50 Camberwell Road Hawthorn East VIC 3123

8 May 2026

Mr Tom Gellibrand
Chief Executive, Infrastructure NSW
Lodged online via email: cg@infrastructure.nsw.gov.au

Dear Mr Gellibrand,

Response to the NSW Data Centre Consultation Paper

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the NSW Government's NSW Data Centre Consultation Paper (the Consultation Paper) which was released in March 2026.

CEIG represents domestic and global renewable energy developers and investors, with approximately 18GW of renewable energy capacity in the NEM across 139 power stations and a combined portfolio value of more than $41 billion. CEIG members' project pipeline is estimated to be more than 150GW across Australia. CEIG strongly advocates for an efficient transition to a clean energy future on behalf of the investors who will provide the low-cost capital required for this transition.

Key Points

GENERAL COMMENTS

- CEIG supports data centres being treated as a strategic source of demand that can unlock renewable investment, deepen PPA liquidity and improve the efficiency of the broader energy system, provided their development is aligned with Renewable Energy Zones (REZs), transmission availability, new generation and storage, and broader system planning outcomes.
- The central policy objective should be to ensure renewable generation, firming and enabling infrastructure can keep pace with data centre demand growth. The key risk is not load growth itself, but demand growth that outpaces investment in new supply and network capacity, increases reliance on legacy generation, and weakens the pace and credibility of the transition.

- CEIG supports a flexible, performance-based planning framework that prioritises speed, clarity and certainty, reflects locational differences, and supports a least-cost pathway for system development.

Additionality, long-term contracting and investment signals

- NSW should encourage long-term PPAs and other bankable procurement arrangements that help large data centres support renewable generation, firming and related infrastructure, while preserving flexibility for proponents and generators to negotiate commercially appropriate terms.
- Long-term PPAs can play an important role in underwriting investment and helping renewable and firming projects reach financial close, but contract structure, tenor and counterpart arrangements should remain flexible and commercially negotiated rather than prescribed by government.
- Policy settings should ensure data centre growth is accompanied by strong renewable procurement expectations and timely investment in firming and network capacity, and does not materially extend reliance on coal-fired generation.
- Government policy should focus on enabling renewable supply to respond to demand growth in a timely way, including through planning reform, faster approvals, improved connection processes and accelerated transmission delivery.

Infrastructure cost allocation and investor certainty

- CEIG supports the principle that data centres should fund infrastructure they directly cause or require, consistent with cost causation principles and existing regulatory frameworks.
- However, NSW should avoid requiring data centres to underwrite broader shared network or transmission augmentations that deliver system-wide benefits or would ordinarily be progressed through regulated planning and investment processes. Clear boundaries between direct connection costs and shared network investment are essential to maintain investment certainty and avoid inefficient cost shifting.
- Cost allocation frameworks should be clear, prospective and predictable. Poorly designed approaches risk either socialising too much cost onto households or over-correcting in a way that discourages investment in both data centres and future industrial load.

Location, REZs and coordinated delivery

- NSW should provide stronger locational signals to encourage development in REZs and unconstrained network areas, particularly for workloads that are less latency-sensitive.
- There is an opportunity for government to play a stronger coordinating role in co-locating data centres within renewable zones that have limited export capacity to unlock otherwise stalled generation and storage projects, reduce pressure on metropolitan infrastructure, and improve system efficiency.
- CEIG supports planning incentives or efficient approvals for data centre developments within REZs, unconstrained parts of the network, or locations where data centre load can be integrated with new renewable generation and storage.

System integration, storage and backup generation

- CEIG supports, data centres being required to demonstrate their efforts at managing impacts on the grid, peak demand, power quality and the broader power system.
- Data centre developments that incorporate or are co-located with battery energy storage systems (BESS) should be prioritised given their role in smoothing demand, reducing peak load and supporting system reliability.
- Over time, policy should support a transition away from emissions-intensive backup generation and toward cleaner alternatives, while preserving system security for critical services. The consultation paper's concern regarding diesel emissions and sensitive-site impacts is well founded.

GENERAL COMMENTS

The NSW Data Centre Consultation Paper rightly identifies that data centre growth presents both opportunities and risks. Data centres can support digital industries, attract investment and create wider economic value, but rapid demand growth also raises important questions for electricity prices, emissions outcomes, water use, infrastructure planning and community impacts.

From an investor perspective, the core policy challenge is not whether NSW should support data centre investment, but how that investment is integrated into the energy system. CEIG's view is that data centres should be treated as strategic load. If properly integrated, they can become anchor customers for new renewable generation and firming, deepen long-term contract markets, reduce revenue uncertainty for projects, and help unlock renewable investments that might not otherwise proceed. This can create a positive investment cycle in which stronger demand improves PPA liquidity, reduces financing risk, lowers the cost of capital and brings more supply to market.

However, these benefits are not automatic. Without coordination, there is a real risk that data centres concentrate in already constrained parts of the network, compete with existing loads for limited renewable offtake, increase congestion and curtailment, and drive inefficient network augmentation.

