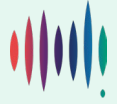


Reforming electricity network connection and cost recovery arrangements for data centres in NSW

Submission to the NSW Department of
Climate Change, Energy, the Environment
and Water

DATE: 14/09/2026



Summary

Energy Consumers Australia (ECA) welcomes the opportunity to provide feedback on *Reforming electricity network connection and cost recovery arrangements for data centres in NSW*.

As the national voice for household and small business energy consumers, we advocate for a fair, affordable, and reliable energy system—one that meets everyone’s needs and leaves no one behind on the journey to net zero. In the context of this consultation, it means ensuring that strong consumer safeguards are developed, and that any proposal is guided by the overarching principle that costs must be borne by those who create the need.

Data centres are an obvious community concern. Experience in other countries has not been positive and the risk to Australian energy consumers is real, with Australia identified as a destination of choice,¹ and an already growing pipeline of proposed investments.² Nevertheless, with careful management, we believe that data centres could add value to the network for consumers.

While we agree with the points raised in the consultation paper, we firmly believe that there are opportunities to strengthen the proposed reforms. We recommend NSW DCCEEW develop data centre regulation in accordance with the following principles:

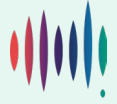
1. Any energy bill increase attributable to data centres must be offset by them;
2. Data centres must pay for the network costs incurred by their connection and network augmentation needs;
3. Data centres must rely on new, *additional*, renewable generation capacity;
4. Strong energy efficiency requirements must be placed on data centres;
5. Data centres must create net benefits for other consumers, notably by providing grid services.

We consider that these principles establish clear expectations that put household and small business consumers at the centre, and unlock the opportunities offered by data centre investment in Australia.

We note that the obligation to provide new additional energy is not only intended to address price impacts related to increase system demand, but also, if engineered correctly, reduce the risk of disrupting emission reduction targets through data centre capture of renewable generation that would have otherwise contributed to decarbonising Australia’s existing economy.

¹ ABC News, 7 June 2026 – [In the great data centre boom, will the benefits flow offshore again?](#)

² Baringa, 2025 – [Getting the balance right: data centre growth and the energy transition](#), p. 3



ECA's responses to the consultation questions

Improving network connections and planning

1A. When should entry bonds lapse or be forfeit?

We support the entry bond proposal and forfeiture conditions outlined in the paper, i.e. failure to provide information within timeframes, failure to contact the NSP within a given timeframe, and negotiation termination by the NSP when there are reasonable grounds to believe the applicant isn't negotiating in good faith.

1B. Which connection applicants should be required to provide an entry bond?

We believe that applicants whose connection requests are likely to impact the grid or exceeding a certain capacity threshold should be required to provide an entry bond. This requirement should be particularly stringent for hyperscalers and facilities that do not provide critical services such as healthcare, government hosting, financial services, and universities.

We note that applicants seeking very large connections would face higher chargers, however, we believe that further investigation is warranted to ensure the entry bond is calibrated to the applicant's financial capacity as what appears to be a substantial fee may be negligible for wealthy applicants.

Improving network cost allocation and recovery

6A. How much flexibility should the regulations provide in relation to minimum guaranteed contributions to ongoing network costs?

ECA supports flexibility in how data centres deliver their minimum guaranteed contribution (bank guarantee, minimum use-of-system charge, or upfront capital contribution), but recommends the regulation fix the level at no less than 80% of the charges payable at contracted/rated capacity—consistent with comparable US large-load tariffs (e.g. AEP Ohio and Dominion Energy Virginia both require 80-85% minimum take of contracted capacity)^{3, 4}—rather than leaving it to case-by-case negotiation, with NSPs required to publicly report compliance. Voluntary industry commitments like Anthropic's Ratepayer Protection Pledge show the sector accepts the principle that data centres, not households, should bear network costs,⁵ but that pledge's lack of a defined figure, duration, or enforcement mechanism is exactly why the regulation needs to set a binding numeric floor rather than rely on corporate goodwill.

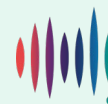
From a broader perspective, this consultation is a significant opportunity to reform the Electricity Infrastructure Roadmap and ensure that *all* large energy users, including data centres, contribute their fair share to network costs. Under the current scheme, large energy consumers are avoiding contributing to the Roadmap by connecting to transmission infrastructure directly.⁶ This caveat shifts costs to small, distribution-connected energy consumers while wealthy corporations secure significant discounts. At a time when Roadmap costs are expected to rise

³ Columbia Climate School Sabin Climate Change Law, 2 June 2026 – [Data Centre Regulation: What Local Governments Should Know about Large-Load Tariffs and Clean Transition Tariffs](#)

⁴ CoBank, 30 April 2026 – [The state of large load rate design: Insights from the DELTa database](#)

⁵ NBC News, 12 February 2026 – [Anthropic to cover costs of electricity price increases from its data centres](#)

⁶ Australian Financial Review, 19 July 2026 – [‘Glaring loophole’ gives next gen data centres a power bill discount](#)



substantially over the next decade, and are already weighing heavily on network charges,^{7, 8} we are concerned that this will create additional bill pressure on small business and household energy users.

