



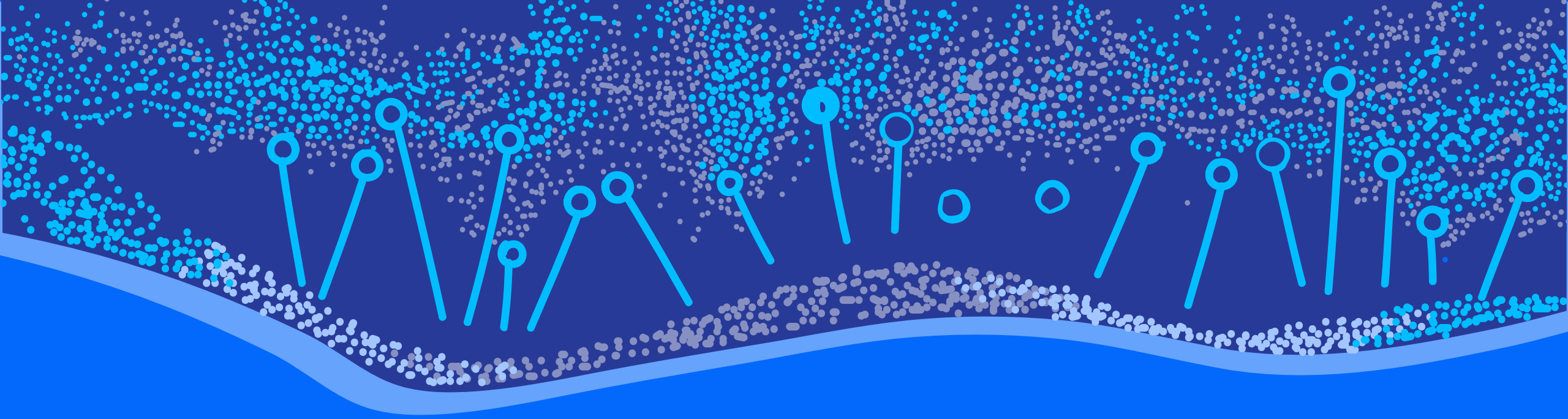
AEMC

Data centre energy obligation

Advice to Energy and Climate Change Ministers

Summary for Ministers

July 2026



ACKNOWLEDGEMENT OF COUNTRY

The AEMC acknowledges and shows respect for the Traditional Custodians of the many different lands across Australia on which we live and work. The AEMC office is located on the land of the Gadigal people of the Eora Nation. We pay respect to all Elders past and present, and the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.



The AEMC has developed targeted advice on requiring data centres to offset their demand

On 8 May 2026, the Energy and Climate Change Ministerial Council (ECMC) asked the Australian Energy Market Commission (AEMC) to provide targeted advice on regulatory pathways to require data centres to fully offset their demand by investing in renewable generation and firming, and by providing demand flexibility. ECMC requested that the advice cover implementation pathways and regulatory design options, with scope, timing, and targeted stakeholder consultation agreed upfront.

This pack presents the AEMC's recommendations for Energy and Climate Ministers. Additional details and information on the findings and recommendations are presented in the *Detailed policy advice*.

The scope of the advice

While data centres are considered critical to the Australian economy, we understand that Ministers hold concerns that an influx of them, during the energy transition, could drive up prices, emissions and impact reliability in the national electricity market (NEM). Based on our understanding, the AEMC has explored policy options that meet four key objectives:

- 1 Ensure data centres **invest in new, additional renewable generation** in their state of operation
- 2 Ensure there is sufficient **firming capacity to support data centre operation**, so the grid and consumers are no worse off as data centre load grows
- 3 Encourage **flexible operation of data centres** so that they respond to system conditions, price signals and network constraints
- 4 Locate data centres more efficiently based on **location signals** to minimise network impacts and mitigate inefficient network augmentations

To guide our assessment of policies and objectives, we developed assessment criteria and considered the overarching principles in the National Electricity Objective (NEO): the long-term interests of electricity consumers with respect to price, quality, safety, reliability, security and emissions reduction.

The policy options we considered focus primarily on reforms that can be implemented through changes to the National Electricity Law (NEL) and/or National Electricity Rules (NER), with some consideration of national emissions and environmental frameworks. We have not explored jurisdictional planning, environmental approvals or other jurisdictional policy options. Since our advice focuses on the NEM, Western Australia and the Northern Territory should consider the suitability of our recommendations for their electricity systems.

To support our analysis, the AEMC engaged with a range of stakeholders

In preparing this advice, we consulted with over 50 stakeholders, including representatives from data centres, networks, generators, retailers, consultants and policy makers from overseas jurisdictions. The focus of consultation was to understand the stakeholder perspectives, rather than test recommendations and policy solutions.

