



SUBMISSION

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

Public Service Association of NSW submission



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

Public Service Association NSW Submission in response to the consultation paper on reforming electricity network connection and cost recovery arrangements for data centres in NSW, 2026.

THE PUBLIC SERVICE ASSOCIATION OF NSW

The Public Service Association of NSW represents 42,000 public sector workers who provide essential support to students, teachers and families in schools and protect the safety of the state's most vulnerable families and children at risk of neglect and abuse. These workers also support the delivery of disability services, manage the prevention and response to natural disasters, including floods and fires. They staff our courts, prisons, police, national parks, museums and art galleries. They run and regulate the essential water and energy infrastructure services on which communities rely.

While the PSA represents a broad range of occupations, its membership is united in its commitment to serving the community, including the most vulnerable people in NSW.

PSA members are well placed to speak about the impact of data centres on water and power infrastructure and about the impact of Artificial Intelligence (AI) in public sector workplaces and the broader community.

PUBLIC SECTOR WORKERS AND DATA CENTRES

The Public Service Association NSW welcomes the use of the technology where it improves the quality of work and quality of life for working people. But it also holds concerns about the harm working Australians have experienced as a result of AI being used for intrusive monitoring and surveillance and work intensification. The misuse of algorithms to assess individual human need in the context of debt recovery and aged care has also raised serious concern.

NSW public sector workers share broader community concerns about the potential displacement and loss of jobs and a lack of adequate consultation and transparency in the implementation of AI. They also share community concerns about the adverse impact of climate change on the frequency of bush fires, heat waves and floods. The imposition of data centres on natural water supply, public amenity and the power grid is of serious concern. Any risk to natural water supplies, particularly during times of drought, would not be

tolerated. Nor would any unbridled imposition on the power grid by data centres in a way that would increase electricity costs for NSW households.

PSA NSW would therefore support state government regulation and control of water and electricity use by data centres in order to prevent any adverse impact on fresh water supply and affordable electricity supply to NSW residents.

As the 'Reforming electricity network connection and cost recovery arrangements for data centres in NSW consultation paper' acknowledges, the NSW Government must quickly head off any risk that the imposition of data centres on the electricity grid will force up electricity costs, particularly for people who already struggle with the cost of living. The government needs to ensure the way data centres absorb power and use natural water supplies for cooling purposes, particularly during times of drought, is sustainable. PSA NSW remains sceptical about the adequacy of the Power Purchase Agreement model as a sustainable long-term enforceable solution that ensures data centres do not remain highly dependent on electricity from the grid during peak hours of community use. A Power Purchase Agreement (PPA) does not necessarily provide renewable power when and where a data centre may need it, nor do they provide an adequate substitute for grid investment or protection to other customers from cost shifting.

A PPA does not necessarily provide an adequate solution to the mismatch between the relatively short time it takes to build a data centre compared to the relatively lengthier time it takes to increase grid capacity. There is insufficient supporting evidence to show that a PPA will necessarily protect NSW households from higher electricity prices.

Data centres should be required to fund renewable energy generation and storage in direct proportion with their demand. They should also be required to limit their energy use during peak periods and meet world-leading best practice standards for water and energy efficiency. Achievement of these requirements should be transparent and publicly reported.

Lessons learned from other countries, including the US, serve as a warning of the adverse impact data centres can potentially have on NSW residents.

To be successful, AI companies and data centres need the social licence to operate. This includes their use of natural water supply and use of electricity. It also includes the footprint of their massive developments and the impact of noise emission.

It is therefore vital that the NSW Government ensures it wins public trust through rigorous legislation to regulate the way data centres use water and power.

The NSW Government's Customer Sentiment Survey (9 March 2026)¹ affirms that NSW residents are sceptical about the use of AI. It found that two-thirds are concerned about energy usage, and more than half have concerns about the use of water.

The survey also found that 82 per cent of NSW residents are concerned about decisions made by AI without human controls and a lack of transparency about the use of AI.

