1 Victorian Electricity Retailers Survey

1.1 Context

The Victorian Electricity Retailers Survey (the survey) was developed to collect feedback from the Victorian electricity retailers as part of the Victorian Distribution Network Service Providers (DNSPs) on their Tariff Structure Statement (TSS) planning and engagement process. The survey was drafted by bd infrastructure with input from the DNSPs including AusNet, CitiPower, Jemena, Powercor and United Energy. Key details are summarised in Table 1-1 below.

Table 1-1: Survey details

Distribution period	4 – 20 September 2023*
Number of responses	17
Survey platform	Survey Monkey
Number of questions	15 (11 open text response, three rating and one selection questions)
Distributed by	bd infrastructure (using the Survey Monkey platform)
Distributed to	Victorian electricity retailers via Engagement@bdinfrastructure.com email
Number of reminder emails	2 (sent on Monday 11 and Monday 18 September 2023 via Engagement@bdinfrastructure.com email)

* The survey was re-opened for 24 hours on Wednesday 27 September to allow an additional survey to be submitted following a direct email request from a Victorian electricity retailer to bd infrastructure.

The survey contained the following sections:

- Welcome
- Alignment of tariffs
- Designing new retail products
- Retailer costs of implementation
- Maximising Consumer Energy Resources (CER)
- Pricing objectives
- Final comments and feedback

A copy of the survey is provided in Appendix A.

1.2 Key findings

1. **Alignment is still important**. 88 per cent of retailers indicated that alignment of tariff structures across the Victorian distributors is important or very important. Benefits of alignment that were mentioned included lower

costs of tariff implementation and how alignment facilitates clearer customer communication, messaging and education.

2. **Simplicity is key.** Retailers prefer simple and consistent tariffs wherever possible, both for themselves and their customers. Single rate or time-of-use tariffs were the most popular to reflect in a retail product, whereas as tariffs with demand charges or rebates were the least popular. Similarly, single rate and time-of-use tariffs were indicated to be the least costly to implement. Critical peak charges, two-way tariffs and rebates are the most expensive to implement.
3. **Distributors need to take a customer centric approach to tariff design.** The survey responses strongly demonstrate that the customer's needs and considerations should be considered by retailers as this will impact likely take-up of particular tariff options and whether they would consider change. Where a customer does not clearly understand the offering or benefits of a tariff retailers, they are generally less likely to consider switching to that tariff option.
4. **Demand tariffs may still have a place for certain customer segments**, but only if they are simplified. Retailers generally did not see a role for demand tariffs for residential customers, but many saw them as serving a role for business customers.
5. **Retailers' welcome tariffs which incentivise the uptake of Consumer Energy Resource (CER) products**. There is a shared belief that CER products positively impact all players in the ecosystem.
6. **The DNSPs pricing objectives (Simplicity, Economic Efficiency, Adaptability, Affordability and Equity) remain relevant.** Respondents pointed out that the objectives are interdependent rather than standalone objectives and require holistic solutions. Simplicity and affordability were ranked the highest.

The retailers who participated in this survey demonstrated enthusiasm and integrity by providing thoughtful and detailed responses to the survey questions. This document provides the DNSPs with a deeper understanding of the above findings, through a combination of analysis and verbatim responses.

1.3 Alignment of tariffs

1.3.1 Importance of network tariff structure alignment

The majority of retailers who completed the survey (86 per cent) believe it is important or very important to maintain network tariff structure alignment. Only one out of 17 respondents believed alignment was unimportant. The break down of responses are detailed in Table 1-2 below.

Table 1-2: Maintaining network tariff structure alignment

Response option	Number of responses	Percentage
Very unimportant	1	6%
Unimportant	0	0%
Neutral/ indifferent	1	6%
Important	5	29%
Very important	10	59%
Does not apply	0	0%
Total	**17**	**100%**

Source: Victorian Electricity Retailers Survey, 4-20 September 2023, Q1: How important is it to your business that Victorian electricity distributors maintain network tariff structure alignment (as opposed to having different tariffs between distributors)?

Retailers in favour of maintaining network tariff structure alignment claim that it will:

- Increase simplicity and ability for retailers to respond to customer requests

Maintaining a consistent tariff structure is crucial for retailers because it simplifies price definition and enables us to provide clear answers to customer inquiries.

As a retailer who talks to the customer it is very important to take out the complexity and keep it simple.

- Simplify implementation and allow for the provision of consistent messaging and education for customers

  Having aligned tariffs is easier to implement from a technical perspective and allows for simpler internal and external communications. Having common tariff structures also makes things simpler for customers moving between distribution zones.

  Alignment between networks allows for consistent messaging and education to the customer. This leads to better customer experience outcomes and reduced operational overhead which will in turn improve competitive price positioning.

- Reduce costs for retailers

  It greatly improves the quality of customer service when we only have to train one set of times of use or times of demand (for Residential). It also reduces the cost of configuring and testing our billing systems to support these tariffs.

- Support the increasing usage of renewable energy

  It's easier for customers to understand and participate in new tariff structures to support renewable energy as they do move from one DNSP to another.

The respondent who felt maintaining network tariff structure was very unimportant noted that their response was specifically in relation to community batteries and large commercial and industrial (C&I) customer tariffs. Reasons cited for the low rating of importance were in relation to simplifying communications and operations.

> *Simplification of commercial propositions to electricity customers, particularly those businesses with sites across the state. Simplification of billing process. Improve customer perception of DNSP charges. Please note our response is principally related to Community Battery tariffs and large C&I customer tariffs. We are not a mass market electricity retailer.*

Reasons provided for a neutral response maintained that costs are passed through to their customers regardless of alignment.