Key themes from stakeholder consultation include:

- data centres understand the policy objectives, with a preference for incentive-based approaches where possible
- some data centres are already contributing to supply-side investment
- regulatory certainty is important for continued investment in data centres, however the critical factors impacting investment are speed of approval, build and connection
- regulatory frameworks should recognise the diversity of data centre business models and their ability to comply with regulations
- not all data centres are the same - capabilities vary significantly across data centres, particularly in relation to demand flexibility, due to differences in operational and commercial characteristics.

We also investigated eight international jurisdictions to understand how they are dealing with similar issues. A clear theme across international jurisdictions is that data centres are increasingly expected to contribute to system outcomes, rather than simply consume electricity. Findings from this review of international jurisdictions and more detail on stakeholder views expressed through consultation are presented in the *Detailed policy advice*.

We recommend a package of complementary policies to collectively and efficiently meet the stated objectives

The Commission recommends a package of four policies to ensure Ministers’ objectives are met. These policies could be applied to all types of data centres connected to the grid that are above a certain threshold size and implemented in stages. Our recommendations are based on preliminary analysis and views, and we recognise that further work is required to refine these policy recommendations. A detailed policy assessment of individual policies is presented in the *Detailed policy advice*. All policies would require further consultation, which could result in further consideration and refinement to the policies.

The recommended suite of policies is outlined in the table below and are explored in more detail on the following slides.

Policy recommendation	Description	How does the policy meet the objectives
 Drive new renewables through the Renewable Electricity Guarantee of Origin (REGO) scheme	Mandate data centres to offset energy consumption with REGO certificates from new renewable generators.	Drives investment in new renewable generation and improves investment attractiveness of renewables.
 Introduce a data centre contract obligation	Mandate data centres to demonstrate their load is covered by firmed capacity through financial contracts and/or through investment in storage and demand flexibility.	Ensures there is sufficient firming capacity to cover data centre loads. Provides incentives for data centres to invest in storage and demand flexibility directly.
 Introduce market registration requirements	Require large data centres to be a registered market participant, providing options for requirements to be placed on data centres (such as policy obligations or telemetry requirements) and supporting voluntary market participation.	Enables data centres to voluntarily opt in to actively participate in the market and provide demand flexibility . Improves visibility of load to the market and provides the regulatory gateway for the data centre contracting obligation.
 Support demand flexibility and co-location with generation through connection agreements	Incentivise demand flexibility and co-location with generation and firming through more streamlined connection agreement processes, supported by jurisdictional planning.	Provides signals and pathways for data centres to locate efficiently in the network and alleviate congestion

The proposed package would address key implementation considerations raised by stakeholders

The proposed package delivers on the Ministers’ policy objectives while also accounting for our current understanding of implementation considerations. It responds to data centre views that the advice should recognise the risks that an overly complex or one-size-fits-all approach would have to the investment case for data centres and renewable energy projects.



Allows flexible regulation for data centres

What we heard: Regulatory requirements should reflect the diversity of data centres.

How this is addressed: Implementing regulations using a flexible framework will support its application to all data centres. For instance, fungible certificates and contracts would allow the proposed policies to apply to all types of data centres, including hyperscalers, co-locators, and smaller data centres. Moreover, our recommended incentives approach for demand flexibility enables bespoke application for all data centres.



Addresses revenue gap for renewable generators

What we heard: There is a revenue sufficiency problem for new renewable generation.

How this is addressed: Analysis in the *AEMC’s submission to the NEM Review* identified a revenue sufficiency problem for new renewable generators. Even a marginal increase in REGO demand may be sufficient to improve the viability of some renewable projects without additional government or consumer funding.



Mandates action without negatively impacting investment

What we heard: Data centres should be required to offset load and be registered, but this needs to be implemented in a way that doesn’t significantly impact investment.

How this is addressed: The package covers the key objectives by mandating investment in the grid and avoiding additional costs being borne by other consumers. Simultaneously, the package has been designed to accommodate different data centre business models, with flexible options to meet requirements to minimise impacts on investment.



Can be implemented quickly drawing on existing frameworks

What we heard: Regulatory certainty is important for continued investment.

How this is addressed: The policy package leverages existing frameworks which are familiar to participants, such as REGOs, AER’s Contracts and Firmness Guidelines for the RRO, the NER chapter 5 connections process, and the market registration framework. Using these frameworks would accelerate the policy’s deployment and reduce any difficulty stakeholders face in complying with new regulations.



Lowest cost obligations

What we heard: Business models for data centres vary and can affect their ability to comply with some regulations.

