

21 December 2023

Essential Services Commission
Level 8, 570 Bourke Street, Melbourne VIC 3000

Via email: fitreview@esc.vic.gov.au

To whom it concerns

Re: Minimum Feed-in Tariff rates to apply from 1 July 2024 draft decision

AusNet appreciates the opportunity to respond to Essential Services Commission's (**ESC**) draft decision on the Minimum Feed-in Tariff rates to apply from 1 July 2024.

AusNet's electricity distribution customers have been investing rapidly in rooftop solar over the past decade, particularly in response to the Victorian Government's Solar Homes subsidy program. Approximately 28% of AusNet's customers have solar, and the demand for new connections remains strong, at around 20,000 new connections per year. We anticipate a third of AusNet's customers will have solar by 2030.

As part of our operations and in planning for the future, we undertake extensive research into customer behaviours, drivers and motivations, including on solar exports. Our research shows there is a lack of understanding among customers around the feed-in-tariff, including who decides the value and how, and whether the feed-in-tariff provides more value compared to self-consumption.

For example, many AusNet solar customers on Time of Use (**TOU**) network tariffs would benefit from moving electricity consumption from the evening to the middle of the day rather than preferencing solar exports at the current feed-in-tariff rates. This would also reduce pressure on the electricity networks through more efficient network utilisation, resulting in lower network costs in the long term to the benefit of all AusNet customers. However, our data shows that very few solar customers change their evening usage patterns compared to non-solar customers. While not all consumption can be moved to the middle of the day, and customers may choose not to, it is likely at least some of the current behaviour is due to insufficient information about optimal use of solar energy, including around feed-in-tariffs.

We recommend the annual updates to the minimum feed-in-tariff are supported by targeted information campaigns that explain the purpose and the value of feed-in-tariffs, as well as other ways customers can optimise their solar energy production. As the electrification of gas and transport intensifies, it will become increasingly important that customers are able to optimise the value of their rooftop investment, and that the electricity network is utilised as efficiently as possible. AusNet is also planning to undertake more targeted communications around how customers can get the most out of their solar. An industry wide approach to communications is likely to be the most effective at instigating wide-scale behavioural change and improving trust in the sector.

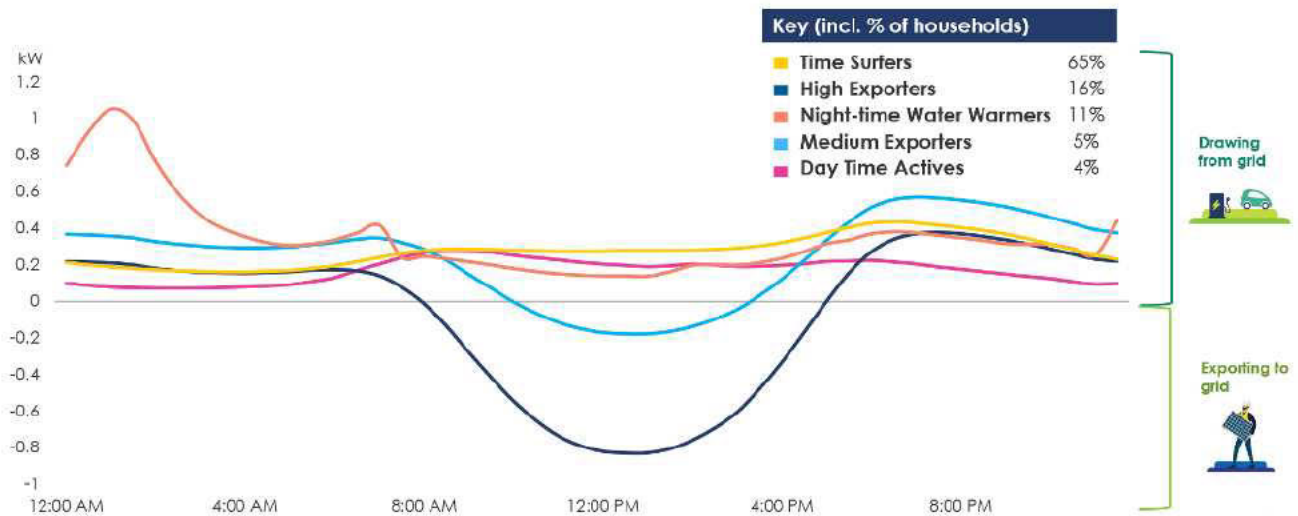
To provide context on how AusNet customers currently consume and export electricity, we have included results of our recent Customer Segmentation study below, which demonstrates differences in how customers with and without rooftop solar use the grid.

AusNet's Customer Segmentation Study

We recently completed a first-of-its-kind [Customer Segmentation Study](#), using a combination of our smart meter usage data and qualitative and quantitative customer research. We used the smart meter data to segment all our residential customers into five usage profiles, which was then complemented with insights into motivators and drivers of customer behaviours.

Figure 1 summarises different ways our customers are using electricity, with 16% of our customers exporting more electricity than they consume on average (High Exporters segment). High Exporters have newer and larger solar systems, and hence we can expect future solar customers will fall into that segment.

Figure 1: AusNet's five customer segments according to usage profiles



Note: each segment has been given an expressive name, based on average daily profiles.
Source: AusNet.

Some key characteristics of High Exporters include:

- 84% are still connected to the gas network
- 27% plan to purchase an electric vehicle in the next five years
- of those who have an electric vehicle, 36% charge their vehicles at night rather than during the day.

As these customers move towards further electrification of gas and transport, early and targeted information campaigns are likely to assist customers in optimising their solar, which will ultimately reduce long term costs of the energy transition.

The Customer Segmentation study includes more insights that may be of interest to the ESC. We would like to offer a presentation on the outcomes of the study to the ESC.

Please do not hesitate to contact me on [REDACTED] about the submission or to organise a time to present on the Customer Segmentation study.

Sincerely,

[REDACTED]

Sonja Lekovic
Regulatory Policy Manager
AusNet Services