6B. Is 10 years a sufficient and appropriate period for minimum guaranteed contributions to ongoing network costs?

We believe a 10-year minimum guaranteed contribution period is insufficient, given that network infrastructure upgrades require significant upfront investment and have a materially longer economic life—typically 40+ years under standard regulatory depreciation assumptions. A 10-year guarantee only covers the front quarter of that life and leaves other consumers exposed to the remaining risk if the data centre reduces usage or exits. ECA recommends the regulation instead link the guaranteed contribution period to the regulatory asset life of the specific augmentation it funds, with further work done to determine the appropriate period and mechanism so these costs are not borne by other consumers. If a fixed term is retained rather than one tied to asset life, comparable US large-load tariffs suggest 10 years sits at the short end of current practice—Florida Power & Light, for example, requires a 20-year minimum contract term for large-load customers—⁹and a period closer to 20 years would better reflect the durability of the investment being guaranteed.

Where a proponent does not want a multi-decade ongoing commitment, the regulation should allow them to satisfy the obligation instead through a full upfront capital contribution equal to the NPV of expected revenue over that life—using the mechanism the paper itself already lists alongside bank guarantees and minimum use-of-system charges—rather than defaulting to a shorter, weaker guarantee

7A. What principles and cost and benefit categories should the Consumer Trustee consider in setting the Major Network Upgrade Fee?

ECA sees the “Major Network Upgrade Fee” as a good starting point, however, we firmly believe that it could be strengthened by assessing the broader system benefits that data centres may provide through flexibility. We provided a more detailed response in the ‘*Data centres must be required to deliver network benefits for existing consumers*’ section on pages 4-5.

Supporting implementation of measures in the NSW Data Centre Guidelines

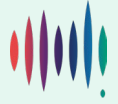
10A. Which events should trigger demand flexibility requirements?

While triggers are necessary to maintain system security and wholesale price stability, we recommend that demand flexibility becomes the standard, and argue that data centres should be required to demonstrate how they will deliver value to the grid even under normal operating conditions. For more details, please refer to the ‘*Data centres must be required to deliver network benefits for existing consumers*’ section on pages 4-5.

⁷ AER, 18 February 2026 – [NSW Government Gazette No 59](#), p. 8

⁸ AER, April 2026 – [Statement of Reasons – Ausgrid Pricing Proposal](#); [Statement of reasons: Essential Energy’s Annual Pricing Proposal](#); [Endeavour Energy – 2026-27 – Pricing Proposal](#)

⁹ Columbia Climate School Sabin Climate Change Law, 2 June 2026 – [Data Centre Regulation: What Local Governments Should Know about Large-Load Tariffs and Clean Transition Tariffs](#)



Feedback

Policy must not only focus on protecting small consumers from the adverse effects of data centre growth, but also actively contribute to reducing costs for all consumers. Simultaneously, it is imperative we make communities feel heard,¹⁰ and ensure that the public interest isn't erased by the "*wishes of a few energy-intensive consumers*".¹¹ Therein lies important nuance. A distinction should be made between hyperscalers primarily designed for AI training, and smaller facilities that support critical services (healthcare, government hosting, financial services, universities)^{12, 13} and uphold data sovereignty.

More ambitious policies are required to prevent existing consumers from bearing the costs of supplying electricity to power-hungry users (*principles 1 and 2*)

As highlighted in the consultation paper, our power system and existing network regulatory arrangements were not designed for these fast, concentrated, very large loads.¹⁴ Through wholesale prices and network costs, and without intervention, there is a risk that small consumers, such as households and small businesses, will have to foot the bill. As AEMO forecasts data centres will consume 6% of the NEM's grid supplied electricity—the equivalent of the energy use of every household in Victoria—^{15, 16} we are concerned that our power system will face tighter supply-demand conditions, characterised by higher wholesale prices and greater price volatility.