How this is addressed: The policy package provides data centres with flexibility to find the most cost-effective way to comply with their requirements. For example, this includes data centres finding the lowest cost new renewable generator to source REGOs or investing in the lowest cost behind-the-meter or front-of-meter firming assets.



Policy recommendation 1: Drive new renewables through the REGO scheme

Policy description

New data centres would be **mandated** to purchase REGOs from **new renewable generators** to offset their energy consumption. Liabilities for REGOs would be separated into periods of the day, such as peak, off-peak and potentially shoulder. Each period could have a distinct liability to be matched by REGOs from that period, creating premiums for renewable generation at valuable times without the complexity of hourly load matching. REGO certificates could be bundled with PPAs in a similar way to Large Generation Certificates under the Renewable Energy Target, which has been proven sufficient to underwrite new generation. As only REGOs from new generation would be allowed, the certificate price would automatically adjust to the level required to bring on new generation. Further, this creates a flexible national approach that complements any jurisdiction-specific requirements jurisdictions may choose to introduce for data centres.

Data centre investment in behind-the-meter generation and storage would reduce their REGO obligations. The obligations on data centres could be determined by a proportional coverage obligation, set centrally or by jurisdictions, and could change over time depending on the needs of the jurisdiction. Retailers could also support data centres to meet their obligations. Additionally, interim 'make-good' arrangements could be introduced to enable data centres to better meet their compliance obligations. This scheme could complement jurisdictional and Commonwealth programs, such as requiring REGOs from CIS and/or ESEM projects. Data centres could be required to source REGOs from the same jurisdiction in which they are located. However, this could increase compliance costs for data centres, if the cheapest REGOs are from another jurisdiction. A design option for consideration would be to allow REGOs from existing generators as a temporary transitional arrangement to allow time for new generators to be built and connected.

Implementation pathway

Legal implementation: This policy would be best implemented through amendments to existing Commonwealth legislation (such as the *Future Made in Australia (Guarantee of Origin) Act 2024*). An alternative may be to implement a more limited solution through amendments to the NEL and NER alone.

Key roles and responsibilities:

- **The CER (via Commonwealth legislation)** to determine the offset liability and manage REGO surrender, compliance and enforcement.
- **Data centres** to work with retailers, generators, and developers to source required REGOs.
- **Governments** could support data centres by providing a matching service with any proposed new renewable generators or linking relevant jurisdictional or Commonwealth programs.

Benefits and considerations

Closes the revenue gap for new generators

AEMC analysis for the NEM review identified new renewable developments may face a revenue gap in reaching financial close on the project. This policy would have benefits of closing this revenue gap even slightly to improve the business case for new generators.

Flexible approach to meeting obligations

Allows for the market to determine the optimal approach to meet obligations, without requiring data centres to sign PPAs or contract in a particular way. For example, they could invest in behind-the-meter assets or purchase REGOs. The approach can complement jurisdictional requirements on how data centres contract, including locational requirements.

Complements existing policies and builds a new market

Utilises existing policies, lowering transitional costs for developing, understanding, and complying with the new framework, noting that the REGOs market is relatively new and has had limited trading. The policy can also complement programs such as the CIS and ESEM.

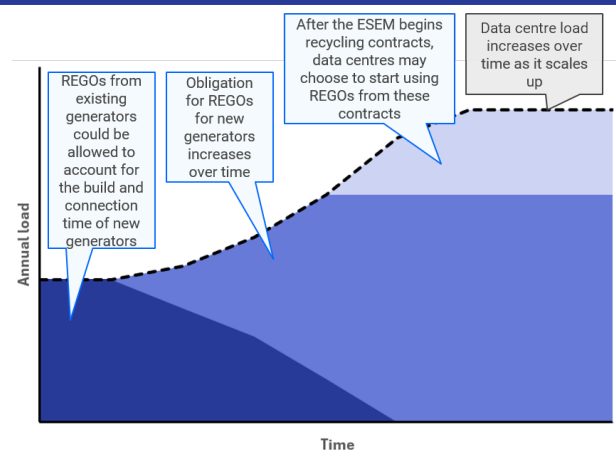
Technology neutral

Technology neutrality on the generation side allows the policy to target the lowest cost renewable generation, minimising the overall compliance costs of the policy.

How would this work?

A data centre may choose to invest in behind-the-meter generation or storage to reduce its REGO obligations. Once operational, the data centre could obtain REGOs through PPAs or other contractual arrangements to offset its load.

Each year, the data centre would surrender REGOs for its consumption in the past year. If a data centre invests in new renewable generation, it could use 'make-good' arrangements to surrender REGOs prior to energisation.



Note: This illustrative example does not distinguish between peak and off-peak REGOs, however this could be introduced over time.



