

September 2023

Victorian Electricity Distributors Tariff Structure Statement

Stakeholder Workshop 1 Summary Report

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Glossary

ACT	Australian Capital Territory
AER	Australian Energy Regulator
CER	Consumer Energy Resources
COVID-19	Coronavirus disease 2019
DEECA	Department of Energy, Environment and Climate Action
DER	Distributed Energy Resources
DNSP	Distribution Network Service Provider
EDPR	Electricity Distribution Price Review
EOI	Expression of Interest
EV	Electric vehicle
PV	Photovoltaic
TSS	Tariff Structure Statement

URL Uniform Resource Locator
V2G Vehicle-to-grid

1 Overview

1.1 About this report

bd infrastructure was engaged in July 2023 by Victoria’s five electricity Distribution Network Service Providers (DNSPs) – AusNet, CitiPower, Jemena, Powercor and United Energy – to design and facilitate two stakeholder workshops as part of the development of a joint Tariff Structure Statement (TSS).

This report outlines the process undertaken for the first workshop and the main themes that arose from the discussion. The workshop was the first of two to gain input to the draft TSS and built on a similar joint process undertaken five years earlier in 2018 by the Victorian DNSPs. An option of a third face-to-face workshop is proposed closer to the finalisation of the Statement.



Throughout the workshop participants had regular opportunities to interact with others on their table and share their feedback and insights as shown in **Error! Reference source not found.**



Figure 1-1: Participant engagement at the workshop

1.2 Context to the workshops

The DNSPs distribute electricity to homes and businesses across Victoria. Their networks cover urban, suburban and regional areas, each facing unique circumstances in geography, customer characteristics and energy demand. However, all Victorian DNSPs share common facets, including operating under the regulatory framework set out by the Australian Energy Regulator (AER) and the Victorian Department of Energy, Environment and Climate Action (DEECA), the challenges of maintaining extensive networks, and participation in the ongoing energy transition.

Every five years, the DNSPs are required to submit a Tariff Structure Statement (TSS) to the AER as part of their Electricity Distribution Price Review (EDPR) process.

The EDPR seeks to recover costs and a return on investment on distribution assets including:

- Operational and maintenance expenditures
- A return on capital expenditure
- Asset depreciation costs
- Tax liabilities.

The TSS sets out the planned recovery of revenues through various tariff structures for a five-year period. In addition to the TSS, each distribution business is also required to, prior to the start of each regulatory year, submit an annual pricing proposal to report on annual revenue recovery, the progress of tariff strategies, and how the business is expecting to recover its regulated revenue with tariffs in the following year. This is required because the actual annual revenue recovery from tariffs will differ from the TSS due to year-on-year revenue adjustments.

Given that the Victorian DNSPs all face the same regulatory requirements and face many similar challenges, they are also developing a joint TSS which will be submitted as a draft proposal to the AER during January 2024 as part of their EDPR revenue proposals.

With the next regulatory control period commencing 1 July 2026, the Victorian DNSPs must lodge their proposals with the AER by 31 January 2025. The AER will assess the proposal and set revenues for each business, to deliver the types and quality of services provided to our customers. The expected approach and timeline is set out in Figure 1-2.

