right time of the day during weekdays.

Figure 4-17: Small business average daily consumption by day of week



Source: Victorian distribution businesses

It reflects a typical small business operation on weekdays where peak hours during winter and summer are related to the additional load required for heating and cooling needs respectively. There is no apparent need to adjust the length of the peak period i.e. increase or decrease the number of peak hours, as it is already sending the correct pricing signals to incentivise small businesses to alter their peak consumption behaviour (if possible). We did, however, consider shifting the peak from 9am - 9pm to 8am - 8pm as the load profile (see Figure 4-15) suggest the consumption starts to increase around 8am and decrease around 8pm. However, it is unclear to what extent small businesses would be able to respond to the changing price signals. We tested this with stakeholders, and there was no support for moving the peak window.

4.2.1.1.3. Small business CER tariff

As discussed in section 4.1.1.2, we have proposed a residential CER tariff targeting customers and aggregators with batteries and EV vehicle-to-business/grid. Our proposed residential CER tariff includes ToU tariff components (peak, off-peak and solar soak charge) and in addition to these there is an export charge during the solar soak period to discourage pushing excess solar generation into our network and an export reward during the residential and network peak consumption period (4pm – 9pm) to incentivise batteries and other CERs to discharge or provide generation during these times.

For small business, it is also noted that the existing small business ToU and demand tariff structures already provide the right pricing signals for small businesses. In particular, the current small business peak energy and demand pricing:

- discourages small businesses from charging an EV in the middle of the day, which could exacerbate small business peak demand; and
- encourages small businesses to use energy from batteries and EVs during the day to offset their usage / maximum demand.

On that basis, AusNet and the other Victorian distributors are not proposing any changes to the tariffs that apply to small businesses.

4.2.1.2. Closing small business embedded network tariffs

As proposed in our detailed transition strategy in the 2021-26 TSS, we will close any small business embedded network tariffs that have zero customers from 1 July 26. By closing the small business embedded network tariffs, it will help to simplify our small business tariff offerings, making our tariff offerings easier for our small business customers and retailers to understand.

4.2.1.3. Small business assignment policy

AusNet is proposing not to change its assignment and tariff options for our small business customers. The tables below summarise the assignment and tariff options for small business customers.

Table 4-7: Small business consuming 40MWh or less per year: Assignment and tariff options

Tariffs	Assignment	Tariff options (upon request from retailer)
Small business ToU	New connections Supply upgrades to three-phase Businesses installing solar or battery EV customers with dedicated chargers[12]	Single rate[15] or demand
Single rate[16]	All existing customers remain	Small business ToU or demand
Seasonal ToU[17]	All existing customers remain	Single rate[15], small business ToU or demand
Demand	All existing customers remain	Single rate[15] or small business ToU

Table 4-8: Small business consuming between 40MWh to 160MWh per year: Assignment and tariff options

Tariffs	Assignment	Tariff options (upon request from retailer)
Demand	New customers All existing customers Existing customers who qualify	Seasonal ToU[18], single-rate, default ToU or demand[19]

Our full assignment policy for our small business customers is detailed within our TSS compliance document.

[15] AusNet will comply with any requirement of the Victorian Government's AMI Orders in Council, which may restrict some customers, i.e. small customers with EV charging infrastructure, from requesting transfer to the single rate price structure.
[16] Includes single rate price structures with a dedicated circuit. It is also closed to new entrants.
[17] Closed to new entrants.
[18] Solar customers who opt-out will be assigned to a solar variant of the seasonal ToU tariff.
[19] Small business customers consuming less than 40MWh in the preceding 12 months can opt-out to a single-rate, default ToU or demand tariff. Small business solar customers consuming less than 40MWh in the preceding 12 months can opt-out to the solar variant of the single-rate, default ToU or demand tariff. For avoidance of doubt, the opt-out demand tariffs are the demand tariffs available for small business customers consuming less than 40MWh per year.

4.3. Medium and large business customers

In the 2026-31 regulatory period, AusNet is proposing to make some changes to our tariffs for medium and large business customers. Proposed changes include

- Updating CPD event calling parameters;
- Introducing ICC CPD locational tariffs; and
- Closure of legacy single rate and ToU tariffs.

We discuss each of the proposed changes in detail in the section below.

4.3.1. Proposed changes for medium and large business customers

4.3.1.1. Updating CPD event calling parameters

AusNet's CPD program has been successful in sending pricing signals to our medium and large business customers assigned to our CPD tariffs to reduce their demand and help manage peak demand on our distribution network on certain days during the summer months (CPD season[20]). In return for their participation in reducing their demand, the CPD program rewards customers with a reduction in their CPD charge over a 12-month period. The below table summarises our customers response to our CPD program over 2021-22 to 2023-24 CPD seasons.