> *All our C&I [(commercial and industrial)] customers are on bespoke contracts overall and distribution costs are passed through.*

1.4 Designing new retail products

1.4.1 Reflecting network tariff designs in retail products

Retailers have a strong preference to integrate single use tariffs into their retailer products, with 67 per cent rating this design as their preferred option as shown in Figure 1-1. A two-way time-of-use tariff was the second most preferable design, with over half of the respondents selecting it within their top two options.

The least preferable options are:

- Time-of-use tariff with a monthly maximum demand charge with 65 per cent of respondents placing it within their two least preferred options.
- Including rebates in a tariff (e.g., for customer respond in demand management) with 60 per cent placing it within their two least preferred options and a further 33 per cent putting it as their third least preferred preference.
- Time-of-use tariff with critical peak charges with 21 per cent placing it as their least preferred option.

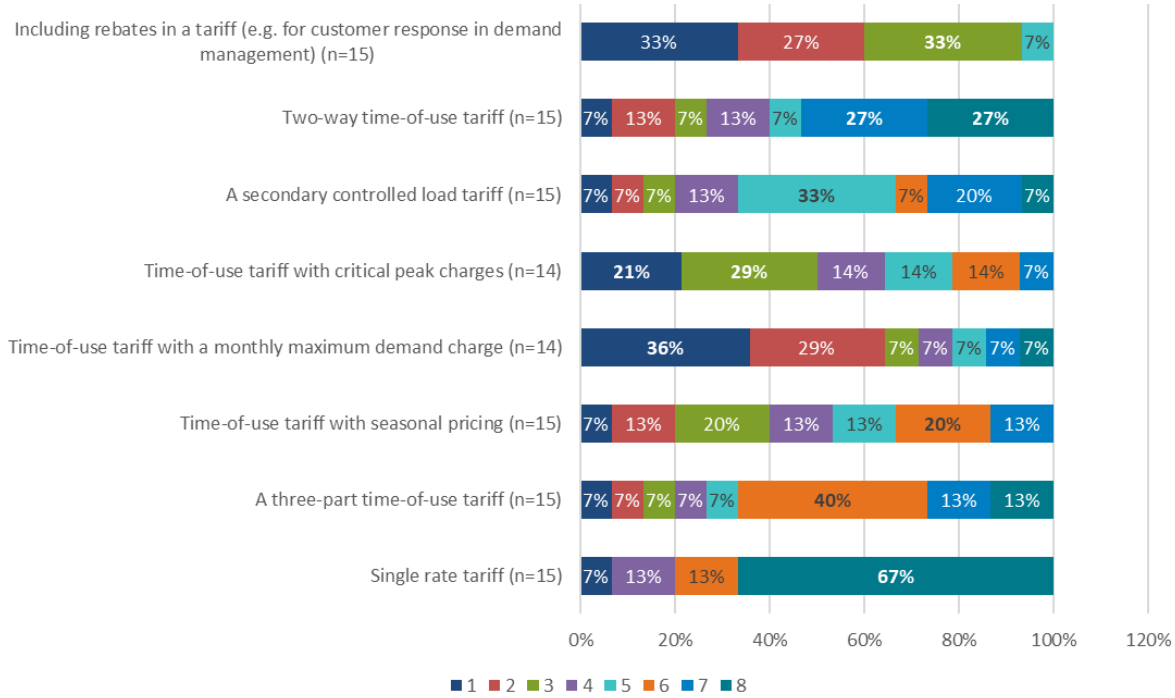

Figure 1-1: Willingness to reflect tariff network designs in a retail product

Source: Victorian Electricity Retailers Survey, 4-20 September 2023, Q3: Please rank the following network tariff designs in terms of your willingness to reflect them in a retail product. (Note: 1 is the least preferable and 8 is the most preferable).

1.4.2 Changes in tariff structures and changes in retail products

Retailers provided the following examples where a change in tariff structure may not lead to a change in a retail product:

- Where the complexity of a change results in effort, challenges to client education/satisfaction or costs that outweigh the benefits of reflecting a new retail price.

  Depending on the complexity of the change, number of customers on the tariff, commercial impact, etc. the cost of implementation may not be worth the "hassle" of reflecting the new price. For example, we have already gained explicit informed consent for the customer to be charged a particular rate during a specific time band. To change this, there would be a cost to communicate and implement the change, potential for complaints or ombudsman calls to be triggered due to the change, as well as other regulatory and business goals that may take a competing priority. This makes it difficult to support a retail tariff change. If we were to adopt the retail tariff change, we would typically time this with price change events.

  Depending on the complexity of the change - these may not be reflected in our retail product due to customer education burden, development complexity or other related support changes.

  That tariff would not reflect in the retailer's product in an event where it's not a simple tariff to convey to a consumer or when it's during a volatile part of the spot market as it because harder to pass on high levels of peaking or off peaking.

- Where the timing of the change does not align with customer needs and willingness to switch.

  At times, retailers may not immediately adopt changes in our tariff structure because some of our customers are still on the old tariff and are not willing to switch. Typically, tariff adjustments occur at the start of the new financial year, and our response may take place either within that financial year or in the following one.

  Most of the time, [a] retailer would align the TOU [time-of-use] times with the DNSP tariff time band, but in the case where the DNSP time band is not aligned with retailers' own customer load profile & wholesale risk, retailer may offer a different TOU time band to intensify usages at different time.

- Where the retailer is having to respond to the increased amount of renewable energy that is generated and used by customers and the impacts this has on their demand for electricity from the grid.

  We would welcome tariffs that align with the impact of solar on the distribution network, especially if this includes a community battery tariff that is two way and provides an incentive for charging when excess solar generation is a problem for the network and discharging during the evening peak. We would support C&I tariff structures that enable automation of demand response DNSP tariff payments to the customer. We look forward to working with DNSPs on the development of dynamic Operating Environment tariffs.