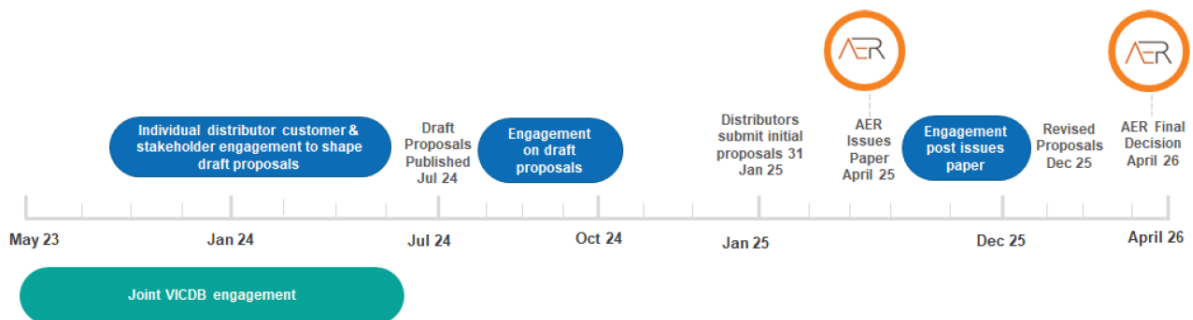


Figure 1-2: EDPR timeline

1.3 Workshop details

Table 1-1: Workshop details

Workshop details	
Date	Thursday 10 August 2023
Time	10:00 – 13:00
Location	AusNet office Level 31 2 Southbank Blvd Southbank Victoria 3006
Facilitator	Rachel Fox – Principal, Engagement & Social Impact, bd infrastructure
Table facilitators	<ul style="list-style-type: none"> • Rachel Fox – bd infrastructure • Ken Fullerton – bd infrastructure • Eleanor Vince – bd infrastructure • Lachlan Nicholson – bd infrastructure • Darius Turner – bd infrastructure • Nell Breslin – bd infrastructure • Sonja Lekovic – Regulatory Pricing Manager, AusNet
Presenters	<ul style="list-style-type: none"> • Liz Ryan – Executive General Manager, AusNet • Mark de Villiers – Head of Regulatory Finance, Modelling and Pricing, CitiPower, Powercor & United Energy • Sandeep Kumar – Head of Regulatory Analysis, Pricing & Strategy • Edwin Chan – Pricing Manager, AusNet
DNSP representatives	<ul style="list-style-type: none"> • Edwin Chan – Pricing Manager, AusNet • Sonja Lekovic, AusNet • Lucy Holder – Customer Engagement Manager, AusNet • Mark de Villiers – Head of Regulatory Finance, Modelling and Pricing, CitiPower, Powercor & United Energy • Kate Jdanova, Pricing Manager, CitiPower and Powercor • Luisa Hall – Senior Pricing Analyst, Jemena • Sandeep Kumar – Head of Regulatory Analysis, Pricing & Strategy, Jemena • Sonja Lekovic, Senior Pricing Analyst, Jemena
Attendees	59 people attended the workshop.

A copy of the workshop’s agenda is provided in Appendix A and a copy of the workshop’s PowerPoint presentation is provided in Appendix B.

1.4 Details of participants

Participants were selected through an online Expression of Interest (EOI) process distributed via email and LinkedIn; and confirmed participants were sent an agenda and pre-reading pack a week before the workshop.

As mentioned above, a total of 59 stakeholders attended the workshop representing the organisations listed in Table 1-2.

Table 1-2: Participating organisations

Government representatives	Customer advocates and industry groups	Energy developer/ consultants	Retailers*
<ul style="list-style-type: none"> • Australian Energy Regulator • Department of Energy, Environment and Climate Action • Essential Services Commission of Victoria • Victorian Council of Social Services 	<ul style="list-style-type: none"> • Anglicare • AusNet Tariffs Panel • Brotherhood of St Laurence • CitiPower, Powercor and United Energy Customer Advisory Panel • Clean Energy Council • Electric Vehicle Council • Energy Consumers Australia • Yarra Energy Foundation 	<ul style="list-style-type: none"> • 1circle Pty Ltd • ACEnergy • Alinta • bp Australia • CGI • Consumer Wise • St Vincent de Paul 	<ul style="list-style-type: none"> • Acacia Energy • AGL • Ampol • EnergyAustralia • Globird Energy • Momentum • Origin Energy • Ovo Energy • Red Energy

* Note: the attendance of Victorian electricity retailers was limited to a maximum two people per retailer due to venue's size and the number of tables available.

2 Workshop process

2.1 Setting the scene

2.1.1 Welcome and introductions

The introductions, Acknowledgement of Country address and housekeeping arrangements were made by the bd infrastructure facilitator, Rachel Fox. Liz Ryan, the Executive General Manager of AusNet, then formally welcomed everyone to the workshop and thanked participants for their attendance and participation (Figure 2-1).



Figure 2-1: Liz Ryan welcoming participants to the first workshop

2.1.2 Icebreaker

The icebreaker activity involving picture cards was led by Darius Turner. Attendees were asked to stand up, move to the end of the room and over two rounds, meet and speak with people in the room they had not met before (Figure 2-2).



Figure 2-2: Icebreaker introductions

2.2 Group discussion

The workshop covered three main topics of discussion as outlined in Table 2-1 below.

Table 2-1: Workshop 1 topics of discussion

Topic #	Topic	Introduced by	Key considerations/ questions	Worksheet #
1	Enhancing our current tariffs	Mark de Villiers	Refer to slide 19 of Appendix B	1 (Appendix C)
2	Maximising opportunity to integrate CER	Sandeep Kumar	Refer to slide 25 of Appendix B	2 (Appendix C)
3	Pricing objectives	Edwin Chan	Refer to slide 29 of Appendix B	3 (Appendix C)

Each topic was introduced before being discussed in small groups. These groups were pre-assigned to ensure they comprised a mix of civil society, government, industry and retailer organisations. A Victorian DNSP member was also assigned to each table to observe and answer questions. The groups were reassigned between topics 2 and 3 to provide opportunity for people to hear from as many fellow participants as possible.

A bd infrastructure table facilitator guided the discussion using pre-prepared worksheets. These are provided in Appendix C. Additional butcher's paper was used if required.

2.3 Participant feedback survey

Following the workshop, participants were emailed an online participant feedback survey (see Appendix D) and asked to complete it. A total of 15 participants completed the survey which focused on four key areas of feedback including:

1. Venue and catering
2. Communication
3. Workshop coordination
4. Final comments or questions.

Overall, the feedback was overwhelmingly positive.

- 94 percent of respondents suggested the workshop venue was 'Very comfortable' (87 per cent) or 'Somewhat comfortable' (7 per cent).
- Over 90 per cent of respondents suggested the information provided in the pre-reading pack was 'Great' (40 per cent) or 'Good' (53 per cent).
- 91 per cent of respondents 'Strongly agree' (55 per cent) or 'Agree' (36 per cent) that they were satisfied with the way the workshop was facilitated.
- 100 per cent of respondents 'Strongly agree' (45 per cent) or 'Agree' (55 per cent) that they were satisfied that different insights and views were put forward by different stakeholders for consideration.