Table 4-9: CPD program participation and demand reduction

CPD season	CPD day	Estimated total impact (MVA)	Cut to zero demand (i.e. 100% reduction) (No. of customers)	CPD window reduction >5% (No. of customers)
2021/22	25/01/2022	15-25	24	1,284
	31/01/2022	20-30	50	1,294
	14/02/2022	40-50	54	1,547
	4/03/2022	30-40	53	1,379
	15/03/2022	25-40	52	1,632
2022/23	17/01/2023	15-25	74	1,275
	16/02/2023	20-30	68	1,257
	17/02/2023	45-55	61	1,371
	24/02/2023	35-45	77	1,355
	17/03/2023	15-30	74	1,505
2023/24	12/01/2024	15-25	85	1,350
	29/01/2024	25-35	78	1,607
	12/02/2024	25-35	80	1,321
	28/02/2024	40-50	76	1,454
	18/03/2024	15-30	83	1,344

Source: AusNet

[20] CPD season starts 1 December and concludes 31 March annually.

To further improve the success of this program, engagement with our stakeholders (including large customers) has indicated that we should consider updating it to include flexibility into the number of days that can be called during the CPD season. At this point in time, under the approved CPD tariff structure, there is a requirement to call 5 CPD days during in CPD season which in turn is used to calculate customers' CPD value based on their 5 maximum demands recorded on each of the 5 CPD days.

We have heard that we should explore changing the 5 fixed days requirement and making it optional. This is in response to:

- The changing weather conditions i.e. certain CPD seasons may have hot weather which may require more CPD events, or mild weather in which a smaller number of CPD days are required; and
- Feedback provided by our stakeholders has indicated that responding to CPD events on mild summer days (with no peak demand issues), solely to satisfy the 5 CPD day requirement, is inconvenient and costly to customers, and in some circumstances, customers have limited capacity to respond and reduce demand.

The below table shows the maximum temperature and CPD days called in previous CPD seasons. In all of the previous 5 CPD seasons, at least 1 or 2 CPD days were not necessary, as these fell on mild days and were called only to satisfy the 5 day requirement. Excluding mild days, an average of 3.6 days would have been called per CPD season in the last 5 CPD seasons.

Table 4-10: Comparison of maximum temperature and CPD days called in previous CPD seasons

CPD season	Confirm CPD days	Max temperature (°C)	Should CPD day be called in hindsight?	Commentary
2019/20	18/12/2019	40.1	Yes	Extreme hot weather conditions.
	31/01/2020	42.9	Yes	Extreme hot weather conditions.
	14/02/2020	33.7	Yes	Second consecutive day above 30 degrees. Demand increasing to manage accumulating heat.
	5/03/2020	20.3	No	Mild weather conditions.
	18/03/2020	28.3	No	Mild weather conditions.
2020/21	25/01/2021	39.2	Yes	Extreme hot weather conditions.
	4/02/2021	30.6	No	Mild weather conditions.
	11/02/2021	32.8	Yes	Second consecutive day above 30 degrees. Demand increasing to manage accumulating heat.
	19/02/2021	32.6	Yes	Second consecutive day above 30 degrees. Demand increasing to manage accumulating heat.
	22/03/2021	24.2	No	Mild weather conditions.
2021/22	25/01/2022	32.3	Yes	Fourth consecutive day above 30 degrees. Demand increasing to manage accumulating heat.
	31/01/2022	34	Yes	Hot weather conditions.
	14/02/2022	31.6	Yes	Second consecutive day above 30 degrees. Demand increasing to manage accumulating heat.
	4/03/2022	32.5	Yes	Second consecutive day above 30 degrees. Demand increasing to manage accumulating heat.
	15/03/2022	27.5	No	Mild weather conditions.

2022/23	17/01/2023	37.2	Yes	Very hot weather conditions.
	16/02/2023	37.2	Yes	Very hot weather conditions.
	17/02/2023	40.5	Yes	Extreme hot weather conditions.
	24/02/2023	32.3	Yes	Third consecutive day above 30 degrees. Demand increasing to manage accumulating heat.
	17/03/2023	24.6	No	Mild weather conditions.
2023/24	12/01/2024	33.4	Yes	Hot weather conditions.
	29/01/2024	27.2	No	Mild weather conditions.
	12/02/2024	35.8	Yes	Very hot weather conditions.
	28/02/2024	36.3	Yes	Very hot weather conditions.
	18/03/2024	31.9	Yes	Second consecutive day above 30 degrees. Demand increasing to manage accumulating heat.

