AusNet

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4 March 2024

Department of Infrastructure, Transport, Regional Development, Communications and the Arts
Australian Government

New Vehicle Efficiency Standard consultation – Submission

AusNet welcomes the opportunity to provide this submission to the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (**Department**) consultation on New Vehicle Efficiency Standard (**NVES**)—Cleaner, Cheaper to run Cars for Australia.

AusNet is the largest diversified energy network business in Victoria—we own and operate three core regulated networks: electricity distribution, gas distribution and the state-wide electricity transmission network, delivering energy to more than 6 million Victorian households and businesses.

We are committed to supporting the Victorian and Federal Governments in the energy transition, including ensuring we have the right policies and regulatory frameworks for an orderly transition to electric vehicles (**EV**), in a way that delivers both short- and long-term benefits to all energy consumers.

AusNet supports the introduction of NVES, as necessary to achieve the government's objective of reducing emissions in the transport sector and reducing Australians' energy bills. We consider Option B (preferred option) of NVES suitably balances customer benefits with the need for an orderly transition to EVs. Our submission provides further considerations for the Department in finalising and implementing the NVES and Option B.

Electrification can improve network utilisation, putting downward pressure on electricity prices

We broadly agree with the Department's benefits assessment of Option B, with a focus on emissions reductions, energy bill savings and health benefits. However, we consider the energy bill savings assessment should include the benefit of improved network utilisation, which puts downward pressure on the unit cost of electricity. The recent Energy Consumers Australia 'Stepping Up' report on residential electrification found widespread uptake of electric vehicles has the potential to reduce electricity bills for all consumers through better network utilisation.[1] These benefits are additional to the overall energy bill savings that come with fuel switching.

We are currently conducting a similar energy bill saving analysis for our five-year Electricity Distribution Price Review (**EDPR**) plans for 2026-31, which we can share with the Department as part of this review.

As part of our EDPR planning, we are also developing network tariff structures that can incentivise EV users to charge their vehicles at periods when there is less demand in the network, like middle of the day when rooftop solar generation is plentiful. To inform tariff design, we have begun a trial of an EV-specific network tariff—*EV Dynamic*—which rewards charging during the day and rewards dynamic response (i.e., stopping or starting charging) to network instructions. Learnings from the trial will help us better understand how flexible EV users are to tariff structures and dynamic instructions, helping us plan the network in way that keeps electricity costs down for everyone.

Customer expectations around electricity reliability and resilience are likely to grow

The electrification of transport will fundamentally change how households and businesses interact with electricity. Expectations around the reliability and resilience of electricity supply are likely to grow, particularly in regional areas where households may experience poorer reliability on average compared to urban areas.

[1] ECA, Stepping Up: A smoother pathway to decarbonising homes, August 2023, p. 12.

This is a key consideration for AusNet, as we are primarily a residential and regional electricity distribution network, with around 64% of our network covering regional areas.

Given the likely fundamental shift in how EV users will interact with electricity, it is important we are able to plan for these changing expectations. To inform our plans, we are conducting a **Quantified Customer Values** research study during 2023-24, to quantify service levels customers most value, including their willingness to accept managed charging services and reduced services levels for a bill saving. Once finalised, we can share the result of the study with the Department, as insight into customers' changing expectations around electricity supply as part of the transition to EVs.

Network and EV charging infrastructure requires advanced planning

Option B, if finalised, is likely to result in a substantive increase in the supply and purchases of EVs in Australia. This trend is not currently reflected in national electricity infrastructure plans, including the Australian Energy Market Operator's (**AEMO**) Integrated System Plan (**ISP**).

AEMO's ISP is a guiding plan and set of assumptions used by energy policy and decision makers for policy design and revenue determinations for gas and electricity networks. At present, ISP assumptions around EVs, and impact on electricity demand, are highly uncertain, creating infrastructure planning risk. It is therefore important the ISP assumptions and related AEMO plans (e.g., the Electricity Statement of Opportunities) are updated as matter of priority, to incorporate the anticipated impact from the introduction of NVES. This may require an out of cycle update to ISP assumptions, which are typically updated every two years.

Even with the updated AEMO forecast, the uptake of EVs is likely to remain uncertain at this early stage of adoption. This creates uncertainty in network planning and regulatory decisions that can be set up to 7 years in advance. The regulatory framework should allow for regulatory decision reopeners based on material changes to EV uptake compared to forecasts, to provide investment certainty necessary for networks to deliver the capacity EV customers will need, at an efficiency cost.

Further, national and state infrastructure plans should be expanded to include plans for EV charging infrastructure, particularly in regional areas that host highways and where reliance on cars is high. Our customer research shows more than 70% of those intending to purchase an EV in the near future believe there is a lack of charging infrastructure around them, which could be affecting their decision to make the purchase. Advanced and holistic planning for EV charging infrastructure assists networks to plan for local upgrades related to EV charging demand, which can take time to deliver. It also ensures charging infrastructure in regional areas are appropriately planned for, rather than relying on commercially driven infrastructure that would likely be concentrated in urban areas.

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Yours sincerely

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Charlotte Eddy
General Manager Regulation and Policy (Distribution)
AusNet Services

Organisation questionnaire response

Privacy Setting: I agree for my response to be published with my name and position.

What organisation do you represent? (required)	AusNet
What is your name? (required)	Sonja Lekovic
What is your position at the organisation? (required)	Regulatory Policy Manager
Please rank the proposed options in order of preference. (optional)	Option A - 0th, Option B - 0th, Option C - 0th
Briefly, what are your reasons for your choice? (optional, 3000 character limit)	NULL
Do you support the Government's preferred option (Option B)? (optional)	NULL
Do you have any feedback on the analysis approach and key assumptions used? (optional, 3000 character limit)	NULL
Briefly, describe how the NVES might impact your organisation (optional, 3000 character limit)	NULL
Who should the regulated entity be? (optional, 3000 character limit)	NULL