A summary of findings is presented in Appendix E.

3 Key findings

3.1 Summary of key themes

Table 3-1 Table 3-1 presents a summary of key themes and points that emerged through the recorded feedback and discussions across multiple topics.

Table 3-1: Cross-cutting themes across the three topics of discussion

Theme	Key points
Designing tariffs	<p>It was acknowledged that tariffs are complex to design, introduce and enforce. Key factors to consider include:</p> <ul style="list-style-type: none"> • Whether tariffs designed by the Victorian DNSPs should be focused on retailers or electricity customers (or a mix of both). • Retailers ideally want simplicity and consistency in terms of tariffs charged by themselves as well as the different Victorian DNSPs. • Retailers will experience administrative and financial costs when designing and introducing any new tariffs to customers, so they require a certain level of uptake (a critical mass) to introduce a new tariff. • Tariffs should not be considered as the only option available to distributors and retailers. Strategies that can help achieve load control/ management could also be effective (and any new tariffs could be designed to consider existing or future load control strategies in place)
Shifting electricity time of use behaviours	<p>Recognising the role that renewable energy and storage technologies are playing in the Victorian energy context, there is a growing need to incentivise customers to use electricity at different times of day and therefore spread demand load. Key factors to consider include:</p> <ul style="list-style-type: none"> • Possible tariff options to incentivise individuals, households and businesses to use more electricity in the middle of the day when demand has traditionally been low, but when most household solar energy is generated. • The potential use of both incentives and penalties to encourage behaviour change. • The ongoing rollout of smart meters and the technological impacts this will have in terms of real-time data monitoring and price signalling for Victorian electricity users. • The growing adoption and use of technologies like EVs, solar PV systems and batteries and the impacts these technologies have already had on the system.
Support for vulnerable people/ communities	<p>Generally, it was acknowledged that it is important for different actors (including both distributors and retailers) across Victoria's electricity supply chain to be aware of vulnerable customers and provide support to them where possible. Key factors to consider include:</p> <ul style="list-style-type: none"> • Classifying / defining what constitutes a 'vulnerable' customer. • Noting that vulnerable customers might be different for different distributors, retailers and in different parts of Victoria. • Balancing the need for distributors and retailers to provide support (financial and non-financial) to vulnerable customers while meeting their own business needs. • The ability to provide financial and non-financial support. • The need for other targeted programs and support for people in vulnerable circumstances that are not the responsibility of distributors and/or retailers.

Theme	Key points
Ongoing customer awareness and education	<p>It is important for customers to become aware or more aware of how their electricity bills are calculated, what tariffs they're charged and any alternative options they could consider. Key factors to consider include:</p> <ul style="list-style-type: none"> • The need for additional education and/or awareness raising campaigns. • The responsibilities of the different actors in the electricity supply chain including both distributors and retailers • The inability of Victorian distributors to influence the tariffs that retailers pass on to their customers. • Even if customers are aware of the tariffs charged to them and/or how their electricity bills are calculated some customers might not make changes to their electricity plans.
Consumer Energy Resources (CER)	<p>The increased adoption and use of CER technologies including electric vehicles, solar PV installations and batteries by individuals, households and businesses impacts the way that consumers use electricity. Key factors to consider include:</p> <ul style="list-style-type: none"> • The ability for EVs to be bi-directional and enable vehicle to grid (V2G) storage and transfer applications. • The need to consider potential tariffs that are technology agnostic and can cater for the increased use of CER technologies.
The energy transition	<p>It was acknowledged that Australia's 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 reductions in climate emissions. Key factors to consider include:</p> <ul style="list-style-type: none"> • The increased amount of renewable energy that is generated and fed into the electricity grid. • The expected increase in the number of individuals and businesses that will generate and/or store their own energy in the near future. • The increased number of 'prosumers' – customers who both generate their own energy as well as using electricity from the grid.

The following sections present themes and summary points that arose on a topic-by-topic basis.

3.2 Topic 1: Enhancing our current tariffs

Participants were asked to provide feedback on how they believed existing DNSP tariffs could be changed or enhanced. The key categories and themes are summarised in Table 3-2.

Table 3-2: Enhancing our current tariffs

Theme	Summary points
<p>Incentives and penalties</p> <p>Customers should be incentivised to achieve the desired outcome(s) and penalties should be used carefully. Consideration needs to be given to whether customers can afford any new incentives and penalties.</p>	<ul style="list-style-type: none"> • Both incentives and penalties are required (carrots and sticks) and have important roles to play: • Incentives can be implemented to encourage people to change tariffs, and change use / export behaviour. • Don't penalise people without EVs or solar, or those with small solar systems. • Full rollout of smart meters in Victoria enables price signals. • Does the data really show that tariffs change behaviour? Need to consider that many electricity users often don't change their behaviours based on the tariffs they are charged. • Better communication and more education is required so that electricity users better understand costs including incentives and penalties (see below). • Time-of-use tariffs need to be financially attractive enough for electricity users to consider changing from flat tariffs. There will be both 'winners' and 'losers' with any changes to existing time-of-use tariffs.