Source: AusNet

We also heard that while flexibility is needed to respond to extreme and mild summers, large customers have indicated that no more than 5 CPD should be called during each CPD season. They have said that calling more than 5 CPD days i.e. up to 10 CPD days, will limit their ability to respond on those additional days due to their need to keep their operations online, and potentially erode any savings that they would be entitled to for responding to earlier CPD events.

We also tested with stakeholders our proposal to introduce a minimum requirement of 2 CPD days to called during each CPD season, to ensure that the calculation of the subsequent year's CPD charge was not based on just one day's response. Our large customers supported this change.

One drawback we heard about introducing the flexibility is that the total number of CPD days called will be unknown before the start of each CPD season. This may, for some customers, impact how customers plan to respond to the CPD events during each CPD season. For example, under the current 5 fixed day requirement, customers are aware that 5 CPD days will be called and may put in place plans around which CPD events they will and will not respond to, aligning it to their business operational commitments, while still managing to receive a lower CPD charge that is based on the average CPD value taken over the 5 CPD days. Under the updated CPD calling parameters, the ability for customers to plan ahead will be restricted (due to the uncertainty around the total number of days that will be called), and in some instances, to ensure they received a lower network bill, customers will most likely be required to respond to all the CPD events even though they may have valid operational reasons not to respond.

Whilst we understand this view, it needs to be balanced with the evidence that under the current approved CPD tariff structure, we are calling more CPD days than required to manage network peaks and potentially unnecessarily inconveniencing customers. We believe that sending accurate CPD pricing signals to our medium and large customers is very important, and by sending CPD signals on hot summer days that is warranted, will help us manage our network on peak demand days effectively, and will help us avoid and push out augmentation projects dedicated to relieving peak constraints in our network.

Taking into account all the feedback provided, we are proposing to update our CPD event calling parameters by:

- Removing the fixed 5 CPD days requirement;
- Replacing it with a minimum 2 CPD days to be called; and
- The option to call up to a maximum of 5 CPD days during the CPD season.

To ensure our customers are fully aware of this proposed change, we will continue to educate our medium and large customers and retailers on our updated CPD program, so that customers can find opportunities to reduce their network bills while helping us managing our network more efficiently.

4.3.1.2. ICC CPD locational tariffs

For our very large customers connecting to our HV and sub-transmission network, we are proposing to introduce ICC CPD locational tariffs that will apply to the TUOS portion of the customer's network charge. We want to provide an alternative cost-reflective tariff option for this group of customers whereby designing tariffs to factor in location will

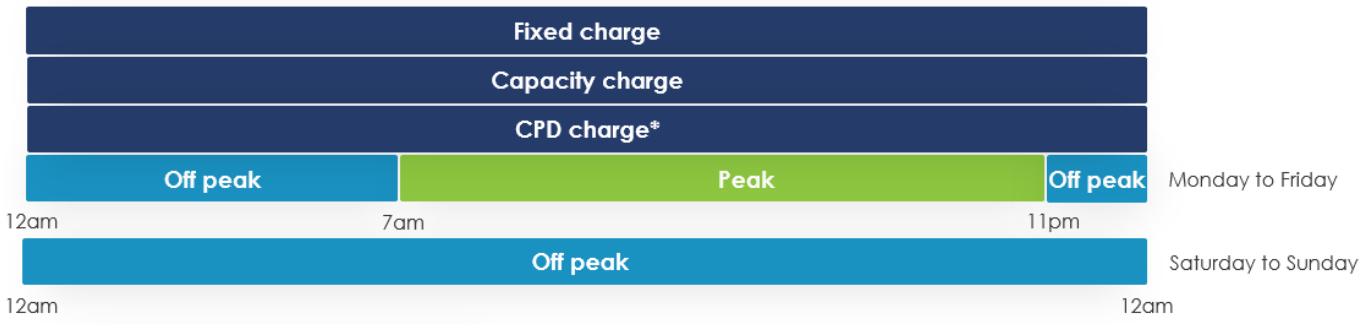
help to reduce cross subsidies, and can provide greater incentives for new customers to manage their network costs by managing their load and/or connect to areas where TUOS locational prices are lower.

The ICC CPD locational tariffs will only be available to new customers from 1 July 26, and will need to satisfy the following eligibility criteria to access the tariffs:

- For customers connecting to our HV network, customers must have a maximum demand that is greater than 10MVA; and
- For customers connecting to our sub-transmission network, customers must have a maximum demand that is greater than 25MVA.

The tariffs will have the same structure as a standard CPD tariff. For example, the HV ICC CPD locational tariff will mirror the NSP81 tariff structure, and the sub-transmission ICC CPD locational tariff will mirror the NSP94 tariff structure. The below figure sets out the tariff structure for ICC CPD locational tariffs.

