



Katy Brady  
Australian Energy Market Commission  
*Lodged online*

26/08/2021

**RE: Compensation for market participants affected by intervention events – Directions Paper**

Dear Katy, Emily and Sebastien,

Tesla Motors Australia, Pty Ltd (Tesla) welcomes the opportunity to provide a submission to the AEMC's directions paper exploring appropriate compensation mechanisms for interventions and direction in the National Electricity Market (NEM). Tesla is fully supportive of the review of compensation mechanisms to ensure the principles of equity, neutrality and transparency are upheld, and commends the AEMC and AEMO for proposing to revise the rules to include FCAS losses and scheduled load compensation, to align with compensation mechanism processes that already exist for scheduled generator energy losses.

Regarding the calculation methodologies outlined in the paper, Tesla agrees more nuance is needed for battery storage (or other bi-directional 'integrated resource providers') to recognise consumption (or generation) may legitimately deviate from dispatch targets due to contingency or regulation FCAS provision. These deviations are to support the security of the power system and should therefore not lead to under-compensation or unnecessary penalties. As such, Tesla supports the AEMC's preference (option 2) to calculate compensation on actual consumption / generation, provided the additional clarifications ensure AEMO does not unfairly penalise fast response, flexible assets that are providing non-energy essential system services in parallel (and therefore may deviate from dispatch targets). Finally, we agree that separating the energy and FCAS output for the purposes of compensation calculations is both complex and unnecessary – given the balance between accuracy benefit and implementation costs required.

A long-term, fit-for-purpose market framework to support reliability and system security will necessarily rely on the capabilities of fast-response and flexible resources, including demand side response, battery storage and distributed energy resource participation. Efficient incentive (and compensation) mechanisms for all market participants are critical to support the effective operation of the power system and are in the long-term interests of consumers, and we look forward to supporting the AEMC and AEMO progress this important reform element.

Sincerely,

Tesla Energy Policy Team  
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