Theme	Summary points
<p>The energy transition.</p> <p>The energy transition is creating an ever-changing context for how energy is generated, used and priced. This includes how energy is generated through the electricity grid and by individuals and households.</p>	<ul style="list-style-type: none"> • It is important to acknowledge and understand that Australia’s energy system is changing rapidly, and individual behaviours will change as a result. • The transition is impacting people, households and/or businesses in different ways (both positively and negatively). • Customers are becoming ‘prosumers’ – both producers and consumers of energy – which has impacts for other stakeholders across the electricity supply chain. • The AER has an important role to play in managing the overall system and ensuring electricity network charges are aligned wherever possible.
<p>Customer education</p> <p>Tariffs are complicated. Awareness, communication, and education activities are important and can help people and organisations make informed decisions.</p>	<ul style="list-style-type: none"> • Customers require more education around tariffs and peak and off-peak times. • Additional government support/ information might be required to encourage electricity users to explore options and shop around. • Customers value simplicity and standardisation between electricity retailers and their plans. • Digital apps can help people accurately measure their electricity usage in real time, better understand their peak and off-peak times and be aware of optional times to use or charge electrical appliances. • Awareness levels of the bills that electricity users are paying (including tariffs) are likely to be rising as individuals and households face increasing cost of living pressures. • While customers can provide feedback and suggestions to the DNSPs, the DNSPs cannot control the prices that electricity retailers charge their customers.
<p>Electric Vehicles</p> <p>EVs present an opportunity to change energy use patterns as more individuals and businesses adopt this form of technology.</p>	<ul style="list-style-type: none"> • Tariffs that encourage overnight and midday EV charging should be considered. • The amount of energy generated will need to increase as demand for electric appliances (including EVs) increases and as the transition away from gas use continues. • Increasing the efficiency of electrical/ smart appliances also has benefits in terms of the amount of electricity required for use. • Consider how increased numbers of EVs across Victoria (and Australia) will impact Vehicle-to-Grid (V2G) opportunities. • Consider export thresholds in the light of EV use.
<p>Time of use tariffs</p> <p>Shifting use of electricity to the middle of the day should be encouraged to help flatten out peaks and troughs for usage of electricity across the system.</p>	<ul style="list-style-type: none"> • Reduce midday tariff rates to encourage increased usage of electricity around this time of day. • Consider measures to encourage people to use other electrical appliances in the middle of the day when solar energy is more abundant. • COVID-19 and increased numbers of people working from home (either part- or full-time) have resulted in electricity usage changes amongst households. • Consider measures to discourage the exporting of excess energy around the middle of the day.
<p>How are tariffs designed and who for</p> <p>Consider whether tariffs should be designed to suit retailer needs and requirements or consumers (or both).</p>	<ul style="list-style-type: none"> • Design tariffs based on how people live (i.e. they should be customer focused). • Design tariffs based on load to help change behaviour to reduce future network costs. • Time-of-use tariffs can penalise electricity users who would find it very difficult to make changes to when they use electrical appliances. • Active demand management should be taken into consideration when designing new tariffs or re-designing existing tariffs.

Theme	Summary points
<p>Integrate CER</p> <p>Consumer Energy Resources (CER) are growing in overall frequency and importance and need to be considered when designing any future tariffs</p>	<p>Tariffs need to recognise that not all CER customers are the same. Some have ‘small systems with no batteries and others have a more developed suite and/or quantity of CER technologies.</p> <ul style="list-style-type: none"> • Consider technology agnostic tariffs, that are adaptable to future CER investments. • Consider the need to encourage the installation and integration of community batteries into the overall network (although it was noted this is not the sole responsibility of DNSPs and retailers). • Consider the bi-directional properties of some CER technologies.
<p>Supporting vulnerable customers</p> <p>Customers in vulnerable circumstances need to be considered in the design of any new tariffs with protections built in to identify them and provide support where possible.</p>	<ul style="list-style-type: none"> • It’s important to consider vulnerable customers and their ability/ inability to make changes to the times when they use energy appliances (for example, when they require heating). • Vulnerable customers may not own EVs or be able to afford them in the near future. • A tariff or partial component of a tariff could be considered and charged to some electricity users who are not considered to be vulnerable to ensure that vulnerable customers can continue to access affordable electricity (wherever possible). • Electricity retailers should have in-house systems for identifying and supporting customers who are unable to or struggling to pay their electricity bills.
<p>Load control/ management</p> <p>Use load control / demand management as an alternative to tariffs.</p>	<ul style="list-style-type: none"> • Tariffs should not be left to do all the work. • Load control has an important role to play moving forward. • Future tariffs could be designed to support load control programs and strategies.

3.3 Topic 2: Maximising opportunity to integrate CER

Participants were asked about the best ways to maximise opportunities to integrate Consumer Energy Resources (CER), sometimes referred to as Distributed Energy Resources (DER), into the overall system as well as through existing and/or new tariffs. CER resources empower consumers to take a more active role in their energy consumption, contributing to the overall efficiency, reliability, and sustainability of the energy network. The key categories and themes that were discussed are summarised in Table 3-3.