Figure 4-18: ICC CPD locational tariff structure



* Average of up to five values recorded between 3:00 PM and 7:00 PM ADST on days nominated in advance

Customers assigned to an ICC CPD locational tariff will also be invited to participate in our annual CPD program. Customers will have the opportunity to reduce their demand to reduce their CPD charge.

4.3.1.2.1. Calculation of prescribed locational TUOS cost

The prescribed locational TUOS costs will be individually calculated and will be passed through directly to the customer.

The calculation of this cost will be based on the customers' July to June T-2 financial year demand data. We will calculate this cost when customers' July to June T-2 financial year demand data is made available. The calculation of prescribed locational TUOS is summarised below.

- (A) Identifying the 30 minute period for each month in a T-2 financial year when each terminal station's demand was at its highest21
- (B) Identifying the customer's demand in each of these 12 monthly 30 minute periods
- (C) Calculating the customer's average demand across the 12 periods in (B);
- (D) Multiplying the locational price ($/MW) that applies to each terminal station by the average demand (C); and
- The total annual prescribed locational cost calculated in (D) will be passed through directly by allocating it as a fixed charge under the TUOS component of the ICC CPD locational tariff. The charge will be billed monthly.

[21] In accordance with AEMO's 365 methodology to determine the monthly maximum demand.

Figure 4-19: Example of AEMO's locational prices for each terminal station in AusNet's region

4.3.1.3. Closing legacy single rate and ToU tariffs

A small group of our medium and large customers are currently assigned to some form of legacy single rate and ToU tariffs. The pricing signals faced these customers do not address issues faced by our networks today.

Table 4-11: Number of customers on legacy single rate and ToU tariffs

Tariff class	Tariff	Tariff description	Number of customers
Medium industrial & commercial	NEE40	Medium single rate	202
Medium industrial & commercial	NEE41	Medium single rate & dedicated circuit	9
Medium industrial & commercial	NEE42	Medium single rate & dedicated circuit with afternoon boost	5
Medium industrial & commercial	NEE43	Medium single rate & dedicated circuit 8:00 to 8:00	0
Medium industrial & commercial	NEE51	Medium two rate	275
Medium industrial & commercial	NEE60	Medium seven day two rate	277
Large industrial & commercial	NEE74	Large two rate	6

Source: AusNet

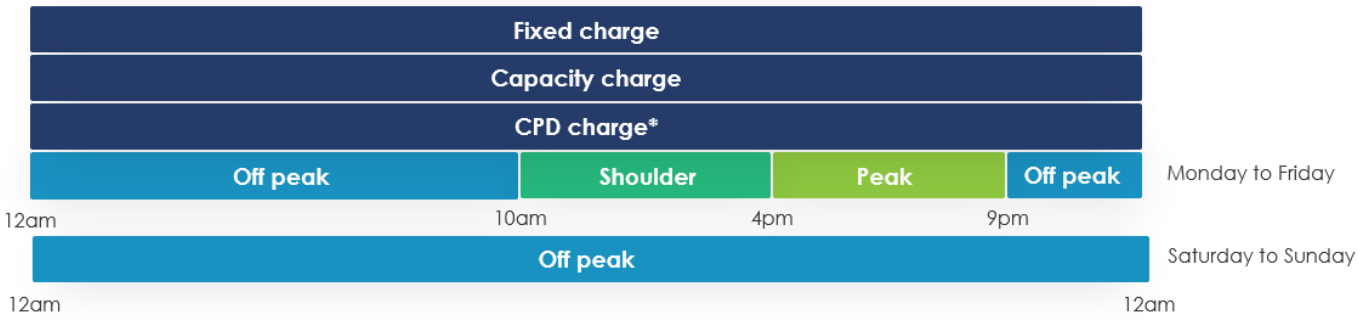
Due to the small number of customers, AusNet has identified an opportunity to transition these customers onto our CPD tariffs. By doing so, we believe it is in alignment with the updated pricing objectives (discussed in section 2.4 of this explanatory paper) and will help to:

- Send cost reflective pricing signals to reflect and address network issues;
- Enable investment in energy efficiency and emerging technologies which will provide greater opportunities for customers to reduce their network cost; and
- Simplify our tariff offerings for our medium and large customers.