- Where tariff structure changes are made before the retailer has a 'critical mass' of customers.

  We will wait until there is a critical mass of customers to implement the change. This will ensure the costs are amortised reasonably and we don't unnecessarily incur cost on behalf of our customers.

1.4.3 Key considerations when designing a retail product

Retailers provided a list of key considerations in designing a retail product and then proposed network tariff solutions to best align to those considerations. The suggestions were showcase the diversity in retail product design needs, yet almost all suggestions focus reducing complexity for retailers and their customers.

Table 1-3: Network tariff design suggestions based on retail product design considerations

Key consideration in retail product design	Suggestion for network tariff design
Simplicity is required for both retailers and customers.	Tariffs must be simple to implement and for the client to understand. *Don't add new ways of charging things (it can often not be easily charged by our billing systems).* *Customers do not understand how demand charging works - especially residential customers - and they have little control over managing demand.* *Customer wants simplicity, doesn't want punishment. A tariff must have something attractive enough for customer, e.g., demand shift, the $ needs to be big enough to change customer usage pattern.* *System constraints, commercial viability, easy of communicating to customers, simplicity in the tariff itself.*
Wholesale and spot market prices.	Network tariffs need to align to spot market and wholesale prices and timings. *Our main consideration is where the spot market typically is and how we can then calculate and pass on applicable tariffs.* *Mostly wholesale price, network tariff should be fully aligned to wholesale cost & timing, which facts in solar generation, customer load profile.*

Key consideration in retail product design	Suggestion for network tariff design
Retailers need to sell these complex products to the average customer by communicating the benefits of tariffs and any tariff changes in a way the customer understands and appreciates.	Network tariffs need to be designed with the end user in mind. How will it be received and understood by the retail customer. *Being able to "package" the tariff into something the customer can understand is the greatest hurdle. e.g. "EV tariff - charge your EV overnight at super off peak rates" is a very easy to understand concept, rather than "two part time of use tariff".* *When designing customer products, a big consideration is given to complexity of the NTC, how familiar it is to the end user and how easily the customer benefit is/can be articulated. If the NTC is not simple and does not indisputably benefit majority of customers, then this is not something we would be inclined to reflect in our retail pricing unless absolutely mandatory. An example from other jurisdictions would be the mandatory NTC re-assignment to a demand based NTC upon meter upgrade. Very few retailers are reflecting this tariff structure in their products due to its complexity for the end consumer. The development cost, re-education cost, operation overhead are not worth the trouble.*
The different needs of various customers segmentations.	Network tariffs should offer different solutions catered to different customer segments. *Tailoring the product to different customer segments with varying needs. Offer diverse tariff options that cater to different customer profiles, such as single rate, and TOU rate with pricing structures that reflect their specific usage patterns.*
Retailers need to maintain competitive pricing and ensure their products are financially viable.	Network tariffs should be designed to be as cost efficient as possible to increase retailer pricing options. *Ensuring our product is competitively priced in the market. Align network tariffs to optimize costs, allowing you to offer competitive pricing to customers.* *The network tariff is currently critical to the financial viability of community batteries and the tariff is passed through directly to the battery owner. The network tariff is currently directly passed through to the C&I customers that [retailer] serves.*
Tariffs must accurately reflect levels of demand.	Network tariffs should be designed to reflect the actual demand on the network assets in both time and costs. *Simple fixed charges or fixed demand components do not encourage TOU behavioural changes by customers.*

Source: Victorian Electricity Retailers Survey, 4-20 September 2023, Q5: Please provide key considerations in designing a retail product and how network tariffs can be designed to best align to those considerations.

Other considerations included the ability of tariffs to achieve customer behavioural changes and promoting sustainability and supporting the renewable energy transition and encouraging uptake of technologies such as solar PVs and electric vehicles.

1.5 Retailer costs of implementation

1.5.1 Network tariff structures and costs of implementation

An overwhelming 75 per cent of retailers feel a single rate tariff structure is the least costly option for retailers to implement.

Other tariff structures that appear to be less costly to implement include:

- A three-part time-of-use-tariff
- Time-of-use tariff with seasonal pricing
- A secondary controlled load tariff

According to retailers, the most expensive tariff structures include:

- Including rebates in a tariff (e.g., for customer response in demand management)
- Two-way time of use tariff
- Time-of-use tariff with critical peak charges

A breakdown of respondents' ratings are detailed in Figure 1-2 below.

