

Reforms to electricity network arrangements for data centres in NSW

Public Webinar

24 August 2026

Acknowledgement of Country

The Department of Climate Change, Energy, the Environment and Water acknowledges that it stands on Aboriginal land.

We acknowledge the Traditional Custodians of the land and water, and we show our respect for Elders past and present.

We do this through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally and economically.

Artist and designer Nikita Ridgeway from Aboriginal design agency – Boss Lady Creative Designs, created the People and Community symbol.



Agenda



Topic	Presenter	Time
1. Context for these reforms	Liam Ryan	5 mins
2. NSW Data Centre Guidelines	Liam Ryan	10 mins
3. Regulatory proposals for electricity network arrangements	Katy Brady	25 mins
4. Data centre access scheme	Katy Brady	5 mins
5. Q&A and close	Eleanor Wood	15 mins

Webinar housekeeping



- Attendees' mics, cameras and chats are muted. Please raise any logistical issues in the Q&A.
- Questions submitted in the Q&A window will come through to us.
- We will answer as many questions as possible in the Q&A. Please up-vote questions that you are interested in.

Today's speakers



Liam Ryan
Executive Director
Energy Infrastructure



Katy Brady
Senior Manager
Network Economic Regulation



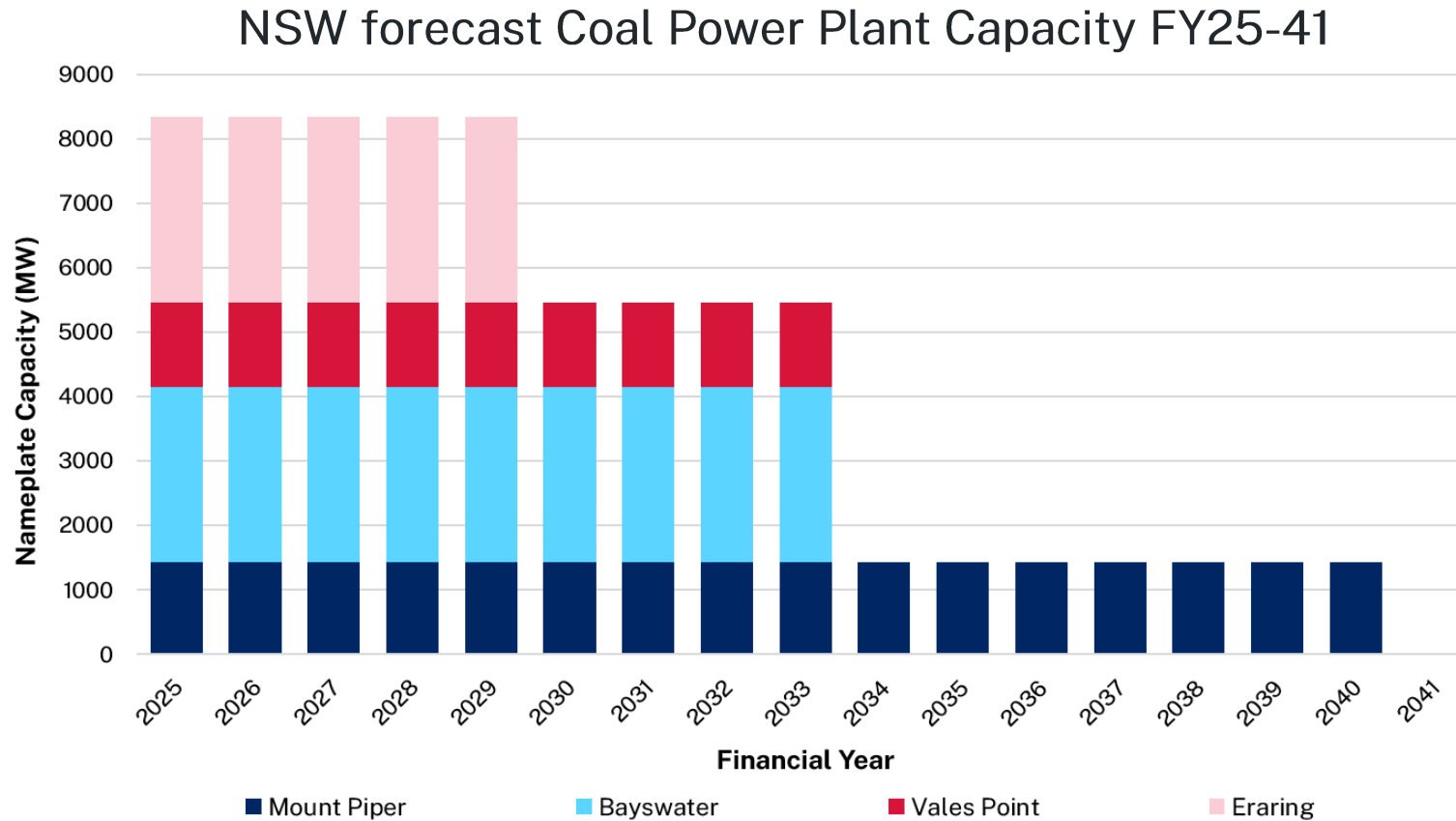
Eleanor Wood
Director
Networks and Pipelines Policy