Policy recommendation 2: Introduce a data centre contract obligation

Policy description

New data centres would be required to prove to the AER that they have sufficient ‘firm’ contracts to cover their load. This could draw on the RRO Contracts and Firmness Guidelines, but would be a continuous, separate mechanism to the RRO. The level of firm contracting required would need to be determined, with intermittent renewable contracts having a low firmness factor. A requirement would be introduced that a portion of these firm contracts is from ‘new’ generators and storage facilities. Jurisdictions could have input into the required coverage proportion, enabling the flexibility from opting out to having a very high proportion of coverage. Additionally, there is the option of introducing ‘tiering’ coverage, where larger data centres face more significant obligations.

In assessing firmness, the AER could account for the contract locations and inter-regional reliability impacts if the contracts are from a different region than the data centre. This may incentivise renewable generation and firming to invest in the same regions as data centres. The AER may exclude or de-rate emergency back-up systems that are not active in the market from firmness assessments. Additionally, AER firming assessments would be technology-neutral, however, Ministers could have discretion to exclude specific technologies. The AER may consider longer contracting periods to strengthen the signal for new investment.

To firm renewable contracts, data centres could explore ‘firmer’ contracts (such as a fixed-profile swap), invest in storage or demand flexibility. Data centres unable to fulfil obligations would be subject to early curtailment during load shedding, in addition to appropriate financial penalties. In the scenario that the ESEM begins recycling contracts from the firming service function, data centres could be encouraged to purchase these contracts.

Implementation pathway

Legal implementation: This policy could be implemented through changes to NER alone replicating certain aspects of the existing RRO architecture from the NEL. This may not be entirely fit for purpose, however it would still meet policy objectives under a shorter implementation timeframe. Ideally, changes to the NEL would be used to adjust the existing RRO architecture in the NEL to incorporate the additional policy objectives. This policy would also require mandatory registration to support it.

Key roles and responsibilities:

- **The AER** to determine and assess contract coverage requirements and positions under the scheme. The AER would also need to develop firmness methodologies and update guidelines.
- **Data centres** to work with retailers and generators to ensure they are sufficiently contracted.

Benefits and considerations

Market confidence

Provides market participants with confidence to invest in firming capacity and firmer renewables (such as renewables co-located with storage or better suited to supporting reliability) to support data centre load growth.

Flexible approach to contracting

Allows for the market to determine suitable contracts to meet obligations, as data centres are only required to meet their overall obligation. The policy can complement any jurisdiction-specific requirements introduced for how data centres contract.

Fast implementation utilising existing framework

Utilises the existing RRO contract and firmness guidelines, lowering transitional costs for developing, understanding, and complying with the new framework, and allowing learnings from the RRO to be implemented in this new requirement, enabling a faster implementation.

Compliance complexities would need to be worked through

Potential complexities in determining contract firmness, particularly for renewables.

How would this work?

A data centre may invest in behind-the-meter storage and demand flexibility, combined with financial contracts to meet its contract firmness obligations.

Each data centre would have the flexibility to choose its preferred method for demonstrating its firmness, in accordance with the AER guidelines.

The data centre would present its portfolio of firm contracts to the AER to verify obligations have been met.

Renewables

Example approaches to meeting obligation:

- Long-term (e.g. 15-year) run-of-plant PPA with REGOs included between data centre and renewable generator. No physical firming (such as storage).
- Data centre buys a long-term fixed volume or index swap from a renewable generator with REGOs (this is a firm contract).
- Data centre invests in BTM renewable generation to reduce REGO obligation.

Firming

Example approaches to meeting obligation:

- Data centre buys sufficient firming contracts, such as swaps or \$300 caps, to meet firming requirement.
- Data centre enters into a virtual tolling agreement with a storage asset to firm the existing PPA it has signed with a solar farm.
- Data centre firms its supply with BTM storage or demand flexibility capabilities to physically firm assets.

AER conducts assessment of firmness of contracts and physical assets, and approves these offset approaches



Policy recommendation 3: Introduce market registration requirements

Policy description

Data centres would be required to be registered with AEMO if they are larger than a defined threshold. This registration requirement could also act as a means through which the contract coverage obligation (recommendation 2) is implemented in the NER and possibly NEL. It would also provide increased visibility of data centre load in the NEM to support AEMO in making accurate demand forecasts and operational decisions.

Data centres could register under existing participant categories or under a new participant category developed specifically to cater for large inverter-based loads. The registration requirements for data centres should be relatively light touch compared to scheduled generators or market customers, reflecting their different contributions to the NEM. There may be value in requiring registered data centres to be able to comply with directions from AEMO to maintain or restore the security or reliability of the power system.

Data centres would have the option, but would not be obliged, to actively participate in the market. While registration would be mandatory, market participation would be voluntary and incentivised through existing market signals, recognising the differing capabilities of data centres. Data centres would still be able to engage a retailer through normal processes.