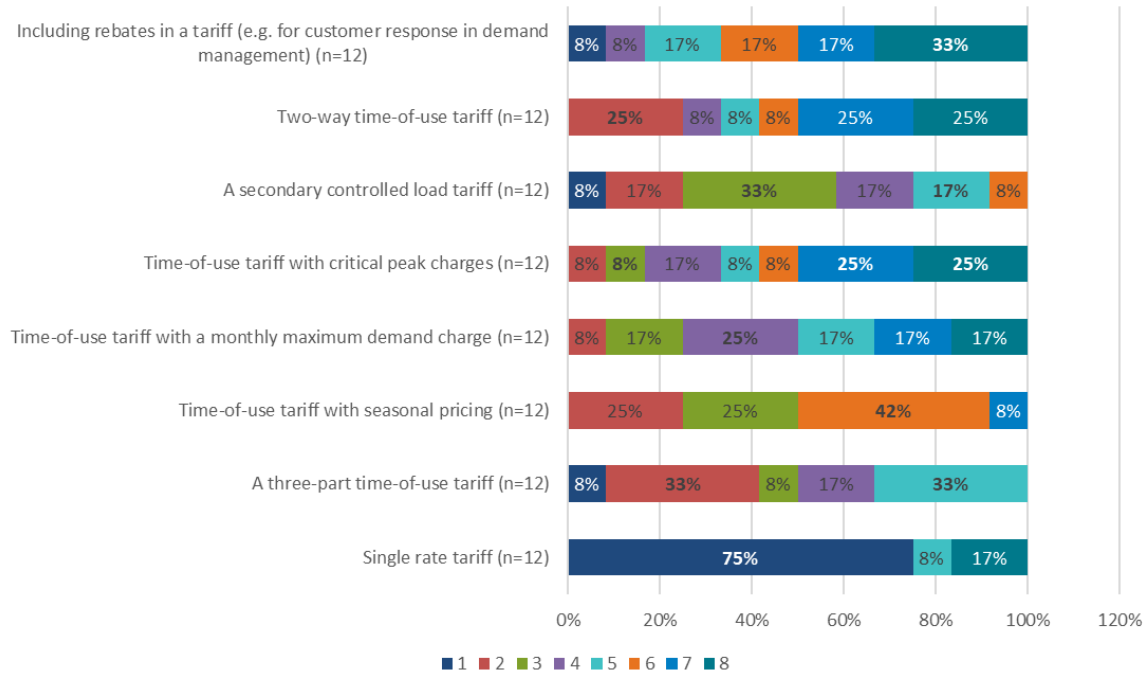

Figure 1-2: Cost of implementing different network tariff structures

Source: Victorian Electricity Retailers Survey, 4-20 September 2023, Q6: Please rank the following network tariff structures in terms of retailer costs to implement from least costly to most costly. (Note: 1 is the least costly and 8 is the most costly).

1.5.2 Designing network tariffs to reduce implementation costs while incentivising customer behaviour

Retailers were asked to brainstorm how network tariffs can be designed to reduce the cost of implementation while incentivising customer behaviour. Once again, the key themes related to a reduction in complexity and keeping the consumer in mind when designing network tariffs.

Key themes with verbatim responses are provided in Table 1-4 below.

Table 1-4: Designing tariffs to reduce implementation costs while incentivising customer behaviour

Theme	Verbatim responses
Simplicity in structure and communications	*Many retailer systems can deal with basic cost structures (e.g., flat, time of use, controlled load). Anything that is more semi-recent is more difficult to implement (e.g. demand, critical peak, block structure). But even if we were to overcome these limitations from a system perspective, many retailers want to make it as simple as possible for a customer to understand their plans - any friction along the sales process, and there's a huge potential for customers to leave the sales funnel.* *Simple Time of use tariff is the best for customer to understand and adjust their usage behaviour.* *Keep them simple, and within existing billing system capabilities.*
On-peak and off-peak rates	*For example, you can increase the difference between peak rates and off-peak rates in a time-of-use (TOU) tariff to encourage customers to shift their usage to periods of lower demand.*
Alignment with other tariffs and models	*If tariffs are aligned with models seen elsewhere, that greatly reduces the cost and complexity of build and test.* *Continued/Increased Alignment. Removal of combination Tariffs. Additional consideration for the value of changing behaviour at an individual customer level - not just at an aggregate level.*
Supporting vulnerable customers	*Networks need to re- think their tariff structures to becoming more accountable in incentivising and assisting tenants and those on hardship, and not leave it up to the government and the retailers to cover the raising debit and give our credits.*

Source: Victorian Electricity Retailers Survey, 4-20 September 2023, Q7: Please provide any feedback on how network tariffs can be designed to reduce the cost of implementation while incentivising customer behaviour.

1.5.3 Why customers are not opting into the demand tariff

Retailers share the opinion that a lack of understanding is the primary reason for the low uptake of the demand tariff by customers.

> *Although we provide information to customers explaining how these tariffs work, a lack of understanding of how demand tariffs work and what the bill impacts will be are the key reasons demand tariffs have minimal take up.*

Specifically, customers have concerns or a lack of understanding around the issues presented in Table 1-5.

Table 1-5: Customer concerns around the demand tariff

Theme	Verbatim responses
How a demand tariff compares to other products and services	*No ordinary customer can understand the demand charge, only some of the electrical engineers can get it, people don't like the things they don't understand, in particularly when shopping for a product/service.* *Lack of awareness, lack of understanding, and perception that they'll be worse off than their current tariff.*

Theme	Verbatim responses
The jargon and energy specific terminology used in communications. Communications need to be in Plain English.	*It is too complicated to explain to a customer and they do not understand it. All tariffs need to be put into plan English and not the current energy jargon as it is at the present. Ask any customer who is not in the energy market what this means to them and what the cost it is to them in line with their tariff? Joules: A joule is a unit of measuring energy.*
Customers not being able to take actions to reduce their bills when on a demand tariff.	*Residential and small business customers generally don't understand it - and if they do, there is little they can actively do to manage/reduce it. Retailers struggle to explain it to customers, and can't help them manage it, and therefore generally don't support it.*
Demand tariffs being seen as more expensive, unfair or inflexible	*The issue may arise from customers perceiving the demand component as an additional charge, finding it challenging to grasp the calculation and concept of demand, and feeling a lack of control over these components.* *Inability to move off it - customer are weary that operations may change and they can't move off the full demand tariff until 2026.* *Although equitable, people also feel it's "unfair" that if they're not vigilant during a half hour period of the entire month, they'll be penalised for the entire month for that fault.* *[The methodology of calculating a bill] is treated as a punishment that applies to a whole period… it's too hard for customer to manage their usage because they can't even make one mistake.*

Source: Victorian Electricity Retailers Survey, 4-20 September 2023, Q8: The demand tariff has a very low take-up. In your view, what are the key reasons customers are not opting into this tariff?

In addition to a lack of understanding, respondents mentioned the following contributors to a low take up of demand tariffs:

- [Some] retailers not offering the demand tariff option to their customers

  [Electricity retailer] does not provide retail services to mass market customers… [Our products are structured] for community batteries and C&I customers.

