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Energy Policy WA
Department of Energy and Economic Diversification
Level 1, 66 St Georges Terrace, Perth
Via email: energymarkets@deed.wa.gov.au

1 September 2026

RE: Capability Class 2 technologies Review: Consultation Paper Consultation

Dear Jai,

Tesla Motors Australia, Pty. Ltd. (Tesla) welcomes the opportunity to provide a response to the Consultation Paper on Capability Class 2 technologies Review (Consultation). We commend EPWA's continued commitment to proactively adapting the WEM rules as system needs and technologies evolve. We support the intent of these changes: infrequent but high-consequence events where battery storage enter ESROIs with insufficient charge create real system security risk, and the paper's finding shows the current incentive alone may be insufficient.

Our submission aims to:

1. Maximise the reliability and market value of batteries (grid-scale and behind-the-meter);
2. Minimise implementation cost, operational ambiguity, and asymmetric commercial risk; and
3. Ensure obligations are proportionate, transparent, and investable, consistent with the State Electricity Objective (SEO).

We set out priority recommended amendments relevant to battery energy storage and comment by proposal in the table that follows. In short, Tesla supports a WEM in which batteries are bankable, dispatchable when the system needs them, and not exposed to open-ended compliance risk, or unfair penalties. Maintaining flexibility for flexible assets will maximise benefits for consumers, and if layered obligations starts to restrict operational flexibility, these benefits will inevitably reduce.

We look forward to ongoing engagement with EPWA as the WEM rules and procedures continue to evolve to support WA's operation of a safe and secure power system, and its energy transition more broadly.

Yours sincerely,

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Review outcomes		Tesla comment
1	Retain Linearly Derating Method	We support retaining LDM for ESR Certified Reserve Capacity
2	Retain Peak ESROI methodology	We support no change to the Peak ESROI setting approach on the evidence in the paper. And request that any future extension of availability (e.g. mornings) would be consulted with lead time aligned to investment cycles , not only the five-yearly 4.13B review if system need emerges earlier. However, as AEMO LOR obligations progress, we request ESROI aligns with LOR to mitigate operational risks.
3	CC2 NAQ prioritisation / hybrids	We accept not implementing CC2 sub-classes now solely on cost grounds if prior NAQ outcomes were unchanged. However, hybrids (ESR + CC1/CC3) can deliver higher firming value than ESR-only or DSP in many network situations. Request EPWA commit to a triggered reassessment (e.g. when hybrid applications exceed a defined share of CC2 CRC, or when NAQ ties become material), rather than waiting passively until 2031
Proposal		
Proposal 1	Amend the ESM Rules (clause 4.22.2E(a)) to allow AEMO to measure the total energy delivered for assessing ESR performance in a Reserve Capacity Test	Tesla supports this proposal in full as it aligns the test with physics and operational reality; Avoids forced oversizing solely to pass an average-MW test: a pure deadweight cost that raises BRCP-linked capacity costs for consumers; and Improves SEO outcomes on price and reliability without weakening the test's purpose. Recommendations / Clarifications: a) Drafting should explicitly allow integration of sent-out energy over the full test envelope, including ramps, with a clear meter/SCADA specification in the WEM Procedure. b) Provide worked example in Procedure (Level, ramp rates, pass threshold) before rule commences. c) Ensure change applies to all ESR Separately Certified Components, including hybrids' storage components.
Proposal 4a	Amend the ESM Rules to update clause 3.17.11 to empower AEMO to incorporate a lack of reserve – state of charge (LOR-SOC) condition into the LRC Framework	We do not support an open-ended or opaque mandate. Changes should be conditional on the following. 1. Trigger discipline ○ LOR-SOC only when there is a credible path to LOR2/LOR3 from insufficient Peak ESR fleet SOC: not as a routine conservative default. ○ Publish ex-post each event: trigger inputs, mandated SOC %, notice time, withdrawal time, and whether LOR2/3 was avoided. ○ Best endeavours by 20:00 Scheduling Day should be a genuine operational target, with reporting on how often the 08:00 Trading Day backstop is used. ○ As above – ideally align LOR obligations with ongoing ESROI 2. SOC level design ○ Default expectation of <100% (as AEMO advises) must be real in practice. ○ Mandate should be expressed as MWh or % of Peak RCOQ energy requirement over the relevant ESROD, not an abstract % that ignores duration differences between grandfathered and new ESRs, and rather than leave to AEMO discretion, outline set of principles that increase threshold accordingly (e.g. increase from 40-60% SOC based on LOR severity). ○ Tolerance band (measurement/telemetry) before non-compliance : essential for BESS BMS/SCADA reality.