If possible and appropriate, this reform should align with other processes being developed, such as the Market Visibility Framework.

Implementation pathway

Legal implementation: This policy could be implemented through changes to the NER.

Key roles and responsibilities:

- **AEMO** to manage the registration process and register for data centres and update relevant guidelines to enable participation under any existing or new categories.
- **Data centres** to meet any registration requirements.
- **AER** would be responsible for monitoring, compliance and enforcement for data centres that are registered participants, with respect to their agreed performance standards in the connection agreement.

Benefits and considerations

Supports other regulatory reforms

Facilitates implementation and practicality of other regulatory reforms that deliver objectives, as obligations can be imposed through the NER on registered participants

Provides operational visibility of data centres

Registration requirements could have obligations to provide telemetry data to AEMO in real-time, allowing accurate demand forecasts and effective power system management

Enables data centres to provide demand flexibility to the market

Market registered data centres would have the option to provide demand flexibility in response to existing incentives (primarily spot prices). If they are registered, AEMO's operational intervention powers (such as directions) could be applied to require demand flexibility in response to periods of market or system stress.

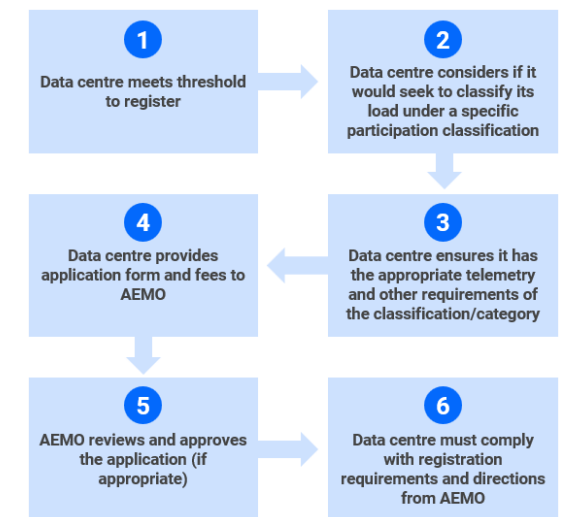
Utilises existing and/or proposed frameworks

Existing participant categories could be utilised for data centre registration, however other proposed frameworks should also be considered (such as AEMO's Market Visibility Framework or Operational integration and visibility rule change). In either case, registration would occur through the existing market registration framework.

How would this work?

Under this policy, a data centre over a certain MW threshold would be required to register with AEMO. The data centre would choose the registration category most suitable to its operations and business model.

To be a registered participant, the data centre may need to comply with technical standards, such as telemetry requirements, having access to AEMO IT systems, and the ability to meet any ongoing compliance obligations.





Policy recommendation 4: Support demand flexibility and co-location with generation through the connection agreement process

Policy description

The connection framework under the NER can provide a pathway for data centres to offset the impact of their electricity demand. We recommend three key reforms to the NER:

1. **Co-locating with existing renewable generation or firming:** Incentivise co-location of data centres with existing generation and storage assets that currently experience curtailment by introducing a streamlined connection pathway under the NER. The connection process could, for instance, rely on existing network studies and standardised assessment requirements, reducing the complexity, cost and time associated with modelling and testing.
2. **Connecting with new firming:** Establish a streamlined connection pathway for data centres located behind a BESS or other firming asset that provides load smoothing under the integrated resource system framework. In these circumstances, only the front-facing plant would be required to comply with the relevant technical access standards, rather than both the front-facing plant and the data centre behind it. This would reduce compliance complexity.
3. **Flexible demand agreement:** Introduce a framework in the NER that allows data centres to voluntarily enter into flexible demand agreements with networks. Data centres could reduce or shift demand in response to network conditions, helping to alleviate congestion and defer the need for network augmentation. In turn, data centres could benefit from a faster connection process, and their behaviour would benefit the grid.

We also recommend that jurisdictions develop and maintain a **data centre infrastructure plan** in consultation with NSPs to identify optimal locations for new developments, taking into account electricity network capacity, water availability and other relevant infrastructure considerations.

Implementation pathway

Legal implementation: This recommendation could be implemented through changes to the NER. No NEL changes are required, other than where an increase in civil penalty amounts was considered appropriate to incentivise compliance (could be implemented at a later stage).

Key roles and responsibilities:

- **NSPs and data centres** would be responsible for negotiating connection agreements for data centres to achieve the three policy objectives listed above.
- **AEMO** would have an advisory function for any new technical access standard in line with its existing responsibilities.
- **Jurisdictions** would be responsible for working with NSPs to develop and maintain a register of optimal and efficient locations for data centres to connect.