Table 3-3: Maximising opportunities to integrate CER key themes

Category	Themes
<p>Incentivising customers to shift tariffs</p> <p>If financial incentives are attractive enough and made known to customers, some customers may be willing to change the tariffs they are currently on.</p>	<ul style="list-style-type: none"> • Customers don't like surprise and are often willing to pay a little extra if they know that is going to be the standard cost they pay for a set period of time. • Financial savings have to be significant to encourage large numbers of customers to make changes (if the savings are relatively small then limited numbers of people might express interest in a particular tariff and be willing to sign up to it) , • To make changes, customers want price signals and straightforward processes to follow.
<p>Flexibility</p> <p>Victoria's electricity network is changing and the ways and times in which individuals and businesses are generating and using electricity are shifting from traditional peak and off-peak times.</p>	<ul style="list-style-type: none"> • Well-designed tariff structures are required with more bands to meet the changing nature and time of electricity use. • Tariffs should be opt-in for customers but different options should be available to suit different types of customers and their needs.
<p>Vulnerable customers</p> <p>The ability of vulnerable customers to both afford electricity and make changes to their consumption patterns is likely to be limited.</p>	<ul style="list-style-type: none"> • Consider a social tariff for vulnerable customers. • More direct programs to support vulnerable customers. • It is the government's responsibility to support vulnerable customers
<p>Tariff alignment</p> <p>Tariff alignment where possible would be appreciated by both retailers and customers. This includes both the tariffs charged by the different distributors and by the retailers.</p>	<ul style="list-style-type: none"> • Consider allowing different DNSPs to have different tariff structures given different geographic areas of operation and different types of customers. • Align tariffs across regions where feasible.
<p>Data</p> <p>Given rapid changes across Victoria's (and Australia's) electricity system in recent years and expected future changes, the need for accurate, reliable and real-time data is important when designing and implementing tariffs.</p>	<ul style="list-style-type: none"> • Need to capture and share data to really understand the customers being served, and how tariffs can support them. • Lessons can be learnt from recent smart charging reports (for example, the Origin EV Smart Charging Trial funded by the Australian Renewable Energy Agency (ARENA)¹). • Victoria and Australia can learn from what has been done in the European Union and other countries that are transitioning towards Net Zero targets and increased use of renewable energy.

¹ ARENA, *Origin EV Smart Charging Trial Interim Report*, <https://arena.gov.au/assets/2021/06/origin-ev-smart-charging-trial-interim-report.pdf>

Category	Themes
<p>Communication</p> <p>Further communication is required by different stakeholders across the electricity supply chain to ensure that customers are able to understand the tariffs they are charged, how they are calculated on their bills and any recommended changes.</p>	<ul style="list-style-type: none"> • Need to do more to help customers understand tariffs and how they are calculated and passed onto customers. • How effective are communications really? • Communities should be given further opportunities to put forward their own suggestions for encouraging additional investments in the electricity grid.
<p>Retailer requirements</p> <p>When setting tariffs, the capabilities and requirements (financial and non-financial) of the existing electricity retailers in Victoria should be considered.</p>	<ul style="list-style-type: none"> • Retailers seek simplicity for themselves and their customers. • Retailers suggest that it is difficult to explain the concept of a demand tariff to residential customers. • If new tariffs and other products are likely to only attract a limited number of customers, retailers are unlikely to develop these products as they have their own design and maintenance costs. • Retailers are private organisations that want to make a profit. • If new tariffs are designed and introduced by retailers, they need to ensure they can be properly managed and monitored through their existing systems (e.g., IT and personnel).
<p>EVs</p> <p>The increased uptake and use of EVs is changing the way people use, store and transfer the electricity they generate (both from existing and renewable sources of energy). Increased adoption will have further impacts on the existing electricity network and where and how electricity is generated, distributed and consumed.</p>	<ul style="list-style-type: none"> • Consider the increased number of users who purchase EVs and projections for additional uptake in the future (they currently represent about 10 per cent of all new car sales while this figure is approx. 20 per cent in the ACT). • Consider the growing number of EVs that will be sold second hand as current EV owners make upgrades. • Consider the increased number of EVs that governments (local, state and Federal) are purchasing for their fleets. • EVs are considered as 'smart cars' as they have the ability to provide energy storage services through charging their batteries and potential V2G services. • Consider different EV manufacturer warranty requirements and conditions around their allowance of V2G services.
<p>Suggestions for new tariffs</p> <p>Specific suggestions for tariffs and different customer types were put forward for consideration.</p>	<ul style="list-style-type: none"> • A tariff for 'prosumers' (users who both consume electricity they have both produced themselves and purchased from the grid through a retailer) should be considered. • A booster time-of-use tariff to encourage people with small photovoltaic (PV) solar panels. • Any new tariffs can help identify areas for future planning and investment in the overall network. • The existing 160 mw/h threshold might need to change as usage patterns change and EV owners increasingly use public chargers.
<p>Consumer protections</p> <p>Consumer protections should be enforced to ensure appliances and products are of a high standard and protected by warranties. Redress and enforcement mechanisms should be in place for customers who use faulty products.</p>	<ul style="list-style-type: none"> • When consumers purchase appliances and equipment, it is important for them to be aware of product lifespans, warranties and any specific/ limited conditions of use (for example, Tesla does not currently allow for V2G by its EVs). • Customers should have opportunities to get help from both retailers and government if they are struggling to understand and/or pay their electricity bills.
<p>Energy storage and solar PV installations</p> <p>The increased installation and use of solar installations and energy storage batteries at the individual/ household,</p>	<ul style="list-style-type: none"> • Energy storage is important, and the increasing number of batteries will have an important role to play in storing electricity and when it is used. • Batteries of all sizes – household, community and large scale – have an important role to play in enabling this storage and enabling the energy to be used when electricity prices are more expensive.

