



Andrew Pirie  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

11 June 2020

**Re: Delayed implementation of five minute and global settlement (ref: ERC0298)**

Dear Andrew,

Tesla Motors Australia, Pty Ltd (Tesla) welcomes the opportunity to provide the Australian Energy Market Commission (AEMC) with feedback on its Consultation Paper on the delayed implementation of five minute (5MS) and global settlement (GS).

Tesla looks forward to working with the AEMC, AEMO and ESB in supporting the industry navigate the impacts of COVID-19 through its re-prioritisation work. Whilst uncertainty on cash flow, supply chain, and workforce restrictions continues to impact the industry at large, in parallel the customer appetite and system operation requirement for storage has not dissipated. As such, we recommend the reform agenda be maintained as much as possible, and suggest if the AEMC or ESB can identify reforms that directly assist with the transition to introduce and deploy flexible assets and improve market efficiencies, then these reforms be under consideration to be accelerated rather than delayed. We believe 5MS fits this criteria, and as identified in the original rule change determination, delivers significant benefits to consumers through improved price signals, in turn driving efficient investment that will flow through to greater reliability, system security, and lower emissions and costs.

In summary, we do not support delaying 5MS given:

- 5MS has been on the reform agenda for more than 3 years, and as recognised by AEMO, a 12 month delay is pinned on several subjective assumptions that were made early on as the pandemic impacts were still unfolding;
- Concern of the financial viability of market participants should not be solved through delaying market improvements (or passing additional costs to end-consumers), and are already being addressed through other mechanisms (e.g. economy wide government support payments, AER exempting retailer's network charges for customers in debt,

increased government support for energy concession payments, and network regulatory frameworks that smooth out falls in volumetric-based revenues);

- As noted by AEMO, a delay to 5MS will prolong inefficiencies in the market as well as likely increase implementation costs, which will then be passed through to customers;
- Delaying agreed reforms will increase risk premiums, and in particular defer the benefits arising from the introduction of new flexible technologies (e.g. battery energy storage and demand response) where these assets coupled with optimisation trading platforms will be able to drive significant market efficiencies;
- Developers of battery projects are generally concerned about the need and speed of implementing market reforms to better recognise the value of services – delaying 5MS prolongs uncertainty for a technology that has already demonstrated its ability to deliver outstanding outcomes for Australia's energy consumers upon immediate deployment;
- As AEMO has identified through system planning, there is an increasing need for storage (at all scales) to assist with system reliability and operability as increasing levels of renewables enter the NEM. 5MS is one element to assist incentivising near-term storage projects and introducing delays or risks to this pipeline should be captured as a cost.

Additional detail relating to Tesla's position is included in the confidential attachment. For further information on any of the points raised, please contact Dev Tayal at: [atayal@tesla.com](mailto:atayal@tesla.com).

Kind regards



**Emma Fagan**

Head of Energy Policy and Regulation