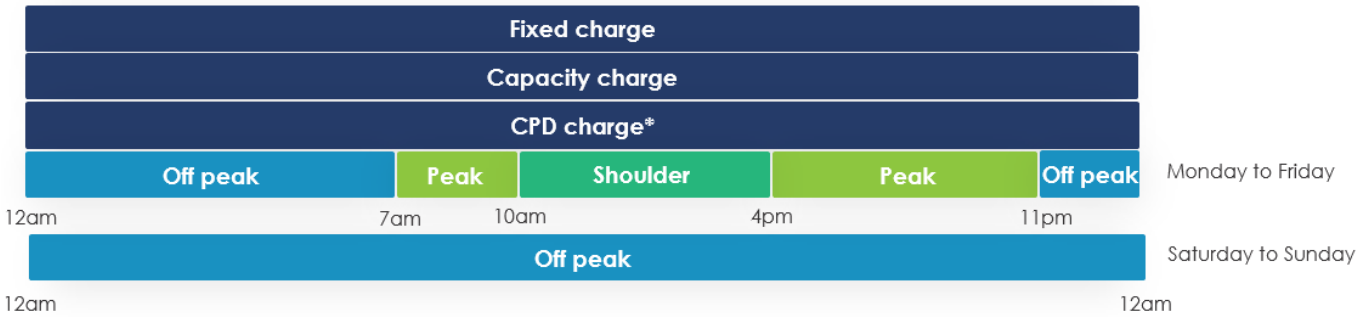
To facilitate this, we are proposing to introduce two transitional CPD tariffs that resemble the current CPD tariffs and re-assign medium and large customers on the legacy single rate and ToU tariffs to these new tariffs.[22]

Figure 4-20: Transitional CPD tariffs and structure

NAT56 tariff structure



NAT75 tariff structure



* Average of up to five values recorded between 3:00 PM and 7:00 PM ADST on days nominated in advance

Starting from 1 July 26, we will initially set both the capacity and CPD charges on these transitional CPD tariffs to zero per cent of the corresponding standard CPD tariff, to manage the bill impact of the transition. Over the 2026-31 regulatory period, we will gradually increase these charges by 20% of the standard CPD tariff each year to incrementally increase the demand signal. By the start of the next regulatory period, we will phase out the transitional CPD tariffs and move customers to the standard CPD tariffs, where they will face the full capacity CPD demand signals, consistent with current CPD customers.

Table 4-12: Indicative prices outlining incremental increase of capacity and CPD charges over the regulatory period

Tariffs	Charging parameter	2026-27	2027-28	2028-29	2029-30	2030-31
NAT56	Capacity charge ($/kVA/year)	0.00	4.87	10.19	16.01	22.52
	CPD charge ($/kVA/year)	0.00	8.11	16.98	26.69	37.53
NAT75	Capacity charge ($/kVA/year)	0.00	11.82	24.76	38.90	54.70
	CPD charge ($/kVA/year)	0.00	19.83	41.52	65.24	91.74

The below figure shows the bill impact of customers transitioning from their existing legacy tariff to the CPD tariffs. The transitional CPD tariff bill impact modelling is based off customers' actual data over July 23 to June 24 and indicative prices over the 2026-31 regulatory period and compared against their FY25 network cost.

[22] Prior to re-assignment, customers' eligibility will be checked using January 25 to December 25 annual consumption data to ensure they qualify for reassignment. Any customers that do not meet the tariff assignment criteria, will be re-assigned to a cost reflective tariff that best matches their annual consumption and demand profile in accordance with AusNet's tariff assignment policy which can be found in our TSS compliance document.

Table 4-13: Bill impact of legacy customers transitioning to CPD tariffs over the 2026-31 regulatory period

	2026-27	2027-28	2028-29	2029-30	2030-31
Customers on legacy tariffs transitioning to CPD tariffs	-43%	-36%	-30%	-24%	-18%

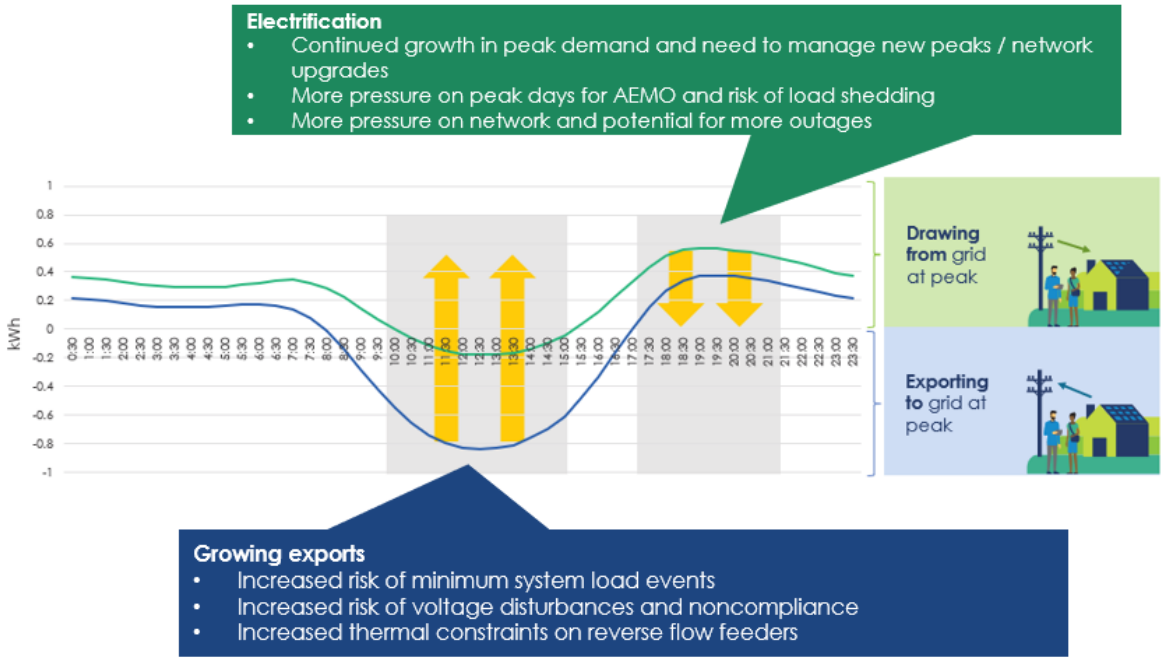
Overall, most customers would be significantly better off with a small proportion worse off from the transition to a CPD tariff. With the opportunity to participate in our CPD program and reduce their demand, customers may further reduce their network costs whilst helping AusNet manage our network and help mitigate future augmentation needs.