Brady McMullen
Senior Policy Officer
Roadmap Governance

1

Context for our reforms

The NSW roadmap challenge: historic levels of investment needed to respond to coal retirement



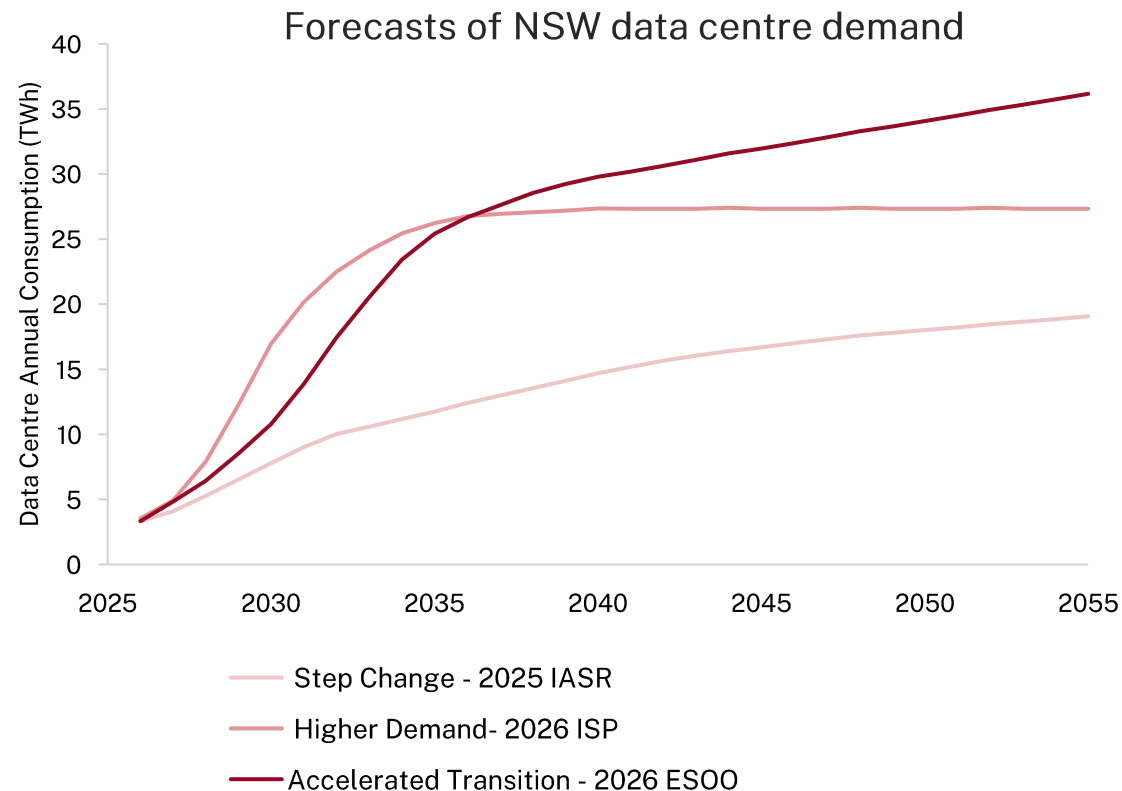
Maintaining reliability as coal exits depends on delivery of more than \$77 billion in new energy investments spanning:

- 38 new generation projects
- 58 new storage projects
- 6 new major network projects.

All must be commissioned before summer of 2033-34.

