

14 August 2025

Energy Policy WA
Level 1, 66 St Georges Terrace
Perth WA 6000



Allowable Revenue Framework Review – Consultation Submission

We appreciate the opportunity to provide feedback on the proposals in the consultation paper.

Proposal 1 – Incentives

We support enhancements to strengthen reputational incentives but believe these measures alone will not fully address persistent cost pressures. The dilution of WA-specific focus within AEMO's national structure limits the effectiveness of reputational levers. Further, there does not appear to be compelling evidence that integration with the national body has delivered material efficiencies or economies of scale for WA functions. This highlights the need for a broader review of governance arrangements for the WEM and GSI functions to ensure fit-for-purpose oversight in the context of WA's energy transition, including the Pilbara regime. We believe that EPWA should be afforded the opportunity for a wider review on the operational and governance structure of the market.

Proposal 2 – Preparation process: BAU expenditure

We support the separation of BAU and non-BAU expenditure, prepared in accordance with ERA guidelines. This separation can improve transparency and facilitate more targeted oversight. Clear guidance will be essential to avoid ambiguity in classification and to manage the transition of non-BAU projects into BAU activities.

Proposal 3 – Preparation process: non-BAU expenditure

We support the requirement for AEMO to prepare a Project Governance Plan and individual project plans in consultation with stakeholders. This will allow more frequent and flexible scrutiny of major initiatives.

Proposals 4 & 5 – Content of BAU and non-BAU submissions

We support the requirement for AEMO to link expenditure to strategic goals and provide detailed project information, including scope, milestones, and budget rationale. This will enable more robust performance tracking for all stakeholders.

Proposal 6 – Assessment and approval process

We support retaining ERA approval of BAU expenditure and introducing Independent Panel review of non-BAU projects. We note the importance of clearly defining the roles and accountabilities of the ERA, AEMO, the Independent Panel, and the Coordinator to prevent duplication and gaps.

Proposals 7–10 – Funding period, treatment of uncertainty, and volatility

We support a baseline year approach for BAU expenditure with appropriate indexation and efficiency factors (Proposal 7) and a six-monthly review cycle for non-BAU projects (Proposal 8). We support the thresholds for in-period adjustments (Proposal 9) and agree with smoothing mechanisms to avoid large fee volatility (Proposal 10).

Proposal 11 – Monitoring and reporting

We support the enhanced reporting framework, including annual BAU reporting, quarterly project reporting, and Independent Panel performance reviews. We recommend ensuring reporting requirements focus on information generated in the ordinary course of business to minimise unnecessary regulatory burden.

Proposal 12 – Post-implementation review

We support a review after two to three years to assess the effectiveness of the replacement ARF.

Additional comment – Governance review

While we support many of the proposed ARF changes, they do not appear to address fundamental governance issues that contribute to cost escalation and inefficiency. A separate review of WEM and GSI governance arrangements should be undertaken to:

- Explore more cost-effective delivery models for market and system operations.
- Strengthen WA-specific accountability within AEMO.
- Assess whether WA is achieving efficiencies or economies of scale from being part of the national body — noting that, to date, there is no compelling evidence this has occurred.
- Align governance arrangements with the State’s broader energy transition and the development of the Pilbara market framework.

Thank you once again for the opportunity to contribute to this important review. We look forward to seeing a framework that strengthens accountability, supports efficient operation, and positions WA’s energy markets for a secure, affordable, and low-carbon future.

Yours Sincerely,

Ben Tan
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