

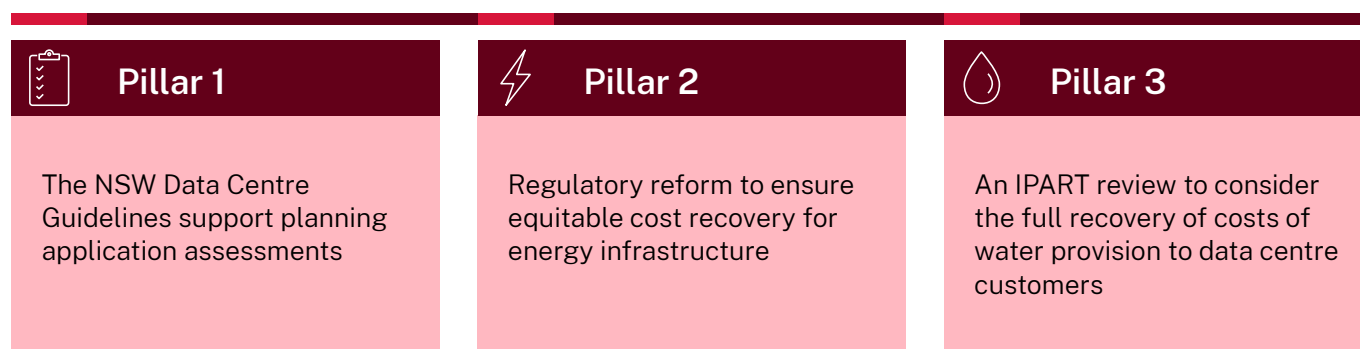
NSW Data Centre Policy Framework



August 2026

The NSW Government supports world-class data centre investment and has designed a policy framework to ensure this investment delivers benefits to the people of NSW, while managing impacts on resources and the community. This rapid growth in investment brings greater demand for water and electricity but also presents opportunities to catalyse investment in rainfall-independent water supply and new energy generation projects.

The NSW Government's Data Centre Policy Framework consists of three pillars that bring together a comprehensive set of policies to be implemented through a range of mechanisms including, the planning system, energy regulations and water pricing:



These three pillars reflect a balanced and evidence-based approach that will support investment in NSW while protecting the interests of households, businesses, and communities. The pillars implement the Australian Government's Expectations of Data Centres and AI Infrastructure Developers, published in March 2026.

Pillar 1 | The NSW Data Centre Guidelines support planning application assessments

The NSW Data Centre Guidelines (Guidelines) articulate the NSW Government's support and expectations for data centre investment in NSW, while managing the resource needs and environmental impacts of growth in data centre activity. The Guidelines are world leading, in bringing together consideration of energy, water, and environmental matters in a comprehensive policy, while also articulating next steps for continued collaboration with stakeholders.



The Guidelines outline performance measures that are built around six principles:

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

The NSW Government will review these Guidelines annually or as required to respond to any material changes in the data centre operating environment, to ensure they remain fit for purpose.



Pillar 2 | Regulatory reform to ensure equitable cost recovery for energy infrastructure

Ensuring that there are no additional costs to consumers is a key principle underpinning the Guidelines. Data centre electricity demand growth is forecast to drive the need for new and accelerated major upgrades to our transmission system. Current regulatory frameworks do not account for this and risk posing costs to other energy users without reform.

The second pillar of the NSW Government's Data Centre Policy Framework involves regulatory reforms to enable equitable cost recovery arrangements and manage risks associated with the connection of large new electricity loads. These reforms will help ensure that the costs and risks of additional energy infrastructure required to support data centre growth are appropriately borne by those creating the need for investment, rather than existing consumers.

Beyond equitable cost recovery, the proposed regulatory changes will allow the NSW Government to develop new access scheme arrangements to proactively manage growth in data centre demand while supporting the energy transition. Interim commercial arrangements will continue to support investment while longer-term reforms are developed.



Pillar 3 | An IPART review to consider the full recovery of costs of water provision to data centre customers

Current water pricing frameworks do not adequately account for the full costs of servicing data centre customers. Data centres are more costly to service than other customers due to larger volumes needed, higher reliability requirements, and proximity of available resources.

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is being commissioned to undertake a review into the water pricing framework for data centres. This review will consider how pricing arrangements can appropriately reflect the costs associated with servicing data centres while supporting continued investment and growth. These reforms will help ensure water infrastructure costs are recovered fairly, promote efficient water use, and support long-term water security for communities and businesses. Interim commercial arrangements will continue to support investment while longer-term arrangements are developed.

The Guidelines and Policy Framework will evolve alongside the data centre sector

The NSW Government is establishing the Industry Advisory Forum. Ongoing engagement through the Forum will ensure policy settings account for evolving technologies and market conditions. The NSW Government will continue to engage with the Australian Government and other jurisdictions as part of this work to support harmonisation. The Industry Advisory Forum will advise the NSW Government and support the delivery of further enhancements to drive energy, water, and data centre investment in our state. More broadly, the NSW Government will:

- consider opportunities to improve efficiency in NSW Government processes
- investigate options to support the future use of renewable fuels in back-up diesel generators and alternative back-up power supply
- refine environmental performance standards for the data centre industry
- update water and energy cost recovery frameworks, in line with regulatory changes and reviews
- facilitate the matching of wind energy generation and grid-scale storage with customers for offtake agreements
- develop an agreed approach to forecasting the impacts of data centre demand to inform coordinated infrastructure planning and staged delivery
- develop a model for skills and training centres of excellence
- build on existing frameworks to develop and agree on a shared future vision of the local content and procurement requirements.

