

James King
Australian Energy Market Commission
Level 15, 60 Castlereagh St
Sydney NSW 2000

30 January 2024

RE: Tesla submission for the draft determination on improving the cost recovery arrangements for Transmission non-network options

Dear Mr King,

Tesla Motors Australia, Pty Ltd (Tesla) welcomes the opportunity to provide the Australian Energy Market Commission (AEMC) with feedback on its draft determination on improving the cost recovery arrangements for Transmission non-network options (NNOs).

Tesla's mission is to accelerate the world's transition to sustainable energy. A key aspect of this will be using smart, grid-forming inverters to support increased penetration of variable renewable energy (VRE) and optimise energy flows across the grid. We believe that battery energy storage system (BESS) assets, particularly Tesla Megapacks operating with our virtual machine mode (VMM) technology, will be integral to complement network build out, providing a scaled, cost-effective non-network solution alongside critical system services such as system strength.

Tesla has been an active participant in several network Regulatory Investment Tests (RIT-Ts) to provide NNOs and is aligned with Transgrid's headline objective to improve the certainty and uptake of these processes. Tesla is strongly supportive of the AEMC's assessment criteria to consider the principles of market efficiency to provide the lowest cost outcomes for consumers. Tesla is pleased to see the draft determination acknowledge that current arrangements may be acting as a barrier to NNOs, and that NNOs can provide a range of benefits to consumers.

NNOs, such as grid-forming BESS, are able to be built relatively quickly and are a modular asset, providing more dynamic responses as an alternative to network augmentation or system security services. The rule change, which enables TNSPs to seek ex ante approval for an NNO project at any stage in the regulatory control period similar to the existing network options treated as capex, is a positive move to support the uptake of NNOs. As grid-forming BESS are multi-use assets, this rule change will hopefully be able to provide greater flexibility in the use of BESS as NNOs due to the TNSP adjusting the network support payment allowance in any year, based on network needs, and allow the remaining portion of the BESS to be used for other services such as FCAS, inertia, etc.

Tesla strongly encourages transparency and visibility for new 'methodology' TNSPs will create for NNO costings. This could be through the AER creating a guidance note on appropriate ways to calculate methodologies for NNO usage with industry consultation. This will ensure that proponents of NNOs can share best practice and the latest information on how NNOs are valued and compared relative to network solutions. Tesla has extensively shared guidance on how NNOs can be valued, given the ability for cost-recovery from the market facing portion of the asset, including in the previous consultation round for this rule change.¹

While considered out of scope for this rule change, Tesla has long advocated for regulatory changes to the RIT-T process to ensure technology neutrality for NNOs and ensure the lowest cost outcomes for consumers. Tesla supports this rule change as an interim solution to encourage the uptake of NNOs while more work is done to streamline the RIT-T process. Tesla looks forward to continued engagement to support the AEMC in the continuation of the rule change, as well as other workstreams to address barriers for NNOs and the RIT-T process.

Kind regards,
Tesla Energy Policy Team
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¹ <https://www.aemc.gov.au/sites/default/files/2024-09/tesla.pdf>