This is well-evidenced overseas. In Ireland, for instance, consumer bills are expected to increase by 8 to 21% by 2030, while large energy users—such as data centres—should see a 14% decrease in their bills.¹⁷ Prices hikes have also been documented in the US, where data centres' huge power demand has seen wholesale prices increase by as much as 267% in areas with significant data centre activity, compared to levels from five years ago.¹⁸ These costs are then passed on to consumers, with some reporting that their bills are now 80% higher than they were a few years ago.¹⁹

Similarly, the consultation paper highlights how data centres will trigger the need for transmission and distribution upgrades and connections, potentially without fully paying for it:²⁰ data centres with high capacity connections but low usage might not contribute enough through network charges to cover the network costs they incur.²¹

¹⁰ The Guardian, 2 May 2026 – [Under a cloud: the growing resentment against the massive datacentres sprouting across Australian cities](#)

¹¹ Harvard Electricity Law Initiative, 2025 – [Extracting Profits from the Public: How Utility Ratepayers Are Paying for Big Tech's Power](#), p. 1

¹² Baringa, 2025 – [Getting the balance right: data centre growth and the energy transition](#), p. 11

¹³ Shape – [University of Melbourne Data Centre Programme](#)

¹⁴ NSW DCCEEW, 2026 – [Reforming electricity network connection and cost recovery arrangements for data centres in NSW Consultation Paper](#), pp. 3-10

¹⁵ AEMO, 2025 – [AEMO's updated forecasting methodology targets rapidly growing electricity loads, following industry consultation](#)

¹⁶ DCCEEW, 5 August 2026 – [Speech to the National Press Club, Canberra](#)

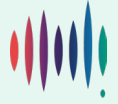
¹⁷ RTÉ, 21 August 2025 – [Government warned of rising household bills as data centre strain grid](#)

¹⁸ Bloomberg, 30 September 2025 – [AI Data Centres Are Sending Power Bills Soaring](#)

¹⁹ *Ibid.*

²⁰ NSW DCCEEW, 2026 – [Reforming electricity network connection and cost recovery arrangements for data centres in NSW Consultation Paper](#), p. 6

²¹ *Ibid.*



Thus, we are concerned that costs created by data centres through electricity demand and network upgrades will be socialised across all electricity consumers and see a material risk in having households and small businesses pay for “*infrastructure designed to supply a handful of exceedingly wealthy corporations*”.²² This is all the more unacceptable that some of these network upgrades may not even be required in the future.²³ We do not want a similar situation to happen in Australia, and firmly believe that any electricity bill increase attributable to a data centre must be offset by them. We provide more detail on what this may look like in the next section.

Data centres must be required to deliver network benefits for existing consumers (principles 5)

Data centres typically require very high reliability and availability, which might increase demand not only for energy, but also for new generation and storage capacity. While the NSW Data Centre Guidelines and NSW DCCEEW consultation paper aim to ensure that data centres impose no net cost to other electricity consumers,^{24, 25} we believe a more ambitious expectation would be to make connection approvals contingent on data centres demonstrating how their investments will be leveraged to decrease system costs for all consumers and strengthen the grid.

We note that data centre demand in NSW is concentrated along the Sydney-Newcastle-Wollongong axis. This is why strategic location, especially where there is spare network capacity, as well as flexible operations must be central to this approach.²⁶ The proposed “Major Network Upgrade Fee” for connections in that area is a good starting point,²⁷ however, it could be strengthened by assessing the broader system benefits that data centres may provide through flexibility. For instance, batteries, load curtailment, and demand response could be assessed based on their ability to reduce or defer network costs, requiring data centre connection applicants to demonstrate how these connections will deliver value that is greater than the system costs they impose.

Data centres should also be encouraged to defer workloads like AI training and batch processing, as well as cooling cycles to periods of spare network capacity or high renewable generation.²⁸ Data centre facilities could also be required to enter interruptible or dynamic connection agreements to reduce load during peak demand and avoid expensive network upgrades.²⁹

The role of onsite infrastructure must also be clarified, and data centres should be obligated to utilise their backup batteries as active network resources available for peak reduction, voltage support, and other contingency responses. This aligns with the AER’s guideline on network alternative support payment guideline, whereby a non-network option can be sought by

²² Harvard Electricity Law Initiative, 2025 – [Extracting Profits from the Public: How Utility Ratepayers Are Paying for Big Tech’s Power](#), p. 1

²³ NSW DCCEEW, 2026 – [Reforming electricity network connection and cost recovery arrangements for data centres in NSW Consultation Paper](#), p. 4

²⁴ NSW Government, August 2026 – [NSW Data Centre Guidelines](#), p. 12

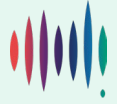
²⁵ NSW DCCEEW, 2026 – [Reforming electricity network connection and cost recovery arrangements for data centres in NSW Consultation Paper](#), p. iv

²⁶ *Ibid*, pp. 2-6

²⁷ *Ibid*, p. 19

²⁸ Baringa, 2025 – [Getting the balance right: data centre growth and the energy transition](#), p. 36

²⁹ Ausgrid – [Dynamic Connection Agreement](#)



transmission networks to provide energy storage services to support grid capacity in a particular location.³⁰ This would ensure that data centres are used as a resource to manage local grid constraints rather than exacerbating them.³¹