4.3.1.4. Solar soak CPD tariffs for medium and large customers

During our engagement with our large customer stakeholders, we explored the concept of utilising our medium and large tariffs to help address CER integration risks and support the energy transition.

The initial view was to introduce CPD tariff with a solar soak period to help address the issues we are seeing in our network as shown below.

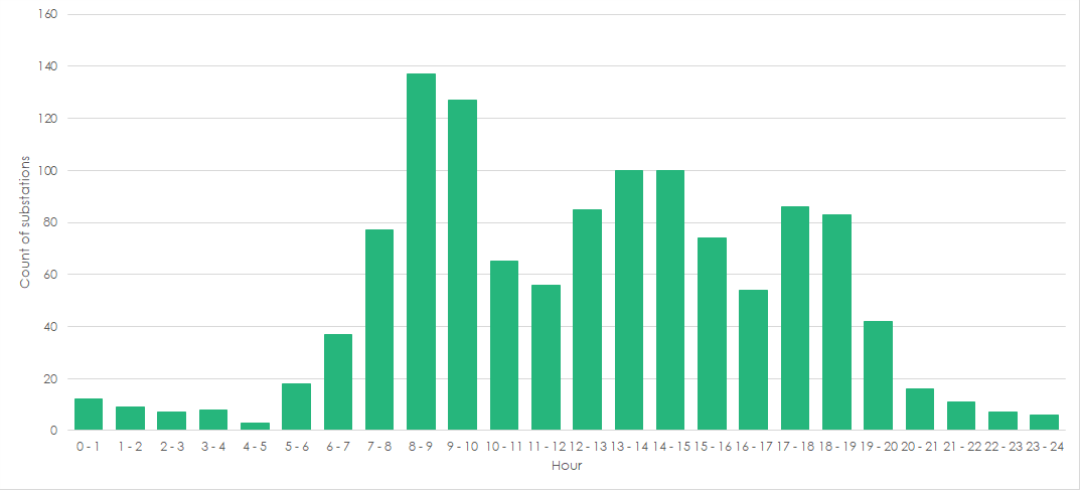
Figure 4-21: CER integration risks on AusNet's distribution network



The intention was to use a low solar soak consumption charge to encourage customers to shift their energy consumption to the solar soak period, helping to reduce the 'duck curve' and avoid minimum system load events, whilst also helping to manage the continued growth in peak demand, when customers shift some of their consumption to the solar soak period.

To test this concept, we also performed a distribution substation analysis where we extracted the maximum demand of each distribution substation supplying medium and large business customers. The maximum demand was then grouped into the hourly blocks over a 24 hour period to produce a chart to show the time of maximum demand of each substation. Below is the output of the analysis.

Figure 4-22: Maximum demand of distribution substations supplying medium and large business customers



Source: AusNet

Figure 4-22 has indicated that the maximum demand at most of our distribution substations supplying medium and large business customers are at its highest mostly between 8am to 4pm. This indicates that a large proportion of business customer load is being consumed during the solar soak period of 11am to 4pm.

The introduction a solar soak period will not effectively send the correct pricing signal to our medium and large customers as they are already consuming electricity during that period and do not need to do anything to access cheaper network costs. Secondly, for those customers who can shift additional load between 8am to 2pm, it may introduce additional costs due to a need to perform local network upgrades. Lastly, accessing cheaper network costs without the need of changing behaviour will result in the reallocation of revenue under our revenue cap which will increase network costs for other customers on other tariffs. Without having the need to change behaviour, we could not justify that introducing a solar soak CPD tariff meets our pricing objective of being affordable and equitable for all customers.