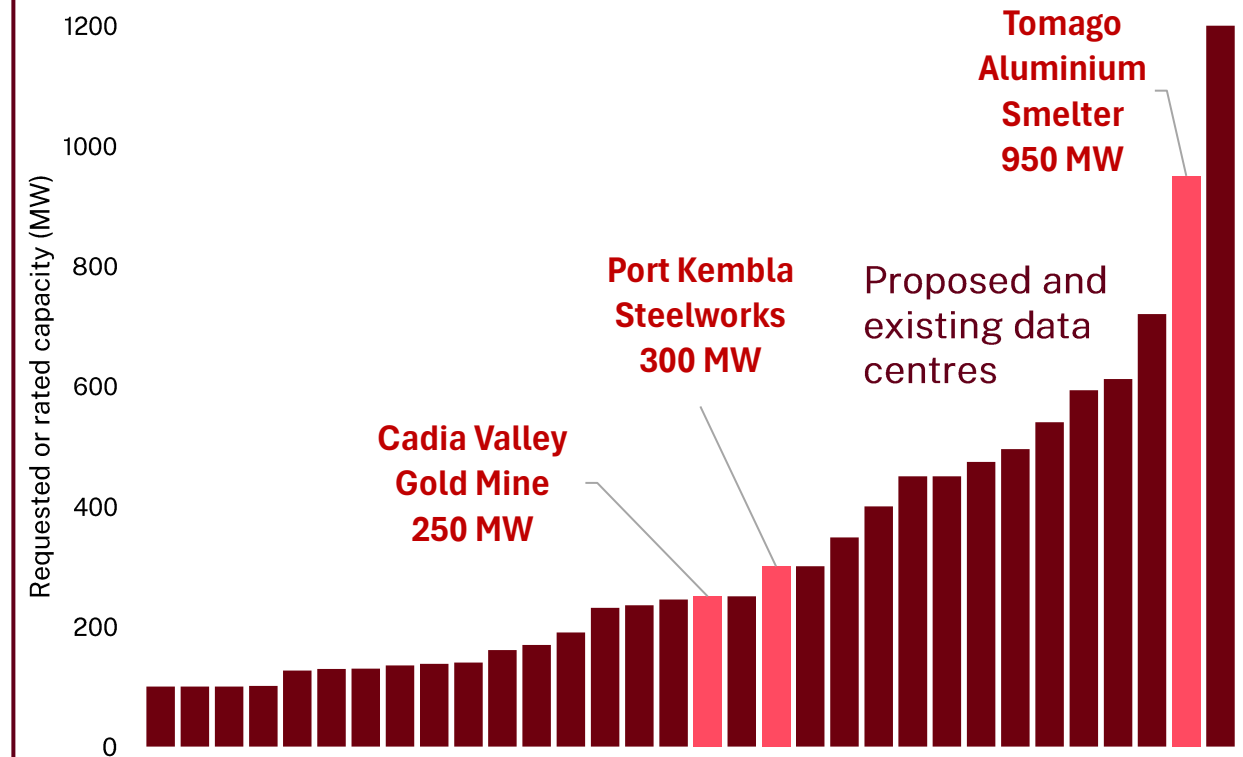
Data centres are expected to drive a step change in demand in the next decade

AEMO expects data centre electricity demand to increase rapidly over the next decade



Source: Australian Energy Market Operator

Data centres will make up most of the largest individual loads in NSW



Source: Industry data

NSW Data Centre Policy Framework will support data centre investment and manage impacts



Pillar 1

The **NSW Data Centre Guidelines** support planning application assessments



Pillar 2

Regulatory reform to ensure equitable cost recovery for energy infrastructure



Pillar 3

IPART review to consider full recovery of costs of water provision to data centre customers

Focus for today

2

NSW Data Centre Guidelines

Requirements under the NSW Guidelines will encourage world-class data centre projects

Six principles shape the Guidelines

- 1 Apply world-class environmental and efficiency standards
- 2 Impose no net costs to consumers and communities
- 3 Fund additional supply of water and energy
- 4 Enhance local community infrastructure and amenity
- 5 Invest in future industries across the supply chain
- 6 Demonstrate a commitment to training and skills to support jobs

Performance measures set out requirements

- Power Usage Effectiveness (PUE)
- Water Usage Effectiveness (WUE)
- Air quality
- Electricity demand flexibility
- Power Purchase Agreements (PPAs) for renewable energy and firmed power
- Local content, skills and training

PPA + demand flex performance measures will support delivery of new generation + storage infrastructure

PPAs and firming agreements

- Renewable to cover 100% of annual energy use (MWh) with minimum 40% wind generation.
- Storage capacity at least 25% of generation capacity (MW) for a duration of 4 hours.
- Contracted supply must be in place by year 4 of operation and increase with operation ramp up.
- Minimum 10-year duration for agreements.
- Contracts can cover a data centre portfolio or a specific project.