A clear distinction must be made between *new* and *additional* renewable (principle 3)

Concerns have emerged that data centres could hinder progress on the path to net zero.³² Against this backdrop, the National Cabinet's current position to allow states to seek approval to power data centres with other fuels, such as coal and gas, should be closely monitored.³³

ECA urges NSW DCCEEW to strengthen its ambition in terms of data centre renewable energy consumption and would like to stress a fundamental difference between *new* and *additional*. While data centres may bring *new* renewable supply, this does not necessarily mean that decarbonisation will happen faster. Instead, data centres may capture incoming renewable generation, thus delaying the retirement of fossil fuel generators. A Baringa report, funded by the Clean Energy Finance Corporation, anticipates that without additional renewable generation, NEM emissions could be 14% higher than they would otherwise have in 2035, while wholesale prices could rise by 26%.³⁴

Thus, it is crucial to require data centres to procure new, additional green energy rather than draining it from pre-existing projects. This means that data centres would not be able to source electricity from projects already committed to the grid (such as those set out in the ISP),³⁵ regardless of their development stage at the time of the connection request. Instead, data centre operators should purchase power from renewable projects that would not have been required without their specific investment and demand.

Strong governance and network planning are essential (principle 4)

Data centre growth is happening at a faster pace than that of the power system.³⁶ This calls for careful planning to ensure that the system is capable of managing the huge demand increase and prevent other consumers from copping the unintended consequences. To achieve this, greater transparency is required to support network planning, with information such as location, scale, and timing of data centre developments being essential to prevent costly upgrades that may not be effectively required.^{37, 38}

³⁰ AER, 13 March 2026 – [AER publishes final Network alternative support payment guideline](#)

³¹ AEMC, 5 August 2026 – [Data centres to bring clean, firm energy, be flexible and pay their way, AEMC advises Ministers](#)

³² Climate Council, 2026 – [Seizing the opportunity to do data centres right](#)

³³ ABC, 30 August 2026 – [Energy Minister says 'no carve-outs' after Queensland claims data centre win](#)

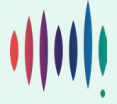
³⁴ Baringa, 2025 – [Getting the balance right: data centre growth and the energy transition](#), p. 19

³⁵ AEMO, 2026 – [2026 Integrated System Plan for the National Electricity Market](#)

³⁶ IEA, 2026 – [Key questions on energy and AI](#), p. 69

³⁷ *Ibid*, p. 74

³⁸ NSW DCCEEW, 2026 – [Reforming electricity network connection and cost recovery arrangements for data centres in NSW Consultation Paper](#), p. 4



We also urge the NSW Government to develop strong data centre governance and establish a clear, stringent framework to ensure that data centre growth does not happen at the expense of small consumers nor the energy transition. We believe that lessons can be learned from other jurisdictions. The European Union (EU), for instance, has developed a comprehensive framework to oblige data centres to align with European sustainability goals.³⁹ The Delegated Regulation on the establishment of a common Union rating scheme for data centres (EU 2024/1364) states key performance indicators, including measurement of energy consumption, that must be disclosed in the EU database by all data centre operators with an installed information technology power demand of at least 500kW.⁴⁰ Other sustainability metrics, including but not limited to electrical grid functions, average battery capacity, total water input, must also be communicated.⁴¹ Ecodesign requirements are also in place.⁴²

Conclusion

Energy Consumers Australia (ECA) welcomes the opportunity to provide feedback on *Reforming electricity network connection and cost recovery arrangements for data centres in NSW*.

Considering growing consumer concerns regarding energy prices, equity, and environmental impacts, stronger governance is more than a mere economic necessity: it is a democratic imperative. The challenge now lies in developing ambitious regulatory reforms that acknowledge the scale of data centre expansion and place public interest, long-term consumer impacts, and community needs first.⁴³

We thank NSW DCCEEW for the opportunity to provide feedback and make ourselves available for further discussion and collaboration throughout the consultation process.

For any questions or comments about our submission, please contact Pauline Ferraz at pauline.ferraz@energyconsumersaustralia.com.au.

Yours sincerely,

Pauline Ferraz

Manager, Consumer Advocacy

³⁹ *Ibid*, p. 49

⁴⁰ European Union Law, 2024 – [Commission Delegated Regulation \(EU\) 2204/1364 on the first phase of the establishment of a common Union rating scheme for data centres](#), Article 1

⁴¹ *Ibid*, Annex III.

⁴² European Commission – [Servers and Data Storage Products](#)

⁴³ Harvard Electricity Law Initiative, 2025 – [Extracting Profits from the Public: How Utility Ratepayers Are Paying for Big Tech's Power](#), pp. 1-2

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