



Sherine Al Shallah
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

29 March 2019

Dear Ms Sherine Al Shallah,

Review of regulatory frameworks for stand-alone power systems – Priority 2 Consultation Paper

Tesla Motors Australia, Pty. Ltd. (Tesla) welcomes the opportunity to provide the Australian Energy Market Commission (AEMC) with feedback on its Priority 2 Consultation Paper (Consultation) as part of its review of the regulatory frameworks for stand-alone power systems (SAPS).

Tesla supports the AEMC's overarching objective to progress the reforms required for SAPS to be used as an alternative to traditional grid supply, whilst ensuring safety, reliability and customer protections are maintained where appropriate.

The AEMC's recognition for a consistent approach should be supported to ensure regulatory and policy coordination across related frameworks for both DNSP-led and third-party SAPS, as well as embedded networks.

Effectively, the transition to third-party SAPS should complement DNSP-led SAPS provision, particularly as customer expectations and requirements change going forward, and as new products and services offer scope for additional benefits to customers.

Regulatory Framework Considerations

Building on Tesla's previous submissions as part of Priority 1 (DNSP-led), the central recommendation is for the integration of SAPS to be encouraged in a timely and efficient manner, particularly as network businesses continue to make grid investment and maintenance decisions today that will influence off-grid solution deployments for the next 30 plus years. Potential third-parties must also be provided with a transparent and un-restrictive framework within which to operate efficiently, particularly as they may include non-traditional energy participants and parties (e.g. community groups or councils).

To drive this, Tesla agrees with the application of the AEMC's overarching principles for establishing an effective regulatory framework, ensuring it:

- i. is sufficiently flexible to encourage emerging technologies and services;
- ii. empowers consumers to choose between competing SAPS providers and competing SAPS business models; and
- iii. promotes, rather than hinders, innovation and competition in the provision of electricity services – though with an adequate level of consumer protections.

It will be useful for all stakeholders to keep these principles front of mind to guide framework decisions across both Priority 1 and Priority 2 reforms.

Tesla is encouraged by the AEMC's approach in considering the introduction of a proportionate framework for third-party SAPS. Third-party providers should be encouraged to enter the as yet nascent market in off-grid supply, and not be prevented from competing for the provision of equipment or services based on overly restrictive licensing or regulatory regimes (i.e. AEMC principle iii to promote innovation and competition).

As such, there may be value in dis-aggregating the approach for large microgrids, large individual power systems / small microgrids (supplying large business and commercial customers), and small individual power systems for households, as each customer segment will have significantly different levels of expertise, market sophistication, buying power, risk appetite etc. that will need to be considered as part of any regulatory framework being introduced. Capacity thresholds may be a simple first-step to distinguish between segments – as commonly employed in retail price regulation.

- Large-scale microgrids, big enough to support competition, could align with the national regulatory framework, similar to DNSP led SAPS.
- The medium-scale segments might be best served by a form of light-handed regulation that ensures transparent information flows, price provisions, dispute resolutions, and any negotiation framework required. Full regulation appears unnecessary in circumstances where customers will still have a DNSP-led option to pursue as an alternative service.
- For small-scale individual power systems, the AEMC could consider alternative methods of 'self-regulation' similar to how the solar industry is ensuring quality control and customer protections via the Clean Energy Council's accreditation scheme, working in parallel with broader Australian Consumer Law protections and protections under any applicable jurisdictional license conditions or frameworks. National/additional jurisdictional instruments may then need to be considered to close the gap on any concessions, rebates and emergency assistance provisions to ensure minimum level of customer protections, safety and reliability standards are maintained, but again, a full-suite of energy-specific consumer protections seems inappropriate for third-party SAPS where DNSPs can also be pursued as an alternative service (and assuming the framework for the DNSP-led approach still provides opportunities for third-parties to be considered as suppliers).

Implementation

As the AEMC noted in its Priority 1 Report, the drivers for the decision by a customer or third-party to pursue the deployment of SAPS can be broader than simply financial returns and could also include a combination of: regional development policy; innovation initiatives; environmental considerations; and self-sufficiency initiatives. Indeed these multi-factor benefits have underpinned the development of many of the microgrid projects that Tesla has developed across APAC to date.

Whilst the SAPS market in Australia is still emerging as regulatory barriers are identified and addressed, there is already a growing market for renewable energy microgrids combining with battery energy storage systems to offset diesel consumption across many regional and remote areas around the world. This will continue to accelerate as emissions reduction criteria take affect and become enforced across energy markets.

Given the increasing importance of energy storage across a range of grid forming applications, Tesla would be happy to provide the AEMC and other interested stakeholders any additional information on the technical capabilities of these solutions, specific to SAPS operations for the Australian context.

A regulatory-sandbox / trial-based approach may also be useful to explore these considerations in the short term, to prove out customer awareness, supplier capability and potential scale of uptake. Tesla would be happy to work with the AEMC and jurisdictional policy makers to assist in defining a suitable scope.

As SAPS comprise an emerging sector in Australia, the AEMC should also consider how additional funding and policy incentives outside of traditional funding models can promote innovative non-network solutions (or at least address any inherent bias towards poles and wire solutions) to build initial consumer and policy confidence. This will need to be managed through robust customer engagement and education.

Conclusion

Tesla looks forward to continuing to work with the AEMC throughout this consultation process and in unlocking the opportunities for stand-alone power systems across Australia. We are happy to provide any further information as discussed in the submission above.

If you have any further questions please contact Dev Tayal at atayal@tesla.com.

Kind Regards



Mark Twidell

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