Category	Themes
business and state level is shifting how electricity is generated and stored.	<ul style="list-style-type: none"> With the Victorian Government’s decision to ban the use of gas from 2024² on new builds, energy storage will become increasingly important as people transition to electricity for cooking and heating. Heritage requirements and legislation need to be considered for buildings that would like to add PV installations.

3.4 Topic 3: Pricing objectives

Topic 3 focused on the pricing objectives established by the DNSPs as part of their Tariff Structure Statement (TSS) engagement process. These are outlined in Figure 3-1.






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

The key categories and themes that were discussed are summarised in Table 3-4: Current pricing objectives key themes. Suggested amendments are also provided.

Table 3-4: Current pricing objectives key themes

Category	Themes	Suggested amendments
Simplicity	<ul style="list-style-type: none"> Retailers want simplicity when it comes to tariffs. Consistency and standardisation are appreciated by both customers and retailers. Tariffs need to be simple to the end customer even if they are complex in the back end for the retailer to administer. There is a tension between simplicity and adaptability. Retailers face their own administration and maintenance costs so for them to consider a new tariff there will need to be enough customers (a critical mass) who are likely to be interested in the tariff and will consider taking it up. 	<ul style="list-style-type: none"> The term ‘Options’ should be used instead of ‘Network prices’

² ABC News, Victorian government bans gas in new homes from 2024, <https://www.abc.net.au/news/2023-07-28/victoria-bans-gas-new-homes-housing-developments-emissions/102659636>

Category	Themes	Suggested amendments
Economic Efficiency	<ul style="list-style-type: none"> • Economic efficiency is primary objective. Get that right and affordability and equity should follow. • Tariffs need to carefully balance current costs to consumers and the ongoing need to invest in maintenance and development of the broader electricity network across Victoria (and Australia). • The projected increase in customers generating and storing their own electricity through solar panels and batteries could influence when peaks and troughs occur, how long they last for and the costs of providing electricity from the grid during this time to meet higher demand (or to have as a backup if required). • The objective needs to be described/ promoted in a way that can be easily understood by electricity consumers. • As an example, consider the ways in which Victorian gas and water retailers calculate and describe their tariffs which are different to the way electricity retailers do. 	<ul style="list-style-type: none"> • The term 'export' should be included in the description to enable consumers to save/ make money by exporting energy to the electricity grid where applicable.
Adaptability	<ul style="list-style-type: none"> • Tariffs need to be well structured and technology-agnostic to allow them to be adaptable. • There is a tension between the Simplicity and Adaptability pricing objectives (if something is adaptable it is not necessarily simple to design or use). • Tariffs will increasingly need to reflect Victorian and Australian laws and regulations around Net Zero and climate emissions reductions. • While adaptability is important, the overall electricity network system needs to remain operational and efficient. • A long-term focus towards 2040 should be considered when considering how to design and promote tariffs. 	<ul style="list-style-type: none"> • The term 'commercial model' should be included in the description. • The term 'reliability of networks' should be included in the description. • Sustainability needs should be incorporated into the description.
Affordability	<ul style="list-style-type: none"> • Affordability is a relative concept - it depends on individual circumstances and other cost of living factors. • Communications is key to enable people to make informed decisions. • When affordability is considered, should it be for now or trying to make it affordable in the future (e.g. 2030) • DNSPs can contribute to affordability by focusing on the economic efficiency of the overall electricity network. • Affordability and equity are linked. • Consider introducing a safety net to help protect customers who might be vulnerable or face other affordability challenges. • Consider how vulnerable customers categorised or defined and considered/ included when it comes to affordability. A safety net could be considered. • Consider that customers often select their retailers based on the affordability of the electricity plan they are offering rather than other behavioural factors/ influences. 	<ul style="list-style-type: none"> • Consider adding 'especially for customers experiencing vulnerability' to the description.
Equity	<ul style="list-style-type: none"> • Equity is critical but hard to define and deliver. • Is it correct to use fair and equitable synonymously? What is equitable or fair will differ for different customers based on their own economic and other circumstances. 	<ul style="list-style-type: none"> • Consider whether the word 'fair' used in the description is the right word to use.