CEIG therefore considers it essential that policy settings ensure data centre demand supports continued investment in renewable generation, firming and related infrastructure. The focus should be on enabling new supply to keep pace with demand growth, including through timely planning approvals, transmission and connection delivery, and efficient contracting pathways. The objective should be to ensure data centres strengthen transition investment signals and do not contribute to prolonged reliance on coal-fired generation.

Principle 1: Investment in data centres should enable a wider technology ecosystem that drives job creation and propels economic growth

CEIG supports Principle 1 in principle. Data centres should be recognised as a strategic source of load that can do more than support the digital economy. If properly integrated

with energy system planning, they can help unlock renewable investment, improve planning system efficiency and support broader economic development. The consultation paper correctly identifies that data centres can stimulate digital industries, attract foreign investment and facilitate industries that benefit from low-latency connectivity and compute access.

From a clean energy investor perspective, the most important economic opportunity is that data centres can act as large, creditworthy, long-duration offtakers for new renewable and firming capacity. This is especially important in a market where many projects remain stalled because of revenue uncertainty rather than lack of resource quality or development maturity.

At the same time, CEIG suggests that the framing of economic benefit should not rely too heavily on direct job creation alone. Data centres may have a relatively limited direct operational workforce compared with their scale. A broader framing would better capture their role in supporting indirect economic activity, enabling adjacent industries, and underwriting strategic infrastructure and clean energy investment.

CEIG recommends that NSW:

- recognise data centres as strategic load in planning and energy policy;
- explicitly link assessment of economic value to broader system and investment benefits, not only direct employment outcomes; and
- prioritise projects that demonstrate credible alignment with new renewable generation, storage and broader system planning outcomes.

Principle 2: Data centre developers and operators need to fund their infrastructure requirements, in addition to what is already planned and funded, so as to not increase prices for households

CEIG supports the principle that data centres should fund infrastructure they directly cause or require. This is consistent with cost causation principles and with the consultation paper's concern that the existing framework was designed for incremental demand growth rather than the step-change loads that data centres can represent. The paper also correctly identifies the challenge of allocating costs for upstream transmission augmentation and for broader roadmap-related infrastructure.

However, CEIG strongly emphasises the need for clear, upfront and predictable cost allocation frameworks. Investors need confidence about which costs are directly attributable to a project and which costs relate to broader shared network or transmission investments that deliver system-wide benefits.

Policy should not require data centres to underwrite broader augmentations that would ordinarily be progressed through regulated planning and investment processes. Clear

boundaries between connection assets and shared network investment are essential to avoid inefficient cost shifting and preserve investment certainty.

From an investor perspective, uncertainty in cost allocation is itself a material investment risk. It can increase the cost of capital, delay project development and reduce NSW's competitiveness for globally mobile capital. It also sets an important precedent for future large industrial loads, including green metals, hydrogen and chemicals.

CEIG recommends that NSW:

- adopt a transparent cost allocation framework grounded in cost causation;
- require proponents to fund direct connection assets and clearly attributable augmentations;
- avoid imposing obligations for broader shared network investments that deliver system-wide benefits;
- align state approaches with national regulatory settings as far as possible; and
- provide proponents with early clarity on likely cost exposure.

The same principles should apply to water infrastructure. CEIG supports in principle negotiated and transparent arrangements where proponents fund infrastructure directly required for their development, while avoiding ad hoc or unclear cost shifting.

Principle 3: Data centres need to be efficient and make sustainable use of our energy and water systems as well as the environment

CEIG supports Principle 3, but considers the most important policy question to be whether data centre demand is matched by sufficient investment in renewable generation, firming and enabling infrastructure. From CEIG's perspective, the priority is to ensure demand growth strengthens the business case for new clean energy investment and does not increase reliance on coal-fired supply for longer than necessary.

The consultation paper acknowledges that if energy demand from data centres is not met by corresponding increases in supply, this will place upward pressure on prices and make emissions targets harder to achieve. CEIG agrees in principle and considers this the central policy issue.

<u>Additionality and long-term contracting</u>
CEIG recommends that NSW policy encourage large data centres to procure a significant proportion of their electricity needs from renewable energy, supported where appropriate by firming capacity. This would help reduce the risk of incremental demand being met by prolonged coal-fired generation and strengthen the role of data centres as a demand-side catalyst for the energy transition.

CEIG also considers that NSW should encourage long-term PPAs and other bankable procurement arrangements that help large data centres support renewable generation,

firming and related infrastructure. Long-term PPAs can play an important role in underwriting investment and supporting projects to reach financial close. However, contracting structures, tenor and counterpart arrangements should remain flexible and commercially negotiable. The policy objective should not be to prescribe a single contracting model, but to encourage procurement approaches that support renewable investment while preserving commercial flexibility.

CEIG therefore recommends that NSW:

- make clear that data centre growth should be accompanied by strong renewable procurement expectations and supported by timely investment in firming and network capacity
- encourage long-term PPAs and other bankable procurement arrangements that help underpin renewable investment, while preserving flexibility for proponents and generators to negotiate commercially appropriate terms;
- consider whether large data centres should be expected to source a substantial proportion of their electricity from renewable energy;
- support the development of demand signals, including through future REGO-related mechanisms, in a way that complements rather than substitutes for bankable offtake; and
- ensure policy settings discourage outcomes where growing data centre load materially extends reliance on coal-fired generation.