  As we are largely network following, and our Best Offer on Bill capability in Victoria does not support Demand tariffs, we don't offer the Demand option to Victorian customers. The process for requesting a change of network tariffs is also difficult for our Front of House staff, which ensures we see very low take up of opt-in tariff options.

- Demand tariffs are out of touch with increases in the amount of renewable energy that is generated and used by customers.

  The current demand tariffs reflect a legacy approach to electricity supply and do not reflect the current focus on renewables and the impact on the system. So, they tend to be "clunky" and difficult to change. e.g., 1 year trailing calculation to re-set demand charges or demand charges which are ALL day. These don't reflect the need to change behaviour.

1.5.4 Benefits in continuing to offer the demand tariff

Despite the low uptake of the demand tariff, retailers were evenly spread for and against networks continuing to offer demand tariffs. However, those who could see a benefit in offering the demand tariff either limited their support to a specific audience or made it conditional on changing the current design.

Amongst the retailers supportive of continuing to offer the demand tariff, specific suggestions include:

- Limiting demand tariffs to specific sectors (e.g., businesses) and/or products (e.g., community batteries) and not offering them to residential customers.

  - Demand tariffs suggested to be beneficial for larger business customers, i.e., > 40MWh (as they are actively engaged and equipped to manage their demand costs); and community batteries and large C&I customers.
  - Demand tariffs suggested to be inappropriate for residential and small business customers (tariffs difficult to understand and can be punitive if not carefully managed by this customer base); or mass market customers (they don't actively engage in the control of their load so would not receive reasonable value from demand tariffs.)

- Continuing to offer customers a range of pricing options and enabling them to have flexibility to select a plan that suits them best and to encourage reduced demand during peak periods.

  Some customers may have specific usage patterns or operational needs that align well with demand tariffs, and they should have the option to choose a tariff that suits them best.

- Offering demand tariffs if communications to customers can be simplified and understood. Customers must easily understand how demand tariffs can be used to reduce costs.

Amongst retailers who were against the continuation of the demand tariff key reasons were around the lack of understanding amongst customers, specifically the difficulty in getting customers to change existing behaviours due to their limited awareness of electricity pricing or tariffs not being reflected in the retail product.

> *The Network Demand charges are not being reflected in the retail tariffs - therefore end consumers are not receiving the desired price signals to modify behaviour. Instead, customers are receiving inflated retail pricing to subsidize the cost of the non-recoverable charging component of the NTC.*

1.6 Maximising Consumer Energy Resource (CER) opportunities

Retailers provided suggestions for how tariffs could be amended to maximise the uptake and use of Consumer Energy Resource (CER) products such as solar panels, household batteries and electric vehicles. Ideas have been consolidated in Table 1-6 below. Some suggestions referred to specific tariffs while others were more general in nature.

Table 1-6: Maximising CER through specific tariff types

Tariff type	Verbatim quotes
Time-of-use tariffs: Suggestions include incentivising the use of CER products during periods of high renewable energy generation and designing products that encourage increased uptake and use of CER Products.	*Time-of-Use (TOU) Tariffs: Implement TOU tariffs that offer lower rates during periods when renewable energy generation is typically high (e.g., sunny days for solar power). This encourages customers to use CER products to capture and store energy during these periods for later use.* *Three part time of use (i.e. Solar Sponge) should see offerings altered to drive additional CER take up. Two-way is unknown, but we expect to see larger solar systems that would presently be export capped more attractive if the customer can control the export themselves (or store it in a local battery). Demand charging may also assist, but only to a point depending on the customer's usage profile.*
Feed in tariffs: Suggestions include ensuring that CER products have the capacity to export energy in a flexible manner and incentivising the installation of solar panels.	*Feed-In Tariffs (FITs): Offer competitive feed-in tariffs for surplus renewable energy generated by customers with solar panels. This incentivizes the installation of solar panels and allows customers to earn money by feeding excess energy into the grid.* *Ensuring there are capabilities for CER with the current FIT along with allowances for flexible export options.*

Tariff type	Verbatim quotes
EV tariffs: The suggestion is to encourage EV owners to charge their vehicles during periods of high renewable energy generation.	*EV-Friendly Tariffs: Introduce EV-specific tariffs that provide lower electricity rates for charging electric vehicles during off-peak hours. This encourages EV owners to charge their vehicles when renewable energy sources are abundant.*
Solar tariffs: Solar tariffs should be two-way.	*Two-way solar tariffs 'Super Off peak.*
General suggestions	
Reflecting the true cost of providing services in the tariff charged.	*Network tariff should reflect the true cost of providing the service. This means TOU and flexibility to change behaviours and reward those changes in behaviour by customers. Most network tariffs do not have this flexibility.*
Incentivising customers to help flatten the solar curve by reducing the amount of excess solar energy that is exported to the grid during peak periods (this is sometimes referred to as the 'solar duck' curve[1])	*ToU [time of use] generation amount (e.g. provide a c/kWh reward for customer exporting between 4pm-7pm). Would not recommend using dynamic pricing signals in the near term, and most customers want a blunt incentive signal (not a dynamic one) – longer term dynamic incentives linked to distributor/wholesale events would be more widely adopted.*
Exploring options for customers to help reduce their overall energy consumption.	*The main thing to ask is What Is In It for Me – as a customer we all want to reduce our energy consumption – currently the above question if not for the majority of the population – and those who can afford these would be looking for a return on their investment – so what type of tariff can do that.*

Source: Victorian Electricity Retailers Survey, 4-20 September 2023, Q10: Do you have any specific suggestions for how network tariffs could be amended to help maximise the uptake and use of CER products (e.g. solar panels, household batteries, electric vehicles)?