Demand flexibility

- Demonstrate ability to reduce grid-supplied electricity demand by 25% for up to 2 hours.
- Load shifting e.g. curtailing ancillary loads, scheduling programmable compute tasks outside peak periods.
- On-site or proximate renewable energy generation and storage (e.g. BESS).
- Diesel fuelled generators are excluded.

3

Reforms to electricity network arrangements

Multiple concurrent reform processes

- Commonwealth has released “Expectations of Data Centres” and announced intention to create AI standards, incl REGO requirements
- ECMC has been considering similar issues re how to protect consumers
- Australian Government has submitted two rule change requests to AEMC re cost recovery
- Further rule changes will deal with requirements re firming, demand flexibility
- National reforms will take time to implement
- NSW cannot afford to wait so is acting now

Expectations of data centres and AI infrastructure developers

Date published: 23 March 2026

AI in Australia's interests

Media release

Wednesday 15 July 2026



The Hon Anthony Albanese MP

Prime Minister of Australia

Energy and Climate Change Ministerial Council

Meeting Communique

Tuesday 28 July 2026

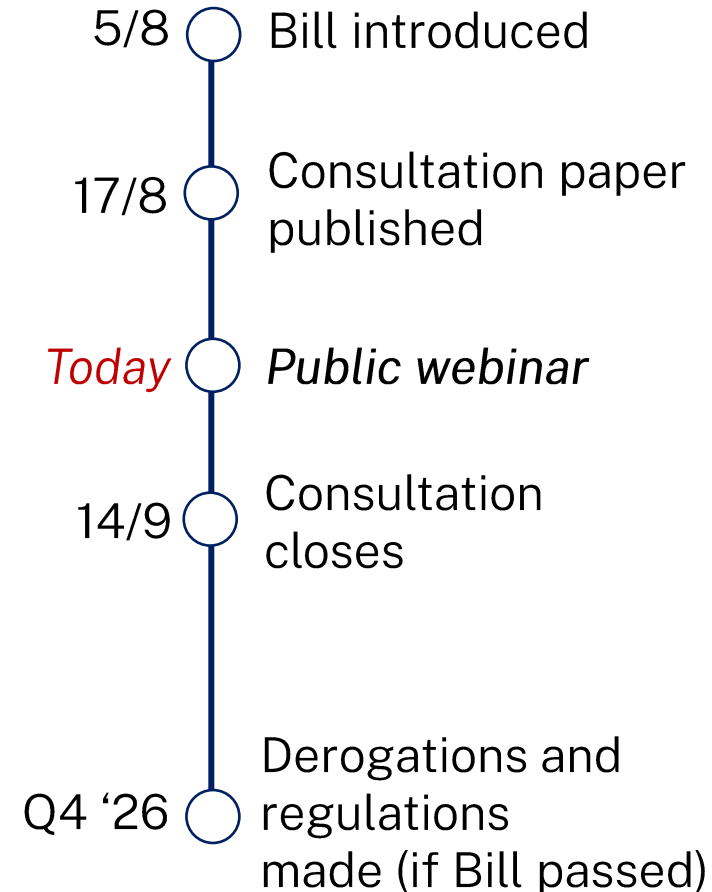
Sources: Department of Industry, Science and Resources, [Expectations of data centres and AI infrastructure developers](#), March 2026; Prime Minister of Australia, [AI in Australia's interests](#), July 2026; ECMC, [Meeting Communique](#), July 2026; AEMC, [Cost recovery for network augmentations – package 1](#), July 2026; AEMC, [Cost recovery for network augmentations – package 2](#), July 2026. 14

Amendments to the EII Act have been introduced, to enable our network regulatory proposals

Amendments will allow regulations to modify the application of the NEL and NER to:

- require large loads to pay the cost of network infrastructure required to supply them
- impose other requirements on large loads connecting to distribution and transmission networks in NSW
- require TNSPs and DNSPs to manage the reliability and system security impacts of connecting large loads to network infrastructure
- enable an access scheme.

Key dates



The proposed regulations will apply to new data centres over 15MW

Bill defines “large load infrastructure”

- Infrastructure with a network connection capacity of at least 5MW; other requirements in regulation.
- Low threshold will enable adjustment if required in response to boundary effects.

Regulation to apply to 15MW data centres

- Consistent with State Significant Development definition in planning policy.
- Will capture most co-locator and all hyperscaler developments.
- Excludes smaller edge, telecommunication and enterprise facilities.