Effective consultation on the use of AI in the workplace should provide meaningful opportunities to influence policies and outcomes, rather than being treated as a tokenistic box-ticking exercise after the fact. Too often, working people are notified after an outcome has been decided instead of being given a meaningful opportunity to engage in the decision-making process. It should be noted that clauses 65.1 and 65.2 of the Crown Employees (Public Service Conditions of Employment) Reviewed Award 2009 require consultation with the PSA before the introduction of any technical change. This principle for early and meaningful consultation should serve as the standard for community consultation around the impact of data centres on water and electricity infrastructure.

The NSW Government's Customer Sentiment Survey also shows that more than three quarters of NSW residents are also concerned about job losses and 72 per cent are concerned about a decline in service quality. The vast majority, 85 per cent, are concerned about misinformation, data misuse and privacy breaches.

As the NSW Department of Climate Change, Energy, the Environment and Water has warned², without intervention, the rapid pace of potential data centre investment in NSW, particularly in Western Sydney, Newcastle and Wollongong poses the risk of higher electricity prices for the wider community. This is of particular concern for people who already face acute cost of living pressure.

The Department has reported that 60 data centres in NSW account for 5 per cent of the state's annual electricity consumption. As of July 2026, data centres are seeking network connections with a total capacity of 28GW, dwarfing the current average daily demand from the NSW electricity grid, which ranges between 7.5GW and 10GW. As the Department has acknowledged, this is an unprecedented pipeline of new projects seeking to connect to our electricity network.³

¹ See attached Department of Community Service document

² Department of Climate Change, Energy, the Environment and Water. Reforming electricity network connection and cost recovery arrangements for data centres in NSW. Consultation paper. August 2026.p.vi

³ Ibid.p.v

The Department states that: “Existing electricity network regulatory arrangements were not designed for this rapid, concentrated and uncertain pipeline of very large data centre loads. Without targeted reform, these arrangements risk inefficient connection queues, distorted network investment decisions, cross-subsidisation by smaller customers of network costs triggered by large loads, higher wholesale electricity prices and reliability impacts for NSW customers.”⁴

The Australian Energy Market Operator reported in August 2026⁵ that data centre electricity consumption is forecast to increase seven-fold over the next decade from current levels of 5 terawatt hours (TWh) to around 34 TWh by 2035-36, increasing from around 3 per cent to approximately 13 per cent of electricity supplied through the grid.

Sydney Water has been preparing for data-centre demand potentially reaching the equivalent of 25 per cent of Sydney’s current annual drinking-water supply by 2035, compared with current use of around 3.5 billion litres and less than 1 per cent⁶.

Australians will not accept what has proven to be a harmful free-for-all imposed by multinational data companies in the United States where communities are revolting against the adverse impact of massive data centres putting enormous strain on energy grids and water supply. Communities have loudly complained about the impact of imposing infrastructure on public amenity and the emission of objectionable levels of noise and heat.

Large tech developers have so far failed to make a persuasive case to Australians about how their projects will benefit the local economy. The empty threat that Australia is simply at risk of missing out on the opportunities they offer is a well-practiced appeal to a collective ‘fear of missing out’. The greater risk is that Australian households and the broader economy face much bigger costs in terms of the trade-off of its invaluable natural water resources, unprecedented demands on electricity supply, the potential loss of amenity for Australian residents and further pressure through electricity bill increases on communities already struggling with the cost of living.

While the scale of data centre investment is significant, the direct domestic value added is more likely to be limited. Returns are more likely to accrue to capital rather than labour with ongoing employment expected to be relatively modest. A large share of capital in data

⁴ NSW Department of Climate Change, Energy, the Environment and Water. *Reforming electricity network connection and cost recovery arrangements for data centres in NSW*. Consultation paper. August 2026.p3

⁵ Australian Energy Market Operator. 2026 Electricity Statement of Opportunities for the National Electricity Market. August 2026. p6

⁶ Rhiannon Shine and Emily Jane Smith. Data centres are vital for the future and AI, but their environmental footprint can be a problem. ABC 7.30. 27 August 2025

centres is foreign owned which means a disproportionate share of returns are likely to flow offshore, especially to the US.