Category	Themes	Suggested amendments
	<ul style="list-style-type: none"> • Need to collect, analyse and use relevant industry and consumer data to understand what's fair. • Consider the extent to which tariffs are able to cater for vulnerable customers. Direct programs and supports will still be needed. • Consider measures to make it easier for customers to understand what they are paying for and how their electricity bill is broken down to account for different electricity supply chain costs 	
Other	<ul style="list-style-type: none"> • Consider who the objectives are aimed at – should it be customers or retailers? • Important to weigh and prioritise the objectives. • Simplicity, adaptability and economic efficiency are all linked. • Consider whether the objectives adequately account for the changed landscape around CER. • Consider all the pricing objectives in the context of the energy transition, the need to reduce emissions and rapidly changing state and Federal government policies. • Consider who is responsible for supporting customers if they fall behind on their electricity bill payments (it was questioned whether this should be the retailers because of the direct relationship they have with their customers). • Consider introducing an electricity 'safety net' similar to the Medicare model. • Consider the rapidly changing role of technology in the energy landscape and how this can drive innovation through tariffs and influence pricing. • Consider sharing research, metrics and data to show market trends and behaviours. 	<ul style="list-style-type: none"> • Consider including words/ references to Net Zero and reduced carbon emissions in the objectives. • Consider including community batteries. • Consider introducing measures of success for each pricing objective to help determine the extent to which the objectives have been achieved.

4 Next steps

Following the completion of Workshop 1, bd infrastructure and the Victorian DNSPs will work together to:

- Ensure workshop participants are sent the Workshop 1 Summary Report once finalised and invited to attend Workshop 2
- Design the approach and activities for Workshop 2 on Thursday 16 November 2023 to ensure that the feedback received in Workshop 1 has been considered and can be discussed in greater detail in Workshop 2
- Ensure that additional feedback and suggestions from Victorian electricity retailers is collected through a separate retailer survey process and is analysed and used to help shape the key topics/ themes for discussion during Workshop 2 and any individual and/or groupwork activities.

Workshop 2 will also be an in-person event and will occur on Thursday 16 November 2023 between 10:00 and 13:00 at Powercor's head office located at 40 Market Street, Melbourne, Victoria 3000.

Appendix A - Victorian Tariff Structure Statement Stakeholder Workshop 1 agenda

Date	10 August 2023	Time	10:00-13:00
Venue	AusNet (Level 31, 2 Southbank Boulevard, Southbank, VIC 3006)		
Facilitator	Rachel Fox, bd infrastructure		

Time	Item	Presenters
10:00	Welcome	Facilitator Liz Ryan, AusNet
10:10	Icebreaker	Facilitator
10:20	Topic 1 – Enhancing our current tariffs	Mark de Villiers, CitiPower/Powercor/United Energy
11:00	Topic 2 – Maximising opportunity to integrate CER	Sandeep Kumar, Jemena
11:45	Break	
12:00	Common themes and missing considerations	Facilitator
12:10	Topic 3 - Revisiting tariff objectives	Edwin Chan, AusNet
12:50	Final comments and next steps	Mark de Villiers, CitiPower/Powercor/United Energy
13:00	Close	

Appendix B - Victorian Tariff Structure Statement Stakeholder Workshop 1 presentation slides

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Appendix C – Workshop 1 worksheets

Worksheet 1: Enhancing the current tariffs

Enhancement to the current tariffs	Affected customer (eg residential or small business)	Likely benefits and impacts	Transition arrangements
1.			
2.			
3.			
4.			
5.			

Worksheet 2: Maximising CER opportunities

Tariff suggestions	Affected customer (eg residential or small business)	Likely benefits and impacts	Transition arrangements
1.			

Tariff suggestions	Affected customer (eg residential or small business)	Likely benefits and impacts	Transition arrangements
2.			
3.			
4.			
5.			

Worksheet 3: Objectives

Objectives	In what ways are these objectives still relevant?	What <u>key changes (if any)</u> would you suggest?
<p>Simplicity. Network prices should be readily understood by customers, retailers and stakeholders.</p> <p>Economic Efficiency. Customers face the correct price signals to that their consumption decisions reduce total network costs.</p> <p>Adaptability. Network pricing design should be capable of being applied to future network configurations and technologies.</p> <p>Affordability. Access to network services should be affordable, including for vulnerable customers.</p> <p>Equity. Each customer should pay a fair share of network costs.</p>		

Appendix D – Workshop 1 participant feedback survey

Powering Victoria Together

AusNet

CITIPower



Jemena
bringing energy to life

united energy



Victorian Tariffs Structure Statement Workshop 1 Feedback Survey

Thank you for taking the time to provide feedback on the first Victorian Electricity Distributors Tariff Structure Statement (TSS) workshop held at AusNet's head office in Melbourne on Thursday 10 August 2023.

We appreciate you taking up to **5 minutes** to provide your feedback and suggestions for improvement.