Compliance and enforcement approach

- Multiple parties would have new obligations and requirements:
 - Network Service Providers
 - Data centre proponents/operators.
- Obligations would be imposed via NER as modified in NSW and/or via connection agreements.
- We propose that most reforms will not apply to data centres with a finalised network connection agreement.
- Some requirements will apply to all data centres – e.g. ensuring networks and regulators have adequate information about future demand.

Our proposals will address 3 key issues in the existing framework

Issues with existing framework

Uncertainty of data centre demand and poor information are distorting network planning

Gaps in the network cost recovery framework would see others bear costs caused by data centre demand

Need to ensure data centres BYO power, flex demand to mitigate impact on network costs and wholesale prices

NSW reg proposals

1

Improving network connections and planning

2

Improving network cost allocation and recovery

3

Supporting implementation of measures in the NSW Data Centre Guidelines

New requirements would ensure viable data centre projects are driving planning and connection activities

Improving network connections and planning

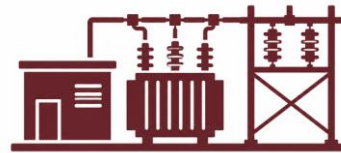
Proposals

1. Require data centre connection applicants to pay an entry bond.
2. Strengthen requirements for network service providers to collect and share information about prospective and existing data centre connections.
3. Strengthen requirements for network service providers to develop and share information about load forecasts and transfer capacity, and to conduct joint planning for data centres.
4. Require connection agreements with data centres to incorporate demand profiles.

Consultation Questions:

- When should entry bonds lapse or be forfeited?
- Which connection applicants should be required to provide an entry bond?

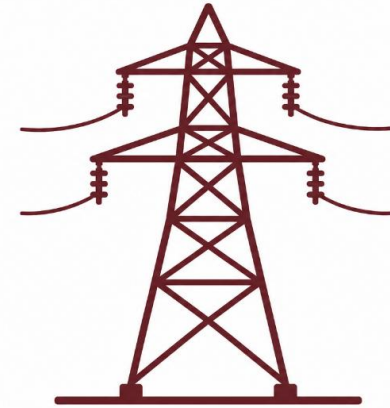
Households and small businesses will cross-subsidise data centre network costs under today's rules



\$✓

Data centre applies to connect to the network.

Data centre bears 100% of the cost of assets dedicated to their connection (e.g. new substations).



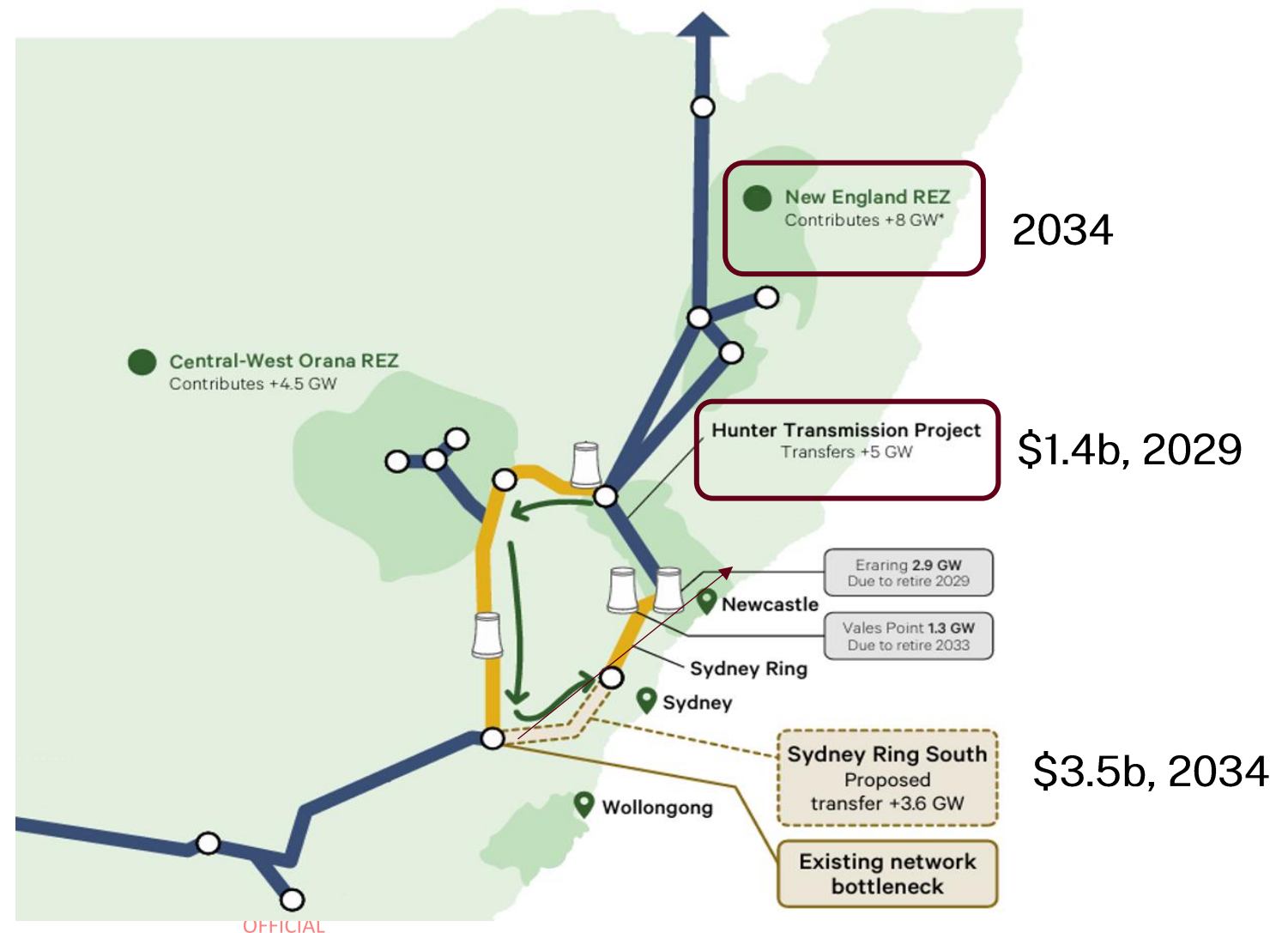
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Data centres do not bear all upstream costs created by their connection.