As the *Sydney Morning Herald* reports, for every \$100 that Australians invest in an Amazon, Google or Microsoft data centre, between \$70 to \$80 flows to server manufacturers in the United States, cooling equipment providers in Europe and semiconductor makers in Taiwan.⁷

As the union that represents workers operating and maintaining infrastructure that supplies water and energy to communities, the PSA understands the need for greater accountability and enforceable regulation of multinational data companies. Our members see firsthand the impact that large-scale developments can have on water resources, electricity networks and the amenity of local communities. Australians are right to be sceptical of AI companies with a track record of exploiting their host countries while leaving communities to bear the costs. They are also right to be concerned about the lack of enforceable regulation to ensure that large data centres will be required to pay their fair share of tax, be held to account for their massive energy use, and adequately contribute to replenishing the resources they consume.

Robust safeguards are also needed to protect the ownership of Australian data, the privacy of Australian citizens and the vast quantities of information stored by multinational companies.

The imbalance in economic benefit for Australians and the need to establish sovereignty are obvious. The economic benefit of the investment will depend on how much value is retained domestically. There will be no excuse for neglecting the crucial importance of regulating how data centres consume water and power from the outset.

Indeed, the PSA NSW believes there is no time to delay in establishing a framework to regulate the proliferation of data centres in NSW and to ensure the benefits are equitably shared among working Australians.

Consideration should be given to whether NSW legislation regulating cost recovery arrangements for data centres needs to be applied retrospectively in response to concerns raised on Friday 11 September about dozens of approved, but yet-to-be built AI data projects that threaten to escape the federal government's proposed restrictions around energy and water use. The federal government's proposed legislation is not scheduled to be introduced until early 2027⁸. While details of these proposed standards have yet to be released, Prime Minister Anthony Albanese has said the rules would force data centres to maximise energy

⁷ David Swan, [AI investment in Australia: Data centres drive growth, but is it enough? \(6 April 2026\) *The Sydney Morning Herald*](#).

⁸ Cam Wilson and Cath McAloon, [The bigger, hungrier AI data centres set to escape looming water and power restrictions, \(11 September 2026\) ABC News](#).

efficiency and minimise water use. However, he has also said that these new laws will not apply to projects that have been already approved or under construction.⁹

The PSA NSW believes that absent of the federal laws being made retrospective, it is crucial for NSW to fill the gap and ensure that data centres which have been already approved will be captured under the Electricity Infrastructure Investment Amendment Act 2026.

The PSA NSW supports the introduction of requirements for agreements with data centres to incorporate demand profiles and for recovery of transmission upgrade costs from data centres that have already connected or are seeking to connect to distribution networks.

The PSA would urge the government to ensure that any requirement for network service providers to reduce load in times of grid stress is enforceable through the proposed legislation. Data centres should not be allowed to connect directly to the transmission network to avoid charges.

ABC analysis of planning records and company documents has revealed upcoming projects from Amazon Web Services, Microsoft, AirTrunk, CDC and NEXTDC. The ABC analysis suggests that this new generation of data centres will be significantly larger and more power hungry than existing ones.¹⁰ The ABC has reported that the US tech giant behind the AI chatbot Claude wanted to meet with the NSW government this year to discuss the location of up to 5 gigawatts of data centres in the state – three times the size of Australia’s entire data centre infrastructure. The need for regulation is therefore urgent to ensure it keeps up with the rapid pace of data centre development in NSW.

While the PSA acknowledges speculation of potential benefits to be gained through Artificial Intelligence, the rapid pace of change demands that urgent reform is needed to establish the necessary guardrails the community expects to protect their interests and those of the broader economy.

It is often stated that the rapid growth of the data centre sector in NSW presents an opportunity. However, a persuasive case for precisely what it is that NSW has to gain from being a leading destination for data investment has yet to be articulated to the public.