1.6.1 Benefits and impacts of proposed amendments

Retailers detailed the benefits and impacts they believe would flow from the above CER amendments. Specific benefits include:

- Reduced carbon emissions.

  Favourable tariffs for CER products will encourage the generation and consumption of clean energy. This, in turn, reduces reliance on fossil fuels for electricity generation and lowers carbon emissions, contributing to environmental sustainability and climate change mitigation.

- Economic savings for customers who adopt and use CER products.

  Economic Savings: Customers who adopt CER products can benefit from reduced energy bills through lower rates, feed-in tariffs, and time-of-use pricing. Over time, these savings can offset the initial costs of purchasing and installing CER technologies.

- Customer adoption of CER products.

[1] RenewEconomy, *Solar duck curve: Why we must fix the cause and not justify the symptoms*, 7 July 20232, https://reneweconomy.com.au/solar-duck-curve-why-we-must-fix-the-cause-and-not-just-the-symptoms/

A new tariff that provides a return on investment would definitely help to incentivise those to buy and upgrade.

- Changed behaviours amongst customers.

  It will encourage customers to modify behaviour to maximise their savings and this will benefit both grid and distribution businesses.

- Increased efficiency of the overall systems and minimised constraints/ disruptions if a two-way tariff is introduced.

  The two-way solar tariff will have the potential to improve battery uptake which in-turn will enable peak demand management through a fleet of battery assets. The Super Off peak will encourage modified customer behaviour when charging their EV's. This could be coupled with a 'Demand' cap rather than a charging parameter. This demand cap would require the customer to partner with a retailer with the technical capabilities of managing their EV charging pattern in order to remain eligible for NTC. Effectively shaving the demand without fear of a financial penalty - and if done correctly the customer experience would be unimpacted.

The responses contained mostly positive impacts for all stakeholders, including the overall network, the retailer and/or electricity customers.

> *DR and CER improvements are good for everyone and in everyone's interest.*

Specific impacts include:

- Increased adoption and use of CER products including solar panels, household batteries, and electric vehicles.

  Tariffs designed to provide financial incentives and reduce the cost of using these products make them more attractive and accessible to customers.

- Improved return on investment in community batteries as a result of using excess solar to charge EVs.

  More cost reflective charging for excess solar that is stored by a community battery in the DNSP LV network. Acceleration of the transition to renewables.

- Speeding up the energy transition towards adoption and use of renewable energy sources.
- Reduced demand on the existing energy transition network and grid-connected Renewable Energy Zones (REZs).
- Reduced network constraints during peak periods.

In terms of the timing of when tariff changes will be made by the electricity retailers, it is expected they will not occur before 2027. However, it is important to understand that each retailer is different and their ability to design and introduce any different and/or new tariff charges will differ from one retailer to the next.

> *We think that retailers will modify the charging of retail customers to provide many of these signals through to end customers (maybe not immediately in 2026, but it will occur). We believe that two-way will see many solar customers pay a fairer amount for network access (and Demand would be better again in this space, but we can't see that for Victoria in 2026). We believe that three-part TOU is helpful, but not game changing. It's definitely a good message for how the network has changed.*

1.7 Pricing objectives

The Victorian DNSPs currently have six pricing objectives which were developed and used during their previous electricity tariffs AER required regulatory reset process. These are shown in Figure 1-3 below. Retailers were asked to consider whether each pricing objective is still applicable in its current form and provide a rating from least to most important on a scale of 1 to 6.

Simplicity. Network prices should be readily understood by customers, retailers and stakeholders.

Economic Efficiency. Customers face the correct price signals so that their consumption decisions reduce total network costs.

Adaptability. Network pricing design should be capable of being applied to future network configurations and technologies.

Affordability. Access to network services should be affordable, including for vulnerable customers.

Equity. Each customer should pay a fair share of network costs.

Figure 1-3: The current pricing objectives of the Victorian DNSPs

Of the respondents, 69 per cent rated 'Simplicity' and 61 per cent rated 'Affordability' as important or most important objectives for retailers. Additionally, over half of the respondents (61 per cent) felt that 'Emissions reduction' was the least important objective.