4.3.1.5. Medium and large business assignment policy

AusNet is proposing not to change its assignment and tariff options for medium and large business customers, except for:

- Closing medium and large legacy single rate and ToU tariffs, and reassigning customers on these tariffs to a transitional CPD tariff;[22] and
- Introducing ICC location CPD tariffs that can be accessed by new customers connecting to our HV or sub-transmission network.

The table below summarises the assignment and tariff options for our medium and large customers.

Table 4-14: Customers consuming greater than 160MWh per year: Assignment and tariff options

Tariffs	Assignment	Tariff options (upon request from retailer)
CPD Demand	New customers All existing customers remain	CPD demand or seasonal ToU[23]
CPD Demand Transition	All existing single rate[24] and legacy ToU customers	CPD demand[22]
Seasonal ToU	All existing customers remain	CPD demand
ICC locational CPD	New HV and sub-transmission customers[25]	CPD demand

Our full assignment policy for our medium and large business customers is detailed within our TSS compliance document.

[23] Customers in AusNet's alpine region may request transfer to snowfield seasonal tariff.
[24] Includes single rate pricing structures with a dedicated circuit.
[25] Must meet eligibility criteria set out in Appendix C of this TSS.

4.4. Tariff trials

4.4.1. EV Dynamic tariff trial

The EV dynamic tariff trial was introduced from 1 July 23. The objective of the trial is to understand EV charging response to pricing signals, customers' response to additional incentives encouraging EV charging behaviour on maximum or minimum demand days, and to gather evidence on the efficiency and effectiveness of an event-based tariff.

The EV Dynamic tariff is a time of use tariff with a solar soak component and an event driven signal. The solar soak component seeks to incentivise customers by paying them to charge during this period. The event driven signal will notify customers to increase or curtail EV charging to manage maximum/minimum demand days, and customers will be rewarded for responding to this signal.

As the take up of the tariff trial has been low to date, we are proposing to extend the trial until the end of the 2026-31 regulatory period. We will make the trial available to residential customers with CER (i.e. customers with solar/batteries or customers with EV charges). Residential customers or retailers on behalf of residential customers will need to opt into the trial, and may opt out of the tariff trial and we will reassign the residential customer back to their previous residential network tariff.

4.4.1.1. Changes to EV Dynamic tariff structure

From 1 July 26, we will propose to update the EV Dynamic tariff structure so that the solar soak and peak timings are in alignment with the timings proposed in our updated residential ToU tariff. Prior to the start of 1 July 26, we will update our EV Dynamic tariff trial notification to reflect the new structure. The updated structure will be as follows:

Table 4-15: EV Dynamic (NAST16T) updated tariff structure

Tariff components	Description
Standing charge	Fixed amount
Solar soak	11am to 4pm Monday to Sunday (inc. public holidays)*
Peak	4pm to 9pm Monday to Sunday (inc. public holidays)*
Off peak	All other times*
Rebate	Scaled rebate per event

* Local time

4.4.2. Storage tariff trials

We introduced four storage tariff trials from 1 July 24. These include:

- Utility energy storge system (HV) – a tariff for utility scale energy storage systems, operating on the high-voltage network;
- Utility energy storge system (Sub-T) – a tariff for utility scale energy storage systems, operating on the sub-transmission network;
- Neighbourhood storage tariff (medium) - a tariff for medium neighbourhood/community storage systems, operating on the low-voltage network; and
- Neighbourhood storage tariff (large) - a tariff for large neighbourhood/community storage systems, operating on the low-voltage network.

As we have only started these trials, we do not anticipate having a high number of participating customers by the start of the 2026-31 regulatory period. Therefore, we will not have many findings from these trials that we can use to put in place standardised tariffs for the 2026-31 regulatory period.

For this reason, we are proposing to extend the storage tariff trials until the end of FY31. The findings that we will gain from extending the trials will help to develop the correct pricing structure, pricing levels and signals that we can offer storage in the future regulatory periods.

5. Proposed changes in this TSS

In the tables below, we summarise the key positions adopted in the TSS following extensive engagement with consumers and other stakeholders, described in the previous section. For completeness, we have included the decisions relating to maintaining legacy tariffs, providing customer choice, and encouraging transition to more cost reflective tariffs.