The gap is recovered from other electricity customers.

The gap in cost allocation will apply to major network upgrades that are being driven by data centre growth

- Data centre demand growth is accelerating the need for major transmission network upgrades and increasing costs.
 - Transgrid has estimated that the most expensive upgrade option for Sydney Ring South is needed to meet data centre demand.
 - The 2026 assessment found the project needs to be delivered 3 years earlier than previously scheduled, at an additional cost of \$1 billion.



Our proposals would ensure data centre pay for the network infrastructure that they need

Improving network cost allocation and recovery

Proposals

1. Require distribution network service providers to recover appropriate transmission network upgrade costs from data centres connecting to distribution networks.
2. Require data centres to guarantee they will pay for the costs of capacity made available to them, regardless of whether they use it.
3. Require data centre connection applicants to pay a Major Network Upgrade Fee with a default rate of \$200,000/MW for connections in Sydney-Newcastle-Wollongong and \$100,000/MW elsewhere.
4. Require transmission-connected data centres to contribute to the costs of jurisdictional schemes.

Consultation Questions:

- How much flexibility should the regulations provide in relation to minimum guaranteed contributions to ongoing network costs?
- Is 10 years a sufficient and appropriate period for minimum guaranteed contributions to ongoing network costs?
- What principles and cost and benefit categories should the Consumer Trustee consider in setting the Major Network Upgrade Fee?

Our proposals will use connection agreements to support compliance with planning conditions

Supporting implementation of measures in the Guidelines

Proposals

1. Require network service providers to use connection agreements to reinforce compliance with requirements to offset demand through PPAs and firming agreements.
2. Require network service providers to use connection agreements to operationalise and enforce compliance with requirements to reduce load in times of grid stress.

Consultation Question:

- Which events should trigger demand flexibility requirements?

4

Options for future action: access schemes

An access scheme for data centres could be implemented to manage cumulative impacts

What is proposed?

- Enable the Minister to declare a new type of access scheme to manage where, when and how much data centre load connects to the network.
- Achieved through amending existing access scheme framework (currently used in REZs).
- The access scheme would outline:
 - merit criteria
 - eligibility requirements
 - connection caps.
- Access allocated through competitive process such as a tender, staged with renewable development.

What are the benefits?

- Improve coordination of timing, location and scale of data centre connections to:
 - more accurately forecast, plan, and align with renewable and network projects
 - de-risk financing of projects through an avenue that confirms connection priority
 - drive competition, innovation, and high-quality projects through competitive allocation and performance requirements
- align supply and demand to maintain a reliable, secure, and affordable power system.

