Tesla Motors Australia, Pty. Ltd.
546 Gardeners Rd
Alexandria NSW 2015

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

18 August 2026

Dear Mr Bonic,

RE: Tesla's Response to the Improving Compensation Frameworks Draft Determination

Tesla Motors Australia, Pty Ltd (Tesla) welcomes the opportunity to provide feedback on the draft determination and draft rule for ERC0425 Improving Compensation Frameworks.

Tesla is a global leader in electric vehicles and clean energy products, producing a vertically integrated suite of energy solutions including Powerwall, Megapack, and Superchargers. In Australia, Tesla has 8 GWh+ of utility-scale energy storage in operation, and a further 8 GWh+ contracted or under construction.

The core issue for large-scale storage is that operators face increasing uncertainty on being directed to support Minimum System Load (MSL) conditions, with the current compensation guidelines not fit-for-purpose. The Commission should prioritise amendments related to opportunity cost claims and BESS-specific compensation methodology in the earliest implementation stages. Given the increasing frequency of MSL directions and the growing BESS fleet in the NEM, delayed implementation would continue to expose storage operators to an inadequate framework for an extended period.

The harmonisation of direct cost definitions across the three compensation frameworks and the extension of opportunity cost claims to all frameworks are among the most important reforms in this rule change for BESS operators. While the Commission's expectation that AEMO's compensation guidelines will provide clear guidance on opportunity cost assessment is welcome, the timeframe should be accelerated. With opportunity cost provisions taking effect in Schedule 2 (15 October 2027), BESS operators will face at least one more spring MSL season under the existing inadequate framework. The Commission should accelerate this timeline so that fit-for-purpose guidance is in place ahead of spring 2026 MSL conditions.

The adoption of 'transparency and predictability' as an additional assessment criterion is strongly welcomed. In line with this criterion, a standardised, publicly available methodology for assessing BESS opportunity cost claims is essential. Critically, any methodology must account for post-direction state-of-charge restoration losses — when a BESS exits a direction period at a materially different state of charge than its pre-direction plan, it must restore at less favourable prices and suffers reduced discharge capability in subsequent high-price periods. This compounding loss is inherent to storage assets and must be captured in any opportunity cost assessment.

Generally speaking, Tesla is supportive of the other suite of reforms proposed in the draft rule, including the adoption of a volume-weighted average price (VWAP) methodology for preliminary compensation with separate VWAPs across generation and consumption intervals for storage assets, the proposal that AEMO receive and assess all claims, and the consolidation of compensation frameworks under rule 3.12. As noted in Tesla's consultation paper submission, the current fragmented structure increases the risk of procedural errors, and consolidation would reduce administrative complexity — provided it does not inadvertently weaken existing protections or introduce ambiguity.

Tesla thanks the AEMC for the opportunities to engage on this topic to date and welcomes any questions on the details of this submission.

Kind regards,

Kaavya Jha
Senior Energy Policy Advisor