Table 5-1: Key proposed changes for residential customers

Proposed change	Description of proposed change and implementation approach
An updated residential ToU tariff structure	Our residential time of use (ToU) tariff structure will be updated. The new structure will be as follows: • Fixed standing charge ($/year) • Peak period (4pm-9pm) (c/kWh) • Solar soak period (11am-4pm) (c/kWh) • Off peak period (all other times) (c/kWh) • All periods will be in local time. Existing customers on the ToU tariff will remain on this tariff, and the tariff will be available for new customer connections, customers upgrading to a three-phase connection, installing solar or batteries, and customers with electric vehicles. Residential customers may request to be transferred to our residential single-rate tariff.
Residential demand tariffs will be closed	Due to low take up rates, our residential demand tariffs will be closed, and impacted residential customers on these tariffs will be reassigned to the residential ToU tariff.
Maintain residential single-rate tariffs	Customers on our residential single-rate tariff may remain on this tariff but may request to be transferred to the residential ToU tariff.
Legacy and seasonal ToU tariffs to remain	Customers on our legacy and seasonal ToU tariffs will remain on their existing respective tariffs but may request to be transferred to the residential single-rate or ToU tariff.
A new CER tariff	We will introduce a CER tariff for residential customers. Residential customers with solar and/or batteries, and EV customers with dedicated chargers may request to be transferred in and out of the new residential CER tariff.
A new dedicated circuit (hot water) tariff	This tariff will have a two-way charging structure, which means that customers pay an export charge at times when exporting imposes costs on the distribution system and other customers.
Discounting residential ToU tariff	We will introduce a new dedicated circuit (hot water) tariff with a 24 hour window (including establishing single-rate and ToU tariffs and dedicated circuit tariff combinations). This will replace all existing residential dedicated circuit tariffs from 1 July 26. All existing residential customers on a dedicated circuit tariff will be reassigned to the new dedicated circuit tariffs, and existing dedicated circuit tariffs for residential customers will be closed.
Residential embedded network tariffs will be closed	We will coordinate and schedule controlled load times to ensure that customers consistently have access to hot water.
EV Dynamic tariff trial to be extended	For the 2026-31 regulatory period, we will discount the residential ToU tariff relative to our single-rate tariff. We will reduce the prices by one per cent per year so that it will be ten per cent cheaper relative to our single rate by FY31.

The proposed changes for our small commercial and industrial customers are summarised below.

Table 5-2: Key proposed changes for small commercial and industrial customers

Proposed change	Description of proposed change and implementation approach

Small business ToU tariff to remain	This tariff will continue to be available for new customer connections, customers upgrading to a three-phase connection, installing solar or batteries, and customers with electric vehicles. Additionally, small business customers may request to be transferred to the small business single-rate or demand tariff.
Small business single rate tariffs continue	Customers on our small business single rate tariff may remain on this tariff but may request to be transferred to the small business ToU or demand tariffs.
Small business demand tariffs to continue	The small business demand tariffs will continue to be available for new and existing customers (including small business customers who meet the 40MWh to 160MWh threshold)
Small business seasonal ToU tariff to remain	Small business customers who consume between 40MWh and 160MWh per year may continue to request to be transferred to the small business seasonal ToU tariff.
Flexibility for business customers with lower demand	Small business customers who did not consume more than 40MWh in the past 12 months may request to be transferred to the small business single rate, ToU or demand tariffs
Small business embedded network tariffs will be closed	We are proposing to close the embedded network tariffs as they have become obsolete, and we currently have no customers on them.

The proposed positions for our medium, large and sub-transmission customers are summarised in the table below.

Table 5-3: Key proposed changes for medium, large and sub-transmission customers

Proposed change	Description of proposed change and implementation approach
CPD tariffs to remain, with increased flexibility in its operation	We are proposing to increase the flexibility in the number of days that can be called during each CPD season, being a minimum of two CPD days and the option to call up to a maximum of five CPD days.
Introducing Individually Calculated Customer (ICC) CPD locational tariffs for new customers	We propose to provide an alternative tariff option for our high voltage and sub-transmission customers who connect after 1 July 2026. Available to new customers, the locational component of the transmission costs (TUOS) will be individually calculated and passed through directly to customers.
Alpine customers may continue opt-in to our CPD tariffs	Customers in AusNet's alpine region may request to be transferred to the snowfield seasonal tariffs. Customers currently on the snowfield seasonal tariffs may request to be transferred to the CPD tariffs.
Transition away from legacy single rate and ToU tariffs	We will transition our medium and large customers on legacy single rate/ToU tariffs to CPD tariffs. To facilitate the transition, we will introduce transitional CPD tariffs that resemble the current CPD tariffs. We will reassign impacted customers onto these new tariffs and close the legacy single rate and ToU tariffs. The transitional tariffs will not be available to any new or existing customers which are not on a legacy single rate or ToU tariff.
Storage tariff trials to be extended	We will extend our four storage tariff trials until the end of FY31.

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