		○ If declaration occurs after 20:00 Scheduling Day, compliance assessment should allow for maximum feasible charge given registered charge capability, network limits, and remaining time — not automatic full shortfall penalties. 3. Heterogeneous ESRODs / cannibalisation ○ Explicitly prevent charge cannibalisation (later ESRs charging from earlier ESRs' discharge): we support this goal. ○ Constraints/rules must not force inefficient fleet behaviour that increases unserved energy risk. 4. FCESS and PSSR carve-outs ○ Clear, automatic treatment when AEMO enables FCESS or issues directions: no double jeopardy on SOC shortfall or refunds where compliance was prevented by AEMO instruction (align with direction → RCOQ zero concepts discussed in the paper). 5. Information pack at declaration Minimum contents in Rules/Procedure: ○ mandated SOC % (or MWh methodology result); ○ applicable facilities; ○ expected ESROI window(s); ○ forecast conditions relied on; ○ withdrawal criteria; ○ whether Option 1 constraints or Option 2 offer rules are active. 6. No retrospective application within a Trading Day beyond the stated notice rules. 7. Interaction with ERA offer guidelines ○ ESM Rules should explicitly authorise SOC-preserving behaviour when LOR-SOC is active so participants are not caught between AEMO mandate and ERA expectations. ○ Request joint AEMO–ERA guidance note before commencement.
Proposal 4b	Options to facilitate compliance with the proposed LOR-SOC	We have concerns with Option 1 as the primary pathway, noting: • Constraint Equations are a hard codification of what should be a rare and flexible WEM Procedure (logic, when binding, FCESS/PSSR override). • Consideration is needed for overrides – e.g. for FCESS/PSSR are deemed AEMO directions with matching RCOQ/refund relief for residual ESROI shortfalls caused by the override. • Participants need to retain the ability to update offers consistent with physical capability; hard coded constraints could create unexplained non-compliance. • AEMO must commits to performance metrics (constraint bind hours, manual directions, settlement disputes) in the first two summers and evolution of its methods over time to avoid ongoing application of conservative directions. We suggest more detail on Option 2 as the sole mechanism is also warranted - because reduced AEMO visibility during LOR-SOC (exactly when stress is high) increases direction risk and uneven outcomes across the ESR fleet.
Proposal 5	Amend the ESM Rules to introduce an addition to the current refund mechanism for	We do not agree that an automatic 2× refund multiplier is justified at all, not least without tighter scoping. This goes against technology neutral principles, and seems a direct penalty on batteries, that already have a growing list of risks and considerations for operators and investors: Stacking 2× refunds + civil penalty + opportunity cost of withheld discharge may overshoot efficient deterrence and raise capacity risk premia

	ESRs when an LOR-SOC mandate applies.	leading to higher long-run consumer cost. In general, on an LOR day batteries are already incentivised to conserve charge for the ESROI given their existing refund exposure or response to directions. It is also worth noting that non-compliance may stem from forecast error, late notice (08:00), forced FCESS, network limits, or BMS protection: not wilful unavailability. Multiplier applies in the exact periods when prices and system stress already create complex incentives. As such any amendment must include safe harbours so batteries are not penalised for late notice or AEMO directions or treated unfairly relative to other technologies that may also be acting in a counterproductive way for system security. Support a targeted enhancement only if all of the following apply: - Multiplier applies only when: - LOR-SOC was declared with notice meeting the Rules; and - facility SOC at ESROI start was below mandate outside the tolerance band; and - shortfall is not caused by AEMO direction/FCESS enablement/network constraint. - Multiplier is capped (e.g. 2× on the shortfall MW only during LOR-SOC-effective intervals, with a daily/ event cap tied to a fraction of annual capacity revenue). - No double recovery with civil penalties for the same facts without clear hierarchy (e.g. refunds first; civil penalty for aggravated/repeated breach). - AEMO/ERA publish an annual LOR-SOC compliance report (events, average mandate level, compliance rate, refunds raised). - Sunset or mandatory review after two Hot Seasons on whether behaviour improved and whether 2× remains necessary. Alternatives we prefer (risk-minimising): Graduated factor (e.g. 1.5× first event in a Capacity Year, 2× for repeat) or Make LOR-SOC shortfall a defined refund trigger at standard rates plus a modest fixed scarcity adder, rather than blanket doubling of the entire refund calculation.
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