



AGL Energy Limited

T 02 9921 2999

agl.com.au

ABN: 74 115 061 375

Level 24, 200 George St

Sydney NSW 2000

Locked Bag 14120

MCMC

Melbourne VIC 8001

NSW Department of Climate Change, Energy, the Environment and Water
Sydney NSW 2000

14 September 2026

Network connection and cost recovery arrangements for data centres

AGL Energy (AGL) welcomes the opportunity to respond to the NSW Department of Climate Change, Energy, the Environment and Water consultation on reforming electricity network connection and cost recovery arrangements for data centres.

Overview

AGL supports targeted measures that enable the timely and efficient connection of genuine projects while protecting electricity customers from the costs and risks associated with unprecedented, concentrated and uncertain large-load growth. The framework could operate more efficiently by balancing obligations with incentives and recognising efficient reuse of existing high-capacity connections. Network owners should provide technical information and implement clear directions, but government or an independent body should decide whether data centres have complied with non-network obligations and what consequences should follow.

The data centre reforms should not set the framework for other large loads without separate consultation and supporting evidence and should be subject to a sunset clause and review as national frameworks develop. Data centre network charges should also be transparent and coordinated so that data centres pay the fair and efficient costs they cause without unintended overlap between charging mechanisms.

Balancing obligations with incentives will result in more efficient delivery

The proposed framework relies principally on obligations, fees and penalties. However, a symmetrical framework that uses both obligations and incentives could achieve the same or better outcomes at less cost to data centres. For example, incentives could make data centres more likely to offer demand response, locate away from congested areas or bring forward additional firmed renewable supply where they are able and willing to do so. This could lower costs for participating data centres while improving network utilisation, reliability and affordability for NSW customers. We therefore suggest DCCEEW reconsider the proposed incentive framework on this basis.

Recognise efficient reuse of existing high-capacity connections

The regulations should include a carve-out for data centres that reuse existing high-capacity connections, such as at former smelter or thermal generation sites. These projects should not be subject to measures designed for greenfield connections that require substantial new network capacity. Where reuse of an existing high-capacity connection nevertheless increases contracted capacity, strands shared network infrastructure, constrains power transfers or causes additional network investment or system impacts, the relevant obligations or charges should be adjusted to reflect those incremental impacts.

This would ensure data centres continue to pay the fair and efficient costs they cause, while avoiding unnecessary costs and preserving incentives for efficient brownfield development and better use of existing network infrastructure. This could lower the need for new network investment, reduce costs passed through to electricity customers and preserve network capacity for other users.

Networks should not make decisions on non-network compliance

Under the proposed framework, NSPs would provide information relevant to entry-bond forfeiture, give effect through connection agreements to renewable procurement and demand-flexibility obligations, and reduce available connection capacity in specified circumstances. AGL considers NSPs should provide technical evidence, monitor compliance with technical connection requirements and implement clearly specified directions.

However, decisions about bond forfeiture, compliance with non-network obligations and the application of broader government policy should be made by government or an appropriately independent body. These decisions require legal, policy and compliance judgements beyond the technical planning, operation and connection functions normally performed by monopoly networks. This separation would support consistent and accountable decision-making while allowing NSPs to focus on their network expertise.

Data centre reforms should not set the framework for other large loads

The proposed rules have been developed on an accelerated timetable to address the exceptional scale, pace and concentration of prospective data centre connections. That accelerated process, and the settings developed through it, should not become the starting point or legacy framework for regulating other large loads. If similar arrangements are later considered for other load types, they should be developed through separate consultation and supported by evidence about the characteristics and impacts of those loads. This would allow the Government to assess whether existing frameworks are sufficient and tailor any further measures to the relevant problem,

rather than allow requirements designed quickly for data centres to shape the treatment of materially different projects.

The reforms should be subject to a sunset clause and review

The proposed NSW arrangements respond to an urgent but substantially transitional issue and are intended to operate ahead of more enduring national reforms. The consultation paper recognises that some NSW requirements may no longer be needed once national reforms are implemented and contemplates sunseting those requirements where appropriate. AGL supports this direction but recommends that the regulations include a fixed seven-year sunset from commencement, supported by a formal review before expiry. Any measures that remain necessary could be extended or remade following that review. A fixed sunset would preserve the Government's ability to respond quickly while providing certainty that the transitional arrangements will be reconsidered and remain effective, proportionate and aligned with subsequent national reforms.

Data centre network charges should be transparent and coordinated

AGL supports data centres paying the fair and efficient costs they cause. The proposed framework provides an opportunity to strengthen confidence in those charges by transparently linking them to the incremental network investment, acceleration costs or risks attributable to the relevant connection. Where practical, the Government could publish the methodology, assumptions and counterfactual used to set material fees and periodically compare forecast costs and benefits with actual outcomes. It could also consider the combined effect of direct connection charges, upstream augmentation contributions, minimum guaranteed payments, the Major Network Upgrade Fee and jurisdictional scheme contributions, so the overall package remains coherent. This would support appropriate cost recovery while helping ensure charges are proportionate, internally consistent and directed to the costs each measure is intended to address, improving the efficiency and durability of the framework.

For questions about this submission, please contact Anton King at aking6@agl.com.au.

Yours sincerely,

Ralph Griffiths

General Manager

Policy and Market Regulation