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

Venue and catering

5. How would you describe the workshop venue?
 - Very comfortable
 - Somewhat comfortable
 - Okay
 - Uncomfortable
 - Very uncomfortable
6. Please indicate how easy or difficult it was for you to get the workshop venue?
 - - Very easy to get to
 - - Easy to get to
 - - Neither easy nor hard to get to

- - Hard to get to
 - - Very hard to get to
7. How did you find the morning tea catering to be at the workshop venue?
- Very appetising
 - Appetising
 - Okay
 - Unappetising
 - Very unappetising

Communication

8. Did we communicate with you clearly in the lead up to the event?
- Yes, very clearly
 - Yes, clearly
 - It was okay
 - No, not very clearly
 - No, not clearly at all
9. How did you find the clarity of the pre-reading pack sent to you via email?
- The information was great
 - The information was good
 - The information was okay
 - The information wasn't great
 - The information was really bad
10. Are there any communication improvements you would suggest ahead of the second workshop on Thursday 16 November?
- (Open text – up to 50/100 words)

Workshop coordination

11. To what extent, did you engage with the pre-reading pack that was distributed to you via email in advance of the workshop?
- I read it in full
 - I read most of it (approx. more than 50%)
 - I read bits of it in full
 - I flicked over it briefly
 - I didn't read any of it
12. On a scale of 1 to 5, where 1 is 'Strongly disagree' and 5 is 'Strongly agree' to what extent do you agree or disagree with the following statements?
- I am satisfied with the way the workshop was facilitated
 - I am satisfied with the way the small table groupwork exercises were designed and delivered

- I am satisfied with the way my table facilitator handled the groupwork exercises and encouraged all participants to provide their feedback and insights
13. On a scale of 1 to 5, where 1 is 'Strongly disagree' and 5 is 'Strongly agree' to what extent do you agree or disagree with the following statements?
- I am satisfied that I was provided with sufficient opportunities to share my feedback and insights
 - I am satisfied that my feedback and insights were listened to by the table facilitator and others in the room
 - I am satisfied that different insights and views were put forward by different stakeholders for consideration
 - I am satisfied that the quality of discussions were robust

Final comments

14. Do you have any final comments or questions about the workshop and how it was delivered?

(Open text – up to 50/100 words)

Thank you

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

We look forward to seeing you again in person at the second workshop on Thursday 16 November. Additional information, including venue details, will be emailed to you shortly and the workshop calendar invite will be updated.

Appendix E - Workshop 1 participant feedback findings summary

Venue and catering

- 94 percent of respondents suggested the workshop venue was 'Very comfortable' (87 per cent) or 'Somewhat comfortable' (7 per cent).
- 94 per cent of respondents suggested the workshop venue was 'Very easy to get to' (47 per cent) or 'Easy to get to' (47 per cent).
- Almost three quarters of respondents suggested the morning tea was 'Okay' (73 per cent) while the remainder (27 per cent) suggested it was 'Appetising.'

Communication

- Over 90 per cent of respondents suggested the information provided in the pre-reading pack was 'Great' (40 per cent) or 'Good' (53 per cent).
- Suggested qualitative enhancements provided by respondents include the need for ongoing communication including the sharing of feedback and insights from Workshop 1 and key themes or questions to be considered as part of Workshop 2 and a request for the list of attendees for networking purposes.

Workshop coordination

- Over 90 per cent of respondents suggested they read the pre-reading pack 'in full' (73 per cent) or read most of it (more than 50 per cent) (18 per cent).
- In terms of satisfaction with the facilitators and the groupwork exercises:
 - 91 per cent of respondents 'Strongly agree' (55 per cent) or 'Agree' (36 per cent) that they were satisfied with the way the workshop was facilitated.
 - 91 per cent of respondents either 'Strongly agree' (27 per cent) or 'Agree' (64 per cent) that they were satisfied with the way the small table groupwork exercises were designed and delivered.
 - 63 per cent either 'Strongly agree' (27 per cent) or 'Agree' (36 per cent) that they were satisfied with the way their table facilitator handled the groupwork exercises and encouraged all participants to provide feedback and insights.
- In terms of satisfaction with their opportunities to provide feedback and have robust discussions:
 - 100 per cent of respondents 'Strongly agree' (45 per cent) or 'Agree' (55 per cent) that they were satisfied that different insights and views were put forward by different stakeholders for consideration.
 - 91 per cent of respondents 'Strongly agree' (55 per cent) or 'Agree' (36 per cent) that they were satisfied that their feedback and insights were listed to by the table facilitator and others in the room.
 - 90 per cent of respondents 'Strongly agree' (55 per cent) or 'Agree' (45 per cent) that they were satisfied that they were provided sufficient opportunities to share their feedback and insights.
 - 82 per cent of respondents 'Strongly agree' (55 per cent) or 'Agree' (27 per cent) that the quality of discussions were robust

Final comments or questions

- Final comments focused on:
- Offering praise for the facilitation approach adopted
 - *It was organised well, easy to reach venue. I received a very professional and warm welcome. Nicely scheduled - neither too long nor too short. The engagement reflected the diverse thinking around the tariff structures. I felt the network business are open to different ideas and options. It might be useful to keep snacks with morning tea in the morning itself.* [Workshop 1 participant]
- Suggesting changes to the proposed table facilitation approach used during Workshop 1
 - *Not a great fan of the table butcher paper approach as it wastes time with table presentations. Prefer more open all discussions.* [Workshop 1 participant]
- Suggesting other potential topics of discussion.
 - *It would be good to discuss whether distribution business requirements should overrule retailer requirements.* [Workshop 1 participant]