CEIG also emphasises that the most important role for government is to ensure renewable investment can respond to demand growth in a timely way. This includes addressing planning and environmental approval delays, improving connection processes, accelerating transmission delivery, and reducing other barriers that prevent well-progressed renewable and storage projects from reaching financial close. From an investor perspective, these supply-side enablers are at least as important as any demand-side procurement expectation.

Storage, flexibility and system integration

The consultation paper's interest in how data centres can support the energy grid, including through demand management and alternative backup arrangements, is sensible. CEIG supports in principle a performance-based approach that focuses on system outcomes rather than overly prescriptive technology mandates.

Some data centre loads may be relatively inflexible, while others may be able to shift or manage workloads in ways that reduce system impacts. Developments that include or are co-located with BESS should be prioritised, given their role in smoothing demand, reducing peak load and supporting reliability.

Data centres should not create negative impacts on the grid when connecting and should be expected to manage their system impacts appropriately.

Backup generation and emissions

CEIG considers that further work is needed on the role of backup diesel generation, particularly near sensitive sites. Over time, policy should support a transition away from emissions-intensive backup generation toward cleaner alternatives, while maintaining reliability for critical services.

Principle 4: Data centre approval and compliance must be based on reliable and transparent data

CEIG supports Principle 4. Reliable information on electricity demand, water use, ramp-up profiles and system impacts is essential for effective planning and infrastructure development. The consultation paper rightly notes that better data is needed to avoid strained or stranded assets and to improve alignment between government, utilities and proponents.

CEIG supports earlier provision of key demand forecasts and planning inputs, provided appropriate confidentiality protections are in place for commercially sensitive information. The consultation paper itself recognises that some future demand information must be handled in confidence.

CEIG also considers that reliable and transparent data should not be limited to resource consumption alone. It should include information relevant to whether the project supports broader system objectives, including:

- expected load profile and ramp-up assumptions;
- likely offtake strategy and contracting pathway;
- storage and demand management measures; and
- locational rationale in light of available network and energy capacity.

CEIG suggests linking planning approval more clearly to offtake credibility, particularly where proponents can show a pathway to long-term power procurement from new renewable and firming capacity.

CEIG recommends that NSW:

- require earlier and more consistent provision of planning-relevant demand data;
- align forecasting assumptions across agencies, utilities and proponents;
- protect commercially sensitive information through clear confidentiality arrangements; and
- give planning weight to credible evidence of long-term clean energy procurement and system integration.

Principle 5: Regulatory and planning settings must take account of differences in the size and location of data centres, and community needs

CEIG supports Principle 5. The consultation paper's proposed performance-based and flexible approach is reasonable. Planning requirements should focus on project outcomes and impacts, not rigid or uniform inputs.

From an investor perspective, the most important planning objectives are speed, certainty, clarity and stronger locational signals. Given the scale of projected demand and the long lead times for enabling infrastructure, policy should prioritise development that makes best use of existing infrastructure, reduces congestion risk and aligns with least-cost system outcomes.

CEIG supports greater alignment with REZs and unconstrained areas, particularly for non-latency-critical workloads such as some AI training or batch processing. CEIG agrees that NSW should consider planning incentives, streamlined approvals or other mechanisms to encourage development in locations where energy system impacts can be better managed and where demand can unlock new supply.

CEIG suggests exploring the strategic opportunity for coordinated development in constrained REZs, particularly where government could help coordinate load, generation and storage together. For example, the South West REZ should be explore to co-located data centres to help unlock high-quality wind, solar and storage projects that are otherwise unable to progress due to insufficient transmission capacity and lack of market coordination.

CEIG recommends that NSW:

- maintain a performance-based planning framework;
- strengthen locational signals for development in REZs and unconstrained areas;
- differentiate more clearly between latency-critical and non-latency-critical workloads;
- prioritise developments that incorporate or are co-located with storage; and
- explore coordinated precinct-style approaches where load, generation and storage can be planned together.

CEIG supports a policy framework that enables NSW to capture the economic benefits of data centre investment while protecting households, communities and the broader energy system.

CEIG's central message is that data centres should be integrated as strategic load that helps bring forward new renewable generation, storage and related infrastructure. To do that, NSW should embed additionality into the framework, provide clear and predictable cost allocation, strengthen locational signals, and maintain a flexible but accountable planning approach.

Done well, NSW can ensure data centre demand becomes a catalyst for clean energy investment and more efficient system development, rather than a source of additional pressure on already constrained parts of the grid.

CEIG thanks the NSW Government for the opportunity to provide feedback on its NSW Data Centre Consultation Paper and looks forward to continued engagement on those issues. Our Chief Executive Officer, Richie Merzian, can be contacted at richie.merzian@ceig.org.au if you would like to further discuss any elements of this submission.

Yours sincerely,

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