Australians who have watched the technological tidal wave hit American communities now recognise the need for protection against a similar impact.

⁹ [Ibid](#)

¹⁰ [Ibid](#)

The PSA NSW supports calls for Australia's need to develop its own pro-worker sovereign AI capability. And it strongly urges the NSW Government to ensure data centres are kept in check from the outset of their development in terms of their use of power and water. Data centre developments which have already been approved cannot be allowed to slip under the radar. The experience in the US serves as a warning to Australia about the dangers of allowing unfettered development of data centres without adequate regulations in place. The government risks losing community support for these developments if it does not take adequate account of their use of power and water and the need for adequate cost recovery and regulation seriously. The NSW Government needs to be bold enough to assert that data centres can operate "only on our terms" to avoid the risk of community backlash.

Data centres should not be allowed to increase energy prices for households, nor should they put the security of natural water supply at risk. Promises are not enough. Legislative reform is needed to ensure data centres have no scope to unfairly shift costs onto NSW residents or compromise the reliability of their energy supply. Cost shifting of electricity costs and depletion of natural water supplies will not be tolerated by NSW residents.

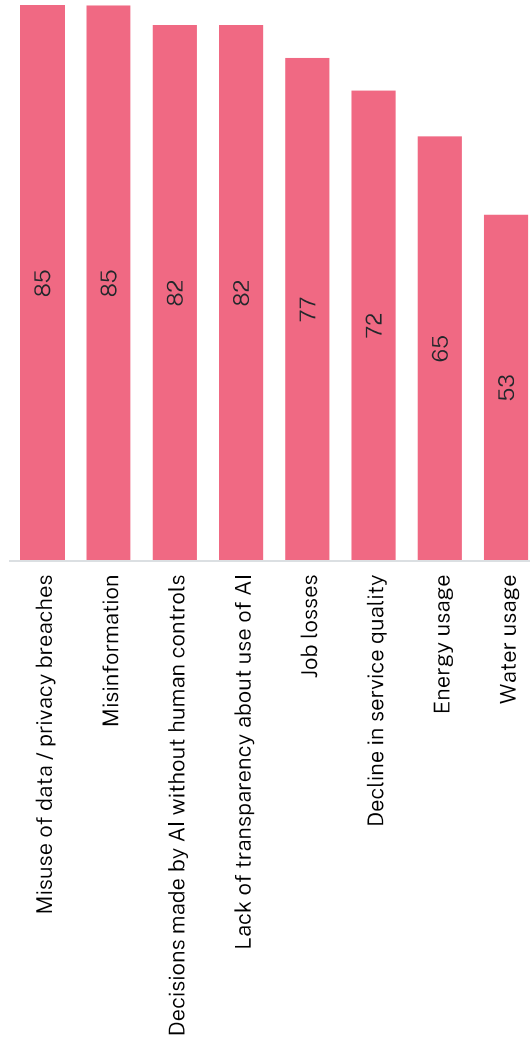
The PSA NSW supports the notion that data centre operators should meet the full costs of the network infrastructure required to service their projects, including through network upgrades and sustainable renewable energy supply. Regard should also be given to the impact of imposing infrastructure on community amenity and any adverse impact of noise and heat emissions. Data centres should not be built in locations where they compete with land that is otherwise suitable for housing. They should also be expected to create fair, safe, secure and well-paid jobs for Australian workers.

Community consultation is essential and should not be neglected at the expense of the public interest in any haste to accommodate the self-interest of data centre companies.

Cost recovery is essential, but cost recovery alone will not make up for the loss of public amenity and loss of water security and reliable electricity supply if the planning and development of data centres is not strictly regulated. Urgent legislative reform is needed to regulate data centres. The stakes are too high to rely on informal assurances or agreements.

Concern about the potential impacts of AI usage

Extremely/somewhat concerned about potential impacts of AI (%)



DCS Customer Sentiment Survey
Base: NSW residents aged 18+
Q. How concerned, if at all, are you about the following potential impacts of AI?
Date: 9 Mar '26