Benefits and considerations

Links firming to promote reliability with speed to market for data centres

Provides data centres with confidence to invest in firming capacity to support data centre load growth, by providing a clear regulatory process. Speed to market is critical for data centres, and this approach harnesses that incentive.

Incentivises demand flexibility

Allows data centres the option to agree to demand flexibility in the connection agreement, which could be incentivised through a speedier connection process. Flexibility could also mitigate the need for costly network augmentations needed to support reliability.

Utilises existing NER frameworks that can be supplemented with coordinated planning

The existing connections framework, that is robust and well known across industry, could be utilised. The framework can also be supplemented with requiring jurisdictions to develop and maintain a data centre infrastructure plan, in consultation with NSPs.

Supports other recommended pathways

If a data centre connects with firming, this could contribute to any data centre contract obligations.

How would this work?

Data centres would have a more streamlined process when they negotiate with NSPs on:

- co-locating with existing renewable and firming
- connecting with new firming
- providing demand flexibility

This could be improved by enhancing the NER chapter 5 connection process to streamline modelling and testing requirements when the data centre provides flex or co-locates with generation.

Data centre negotiates with NSP

- Negotiate on...
- » Demand flexibility?
 - » Firming?
 - » Co-location?
 - » Access standards?
 - » Reliability impacts?

Data centre signs connection agreement

We will work with industry and market bodies to further develop the recommended policy package

The Commission recognises that further detailed consideration and policy design would be required to progress and refine this package of policies, *including a more fulsome consideration of the relative costs, benefits and risks of each recommendation*. If Ministers endorse the proposed policy package, we will work with industry, market bodies and governments to develop the detailed design of the policy package.

Key questions for the next stage of policy development

 Recommendation 1: Drive new renewables through the REGO scheme	 Recommendation 2: Introduce a data centre contract obligation	 Recommendation 3: Introduce market registration	 Recommendation 4: Support demand flexibility and co-location with generation through the connection agreement process
• To what degree should data centres offset their load with REGOs? How would the offset obligation be determined? • Can the NGER framework be leveraged to determine liabilities? • To what degree should demand flexibility and BTM storage reduce REGO obligations? • Should REGO obligations be based on time periods of energy consumption? If so, how should the periods be defined? • How extensive and flexible should make-good arrangements be? • What should the timing around REGO surrender and verification be? • What level of auditing and compliance would be required for the proposed scheme? • How could this policy be refined to improve bankability for new renewable generators? • Should inter-regional REGOs be allowed to meet obligations?	• How do we define who is the liable entity to meet the contracting requirement? • What approach should be adopted to determine the level of firm contract requirements? • What approach should be considered to determine the level of new assets underwriting contracts? • To what degree should demand response and BTM storage reduce firmness requirements? • How often should data centres verify firm contracts with the AER? How should demand forecasts be conducted? • Should the requirements of the policy be tiered based on the size of the load? How should portfolios of data centres be accounted for? • How should ESEM contracts be included? • How will this interact with recommendation 1?	• What is the threshold size for data centres to be registered? • What are the appropriate participant categories? Are new categories needed? Could this integrate with market visibility reforms being progressed by AEMO? • What changes are needed to support inclusion in multiple classifications? • What arrangements are required to ensure the relationship between data centres and retailers is not impacted? • How could data centres best be incentivised through the market to provide demand flexibility? • What requirements should form part of the registration (e.g. telemetry, forecasting)?	• How can incentives deliver efficient and preferred outcomes, such as demand flexibility, without stifling data centre investment? • What regulatory changes are needed in the NER to align connection agreement negotiations with the policy objectives? Are any changes to NSP incentives or requirements needed? • How could existing compliance and enforcement arrangements be leveraged to support this approach, particularly if data centres breach contractual requirements? • What steps are needed for jurisdictions to develop data infrastructure plans? Could data centres be incentivised or required to locate according to these plans? Could these plans leverage work being conducted by AEMO on the Demand Side Statement of Opportunities?

This is not an exhaustive list of questions to consider for the next stage of policy development. We recognise that there are many detailed policy decisions that need consideration. Further policy decisions common across all recommendations include: consideration of transitional arrangements, potential for stronger obligations based on data centre size, whether obligations should apply only to data centres or to large inverter-based loads in general, and consideration of other jurisdiction-specific policies.

There are several key steps for Ministers to progress the policy package



Next steps for NEM jurisdictions

If governments endorse the recommended policies, some next steps could include:

- **Engage with data centres, networks, renewable generators, investors, market bodies and market participants** to test and refine the proposed package of policies.
- **Engage the AEMC to further develop the details** of the policy package and understand legislative pathways.
- **Consider any additional powers, responsibilities and resources** required for AEMO, the AER, and the CER to administer this package.