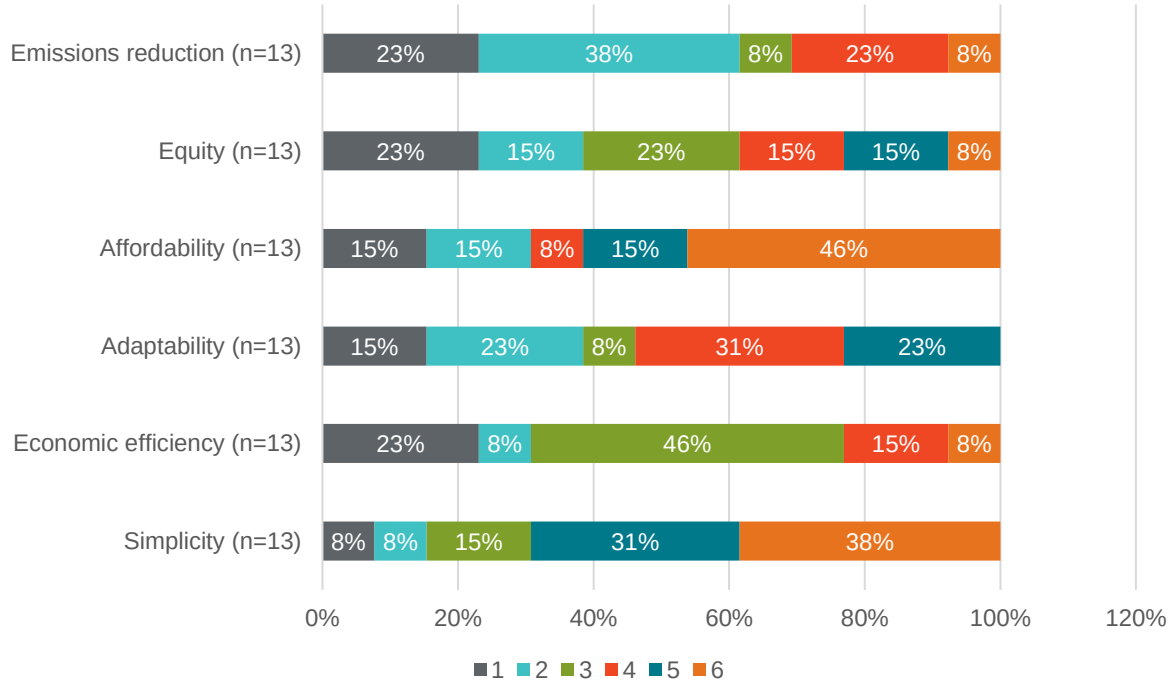

Figure 1-4: Current applicability of the Victorian DNSP's pricing objectives

Source: Victorian Electricity Retailers Survey, 4-20 September 2023, Q13: Victorian distributors have agreed to a set of objectives in designing network tariffs and are considering whether these are still applicable in their current form. Please rank the following possible objectives according to importance in designing network tariffs. (Note: 1 is the least important and 6 is the most important).

1.7.1 Relevance of objectives

When asked to suggest ways in which the pricing objectives are still relevant for the 2026-2031 Victorian electricity DNSPs reset process, over a third of respondents felt all objectives remain relevant and should be considered together rather than individually.

These objectives are still relevant for the next reset process, noting that they are all important and should be considered in the final decision.

Others elevated simplicity and affordability as they have been and will continue to be important for electricity customers.

Simplicity and affordability will always be front of mind for Australians regardless of market evolution.

Comments made in relation to specific pricing objectives are provided in Table 1-7. Individual responses have been broken down when multiple comments have been made clearly against specific objectives.

Table 1-7: Relevance of specific pricing objectives

Pricing objective	Verbatim feedback
Simplicity	*Simplicity in tariff design is timeless. Customers need to understand their energy bills and make informed decisions about their energy usage. In an era of increased consumer empowerment and digital engagement, clear and straightforward pricing structures are more important than ever.*
Economic efficiency	*Everything else should follow from Economic Efficiency. Affordability is a near impossible ask for distributors, as is emissions reduction, but three-part TOU might help a little.* *Promoting economic efficiency remains essential to ensure the optimal use of network resources. With evolving energy technologies, achieving efficiency in resource allocation and encouraging responsible consumption decisions is as important as ever.*
Adaptability	*Future-proofing tariff design is crucial as the energy sector continues to undergo rapid transformation. Ensuring that tariffs can adapt to accommodate changes in network configurations, such as integrating renewable energy sources and accommodating electric vehicles, is vital for long-term sustainability.*
Affordability	*Ensuring that network services remain affordable, particularly for vulnerable and low-income customers, remains a key objective. Access to essential energy services should not be compromised, especially as energy costs continue to be a concern for many households.*
Equity	*Ensuring fairness and equity in cost distribution remains important. As the energy landscape evolves and new technologies are introduced, it's crucial to maintain fairness in how network costs are allocated among customers to prevent any undue burden on specific groups.*
Emissions reduction	*Environmental concerns and the need to reduce carbon emissions continue to be critical global and regional priorities. With a growing focus on sustainability and addressing climate change, tariffs that promote clean energy usage and discourage carbon-intensive practices remain essential.*

Source: Victorian Electricity Retailers Survey, 4-20 September 2023, Q14: In what ways are these objectives still relevant for the 2026-2031 Victorian electricity distributors reset process?

1.7.2 Proposed changes to objectives

Four retailers provided recommendations on any key change(s) to the objectives and why those changes would be beneficial as shown in Table 1-8. General comments include simplifying all the objectives and removing the 'Affordability' and Emissions reduction' objectives. Note the contrast between the proposed removal of 'Affordability' and the suggestion that 'Affordability' was one of the most relevant objectives in Section 1.6.1 above.

Table 1-8: Suggested changes to pricing objectives

Pricing objective	Verbatim feedback
Simplicity	*Emphasize the importance of digitalization and customer engagement tools. Encourage the use of user-friendly online platforms that provide real-time usage data, cost projections, and energy-saving tips to help customers better understand and manage their energy consumption.*
Economic efficiency	*I do not believe that this can be a core objective at a residential level. Price signals simply are not strong enough and/or are not well understood enough to achieve the desired outcome. Any eventual change in behaviour/cost saving that may occur generally results in a cost to the retailer of => then the cost saving to the network.* *Broaden this objective to include demand-side management and grid optimization efforts. Encourage tariff designs that actively engage customers in load-shifting and grid support activities, such as demand response programs.*
Adaptability	Nil.
Affordability	*Strengthen this objective by exploring innovative rate structures, such as energy efficiency surcharges, that fund programs aimed at helping low-income and vulnerable customers reduce their energy bills through efficiency measures.*
Equity	*Strengthen this objective by considering targeted support for low-income and vulnerable customers. Explore mechanisms like income-based tariff structures or subsidies to ensure affordability for all customer segments.*
Emissions reduction	*Enhance this objective by specifying emissions reduction targets and exploring the integration of carbon pricing mechanisms into network tariffs. This can provide a more concrete pathway to achieving emission reduction goals.*

Source: Victorian Electricity Retailers Survey, 4-20 September 2023, Q15: What key changes to these objectives would you suggest and why? Please be specific which objective you are referring to or whether you believe that a new one should be considered.

