

Max Bonic  
Australian Energy Market Commission  
Level 15, 60 Castlereagh St  
Sydney NSW, 2000

30<sup>th</sup> April 2026

Dear Max,

## **RE: Tesla's Response to the Improving Compensation Frameworks Consultation Paper**

Tesla Motors Australia, Pty Ltd (Tesla) welcomes the opportunity to provide feedback on the consultation paper for ERC0425 Improving Compensation Frameworks.

The final Review into Electricity Compensation Frameworks Report (EPR0095) noted the growing risks from Minimum System Load (MSL), recognising that battery operators are being impacted and that the current compensation framework was not designed to address these direction types. Tesla strongly encourages the AEMC to address MSL directions within this rule change.

The current directions framework creates significant uncertainty for BESS operators, who are unable to claim opportunity costs under a methodology that does not accommodate the unique operational characteristics of storage assets. This uncertainty is compounded by a lack of transparency, with AEMO's assessment methodology not being publicly available to market participants. Without clear, standardised guidance, participants cannot assess their potential compensation outcomes or make informed operational decisions when subject to directions.

### **Question 1: How should upfront compensation be calculated?**

Tesla notes that in the previous AEMC review, it supported the transition from 90th percentile pricing to a VWAP approach for upfront directions compensation. While this position still holds, from a first principles perspective, Tesla encourages an alternate approach for BESS as a specific asset class.

Different technologies have distinct operational characteristics—BESS has cycling constraints, while thermal generation has fuel and O&M cost implications—which may warrant technology-specific methodologies, particularly with the increase in BESS MSL directions. Tesla considers the optimal approach for BESS to be compensation based on actual spot market prices during the direction period, given that storage assets derive commercial value from price arbitrage across intervals rather than energy volume. An appropriate methodology would compare actual market outcomes against the pre-dispatch operating trajectory, accounting for both the direction window and post-direction state-of-charge restoration losses where the BESS must restore at less favourable prices.



Nonetheless, if a VWAP methodology were to be adopted for BESS, it should separately account for generation and charging intervals. Otherwise, an overall VWAP calculation may result in net positions cancelling out, under-representing actual losses.

**Question 4: Should cost recovery calculations apply to all trading intervals in which directions apply?**

Tesla strongly supports the proposal that participants should be eligible to claim opportunity costs for each direction. Consequently, while Tesla welcomes cost recovery calculations applying to all trading intervals in which directions apply, they should also apply to trading intervals that are impacted by the direction. Directing a BESS to charge, discharge, or hold a state of charge has significant impacts on its following charge cycle. Therefore, cost recovery calculations should capture a wider range of trading intervals to include the cycling impacts from the original direction.

**Question 5: How should AEMO and the independent expert receive and assess claims?**

Tesla recommends that AEMO and independent experts assess claims against a standardised, publicly available methodology developed in advance for each direction type. Currently, AEMO's compensation methodology does not adequately accommodate the full range of directions being deployed. Where a direction type, such as MSL, is starting to be used at scale (and in particular for BESS), AEMO should consult to establish a fit-for-purpose methodology. This would increase transparency and predictability over the current bespoke claim assessments process.

**Question 7: How long should the time limit be to provide supporting information and lodge claims for additional compensation?**

Tesla does not support extending the time limit to a 60 business day overall time limit and instead aligns with AEMO's proposal that time limits should remain at the current 33 business day deadline. This ensures timely settlement to the market participant and reduces the administrative burden for extended claim resolution periods.

**Question 9: Should AEMO need to determine eligibility for participants to submit a compensation claim for other compensable services?**

Tesla supports removing the need for AEMO to explicitly determine the eligibility to submit a claim for other compensable services. This is particularly relevant given the increasing use of this provision for BESS maintaining state of charge under MSL conditions.

**Question 11: Do stakeholders see merits that outweigh costs in consolidating the drafting of the compensation frameworks under a single NEM clause?**

Tesla sees merit in consolidating the compensation frameworks under a single NEM clause. The current fragmented structure increases the risk of procedural errors in the claims process, which can result in otherwise valid claims being denied on administrative grounds. Consolidation would reduce this administrative complexity and ensure eligible participants are not disadvantaged by navigating multiple frameworks. However, any consolidation should ensure existing frameworks are not inadvertently weakened in the process.



**Question 12: Do stakeholders see merit in the proposed imposition of a \$0/MWh price floor for the purposes of compensating scheduling errors?**

Tesla opposes the application of a \$0/MWh price floor for scheduling error compensation for bidirectional units. While Tesla acknowledges this floor is intended to protect generating assets from having their compensation eroded during negative price periods, it creates unintended consequences for scheduled bi-directional units. BESS provide market services by absorbing excess generation, often generating revenue by charging during negative price intervals. If a \$0/MWh spot price floor is applied to all participants, it would erase the compensation a BESS is entitled to if an AEMO scheduling error prevents it from charging.

Therefore, Tesla recommends that if a price floor is introduced for scheduling errors, the final rule must include an explicit carve-out exempting scheduled bi-directional units when they are scheduled as load.

**Question 13: Do stakeholders agree with the assessment criteria proposed for this rule change?**

Tesla sees benefit including an additional assessment criteria, of 'transparency and predictability', which has been used in previous similar rule change requests such as the 2020 'Compensation for affected market participants', and the 2018 'Participant compensation following market suspension'. This could look something like the following:

Transparency and predictability – whether the proposed approach provides clear and predictable arrangements for compensating participants affected by directions, thereby reducing uncertainty and facilitating efficient operational and investment decisions.

Tesla looks forward to continued engagement with the AEMC and actively participating in ongoing discussions on compensation frameworks.

Kind regards,

Kaavya Jha  
Senior Energy Policy Advisor