Considerations for non-NEM jurisdictions

Considerations for non-NEM jurisdictions should they wish to progress similar reforms include:

- If implemented through Commonwealth legislation, **REGO obligations could be applied at a national level**
- Contract **firming obligations may not be required** in the WEM given the already operating capacity mechanism
- **Market registration should be considered in all jurisdictions** to better equip the system operator with the tools to manage data centres moving forward
- **All jurisdictions should consider options around factoring in network impacts** in the connection process

There are options to stage the implementation of the reforms

The Commission is conscious that while there are multiple elements to the policy package, not all elements need to be implemented on the same trajectory. A possible staged implementation for the policy suite is shown below. Obligations on data centres would commence following the legislation and rule change processes.

APPROACH 1

Stage 1: Commonwealth develops REGOs through Commonwealth legislation

Benefits:

- Likely faster path to implementation. CER would monitor and enforce compliance

Considerations:

- Creates a disjointed approach between NER requirements for firming and Commonwealth requirements for renewables.
- Could be some drafting complexity for mandatory surrendering of REGOs.

Stage 2: Rule changes to develop market registration, data centre contract obligation and connection agreements

Benefits:

- Utilising the NER could be a faster path to implementation through AEMC rule changes than through approach 2.
- Full package of NER requirements implemented concurrently, giving greater certainty to data centres
- Jurisdictions may have the ability to opt-out of contract obligations

Considerations:

- Current RRO NEL framework is not fit for purpose.
- Penalties and enforcement would be limited to existing NER civil penalties and curtailment, which may not be adequate.
- New role for the AER, which may need additional staffing and funding to develop the necessary guidelines.

APPROACH 2

Single package of reforms: NEL and NER changes

Benefits:

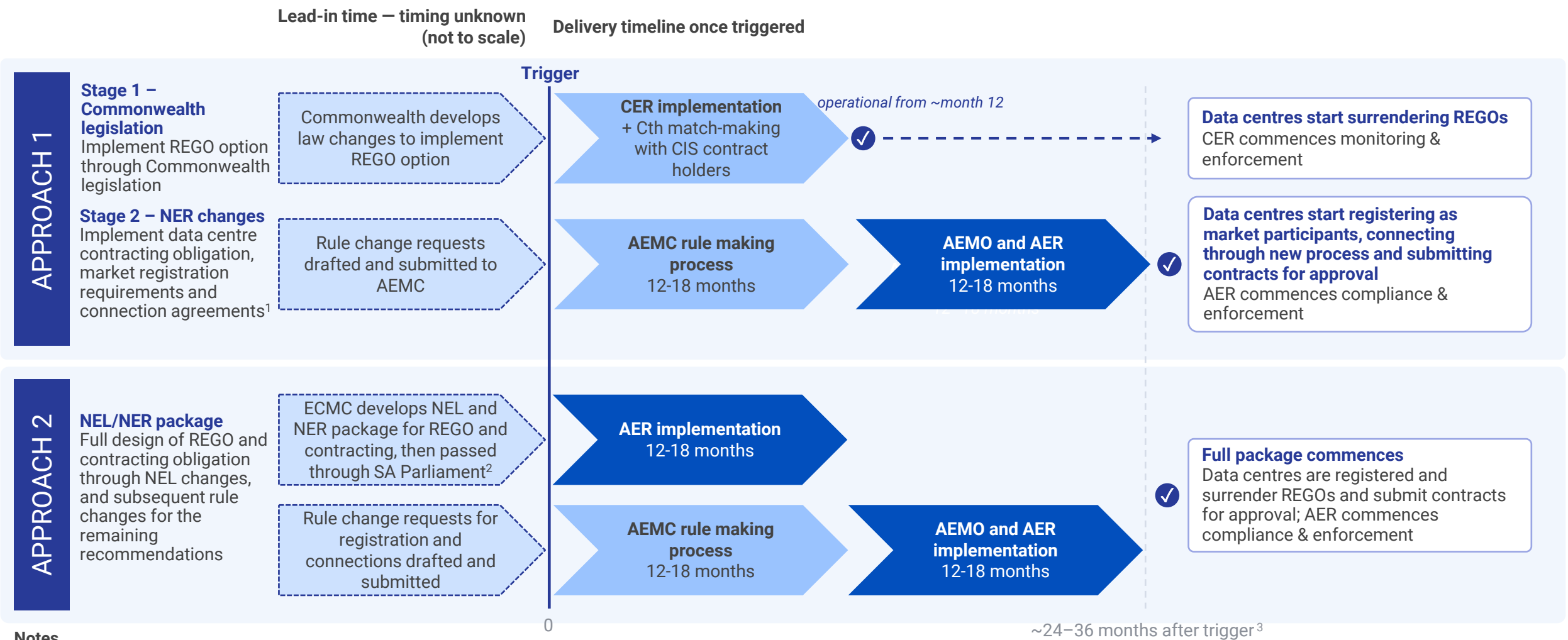
- Would bring stages 1 and 2 together to make a complete, cohesive package.
- Avoids disjointed and separate requirements, allowing for any future changes to be easily implemented within fit for purpose architecture.