1.8 Final comments and feedback

Respondents finished the survey with the opportunity to provide general comments and feedback to the Victorian DNSPs. Final comments focused on:

- The importance of simplicity when designing and introducing any tariffs. Retailers want distributors to consider tariffs from a customer point of view.

  Simple tariffs that customers can understand and act on. These tariffs should help customers to lower their energy bills and contribute to building a sustainable future. Conversely, we would not support overly complex tariffs that lead to customer disengagement and ultimately fail to address affordability and sustainability.

- The need to consider other charges passed on by the Victorian DNSPs.

  Don't only focus on the tariff, but the ancillary charges that distributors charge should also be looked at. For these are going up and up to the point where customers are not able to afford having connections and upgrades to meters completed. Check in with the ombudsman on how many complaints they receive on the fees that the distributors charge.

- Appreciation for the opportunity to participate in the engagement process.

  Thank you for the opportunity for our voice to be heard!

Appendix A – Victorian Electricity Retailers Survey

Victorian Electricity Retailers Survey

Welcome

Thank you for taking the time to respond to the Victorian Electricity Retailers Survey and provide feedback to the Victorian Distribution Network Service Providers (DNSPs) on their Tariff Structure Statement (TSS) planning and engagement processes.

The survey should take around **10 minutes** to complete. Please note there are no right or wrong answers and your feedback and insights around any potential future amendments to residential and small business tariffs across Victoria are highly valued.

The survey closes at 5:00pm AEST on **Wednesday 20 September 2023**.

Your responses will remain anonymous, and we will not identify any individuals or organisations by name in our analysis and reporting.

If you have any questions, please email Engagement@bdinfrastructure.com.

Alignment of tariffs

7. How important is it to your business that Victorian electricity distributors maintain network tariff structure alignment (as opposed to having different tariffs between distributors)?
   - Very unimportant
   - Unimportant

- Neutral/ indifferent
- Important
- *Does not apply*

8. Please can you explain your response to Question 1 above.

   (Open text response)

Designing new retail products

9. Please rank the following network tariff designs in terms of your willingness to reflect them in a retail product. (Note: 1 is the least preferable and 8 is the most preferable)
   - Single rate tariff
   - A three-part time-of-use tariff
   - Time-of-use tariff with seasonal pricing
   - Time-of-use tariff with a monthly maximum demand charge
   - Time-of-use tariff with critical peak charges
   - A secondary controlled load tariff
   - Two-way time-of-use tariff
   - Including rebates in a tariff (e.g. for customer response in demand management)

10. If there is a change in a tariff structure (e.g., peak/ off peak, peak/ solar peak/ off peak or peak/ shoulder/ off peak), are there times when this may **not** lead to a change in the retail product and why? Please explain when these times are and why it leads to a change.

    (Open text response)

11. Please provide key considerations in designing a retail product and how network tariffs can be designed to best align to those considerations.

    (Open text response)

Retailer costs of implementation

12. Please rank the following network tariff structures in terms of retailer costs to implement from least costly to most costly. (Note: 1 is the least costly and 8 is the most costly)
    - Single rate tariff
    - A three-part time-of-use tariff
    - Time-of-use tariff with seasonal pricing
    - Time-of-use tariff with a monthly maximum demand charge
    - Time-of-use tariff with critical peak charges
    - A secondary controlled load tariff
    - Two-way time-of-use tariff
    - Including rebates in a tariff (e.g. for customer response in demand management)

13. Please provide any feedback on how network tariffs can be designed to reduce the cost of implementation while incentivising customer behaviour.

    (Open text response)

14. The demand tariff has a very low take-up. In your view, what are the key reasons customers are not opting into this tariff?

    (Open text response)

15. Do you see any benefits in networks continuing to offer the demand tariff? Please explain.

    (Open text response)

Maximising Consumer Energy Resource (CER) opportunities

16. Do you have any specific suggestions for how network tariffs could be amended to help maximise the uptake and use of CER products (e.g. solar panels, household batteries, electric vehicles)?

    (Open text response)

17. What do you believe the benefits of your proposed amendments will be? Why?

    (Open text response)

18. What do you believe the impacts of your proposed amendments will be? Why?

    (Open text response)

Pricing objectives

19. Victorian distributors have agreed to a set of objectives in designing network tariffs and are considering whether these are still applicable in their current form. Please rank the following possible objectives according to importance in designing network tariffs. (Note: 1 is the least important and 6 is the most important):
    - **Simplicity:** Network prices should be readily understood by customers, retailers and stakeholders.
    - **Economic efficiency:** Customers face the correct price signals so that their consumption decisions reduce total network costs.
    - **Adaptability:** Network pricing design should be capable of being applied to future network configurations and technologies.
    - **Affordability:** Access to network services should be affordable, including for vulnerable customers.
    - **Equity:** Each customer should pay a fair share of network costs.
    - **Emissions reduction:** Tariffs should contribute to an overall decrease in carbon emissions at the Victorian state level.

20. In what ways are these objectives still relevant for the 2026-2031 Victorian electricity distributors reset process?

    (Open text response)

21. What key changes to these objectives would you suggest and why? Please be specific which objective you are referring to or whether you believe that a new one should be considered.

    (Open text response)

Final comments and feedback

22. Do you have any final comments or feedback that you wish to provide to the Victorian electricity distributors?

    (Open text response)

Thank you

Thank you for taking the time to provide your feedback and comments as a Victorian electricity retailer. If you have any further questions, please email Engagement@bdinfrastructure.com.

Please note, that this is the final opportunity you have to go back and review your answers. Once you click on 'SUBMIT' below, you will not be able to change any of your responses.

We look forward to seeing many of the retailers represented at the second in-person workshop on Thursday 16 November in Melbourne. Additional information will be sent out closer to the workshop's date.