Considerations:

- Would take more time than the other approaches, which could create regulatory uncertainty during the interim period. However, this could be mitigated if the overall design is developed together.
- REGO option through the NEL would open up a possible role for AER to monitor and enforce REGOs, which is beyond their current role.

Each approach has different implementation pathways and timelines

Obligations on data centres would commence following the legislation and rule change processes.



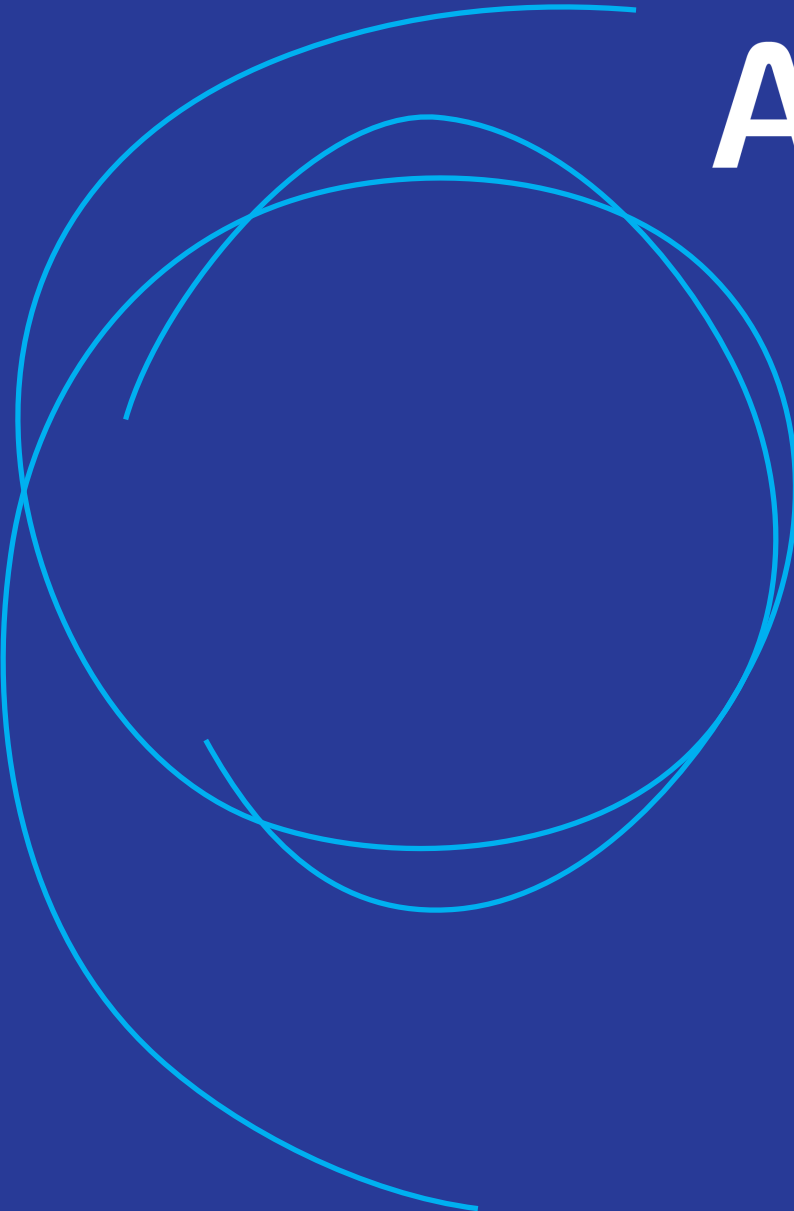
Notes

¹ Could include the rule change request from AEMO regarding operational visibility of data centres

² Timing dependent on the schedule of the South Australian parliament.

³ Indicative; dates have not been consulted on and would be subject to the complexity of the underlying policy, parliamentary legislative windows, industry preparedness, and statutory timeframes required to develop and consult on rules, procedures and guidelines.

⁴ We recommend that any changes implemented are not applied retroactively or retrospectively. If Ministers are minded to implement the policy retroactively or retrospectively, they would likely require changes to the NEL (depending on how the detailed policy settings may affect existing rights and obligations), which could not be achieved through Approach 1.



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