A Submission to the Tasmanian Government's Draft Statement of Expectations for Data Centres and AI Infrastructure Developers

9 October 2026

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TasNetworks acknowledges the palawa (Tasmanian Aboriginal community) as the original owners and custodians of lutruwita (Tasmania). TasNetworks, acknowledges the palawa have maintained their spiritual and cultural connection to the land and water. We pay respect to Elders past and present and all Aboriginal and Torres Strait Islander peoples.

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1. Executive Summary

TasNetworks welcomes the opportunity to provide feedback on the development of the Tasmanian Government's Statement of Expectations for Data Centres and AI Infrastructure Developers. We also acknowledge the strong engagement between TasNetworks and Renewables, Climate and Future Industries Tasmania to date, including consultation on the draft Statement of Expectations in July 2026.

TasNetworks supports the Government's objective of attracting responsible investment in data centres and AI infrastructure where projects deliver long-lasting benefits to Tasmania, while maintaining a safe, reliable, secure and affordable electricity system for all Tasmanians.

TasNetworks considers that achieving these outcomes requires a careful balance to ensure any new obligations do not inadvertently deter or constrain demand side infrastructure investment in Tasmania that could support further economic investment in generation projects in the state and importantly put direct downward pressure on transmission network charges for all existing customers.

From TasNetworks' perspective, Tasmania stands to realise significant benefits by facilitating and supporting data centre and AI infrastructure investment, but this support should be contingent on projects being demonstrably compatible with the electricity network and not leaving existing customers worse off.

The highly regulated environment that TasNetworks operates in and the obligations on us and proposed connecting parties, provide a sufficient framework for connecting new large customers to our network, whilst protecting the interests of existing customers and ensures the network can operate in a safe and reliable way.

Further, TasNetworks recommends that the final Statement of Expectations expressly recognise that the national regulatory framework is evolving. TasNetworks' preference is to avoid creating Tasmanian requirements that duplicate or conflict with requirements subsequently established through the National Electricity Rules. Instead, the overarching Statement should establish high-level Tasmanian expectations and provide that technical and market requirements will be implemented consistently with the Rules as amended from time to time.

This submission:

- Provides an overview of the existing regulatory framework that TasNetworks operates within, including its role and obligations placed on it
- Provides feedback on relevant proposed Expectations and suggests areas for strengthening to assist ensuring the Government's objectives are met

1.1. About TasNetworks

TasNetworks owns, operates and maintains the Tasmanian electricity transmission and distribution networks, delivering safe, cost-effective and reliable electricity to over 295,000 residential, commercial and industrial customers. TasNetworks provides transmission and distribution network services in Tasmania and on Bruny Island but does not provide network services on either King Island or Flinders Island.

TasNetworks is owned by the State of Tasmania and operates as a commercial business, with regulated assets of $4 billion. Our networks comprise 3,350 circuit kilometres of transmission lines and underground cables, 49 transmission substations, 22,910 kilometres of distribution power lines and underground cables, nearly 233,000 power poles, 18 large distribution substations and 33,000 small distribution substations. TasNetworks also operates a telecommunications network that supports the operation of our electricity networks, and owns, maintains and operates about 50,000 public lights on behalf of councils and other government road authorities.

TasNetworks' transmission network delivers electricity from generators to directly connected transmission customers and to the distribution network, and connects the Tasmanian power system to Basslink, the interconnector that links Tasmania with the Victorian electricity grid and the National Electricity market (**NEM**). Our distribution network delivers electricity to Tasmanian households and businesses. There is also a growing requirement for the distribution network to accept electricity generated by consumers (e.g. from households with rooftop solar panels).

1.2. TasNetworks' Role and Obligations

TasNetworks exists to serve Tasmanians and every decision we make is anchored in our priorities of safety, reliability, lowest sustainable pricing, and preparing Tasmania for a stronger energy future whilst embracing change driven by our customers. Also, under our Shareholder Member's Statement of Expectations, TasNetworks is expected to support the attraction of new and expanded load in line with the State's economic priorities and in accordance with the National Electricity Law.

TasNetworks is the jurisdictional planning body in Tasmania, which means we are responsible for transmission system planning and development. Our planning activities are undertaken within the National Electricity Rules (**the Rules**) framework. Our network planning strategies consider and support the objectives of the Tasmanian Government's energy policies, including utilising renewable energy as a key economic driver in Tasmania.

As a Transmission Network Service Provider (**TNSP**), TasNetworks manages the connection process and is the main point of contact for transmission connection applicants. TasNetworks is agnostic to the type of connection, we will connect the new Marinus Link interconnector, new wind farm and solar farm generators, and other new major load customers, such as hydrogen and E-fuel customers, Artificial Intelligence (**AI**) factories and data centres, and battery energy storage systems to our transmission network.

TasNetworks must treat all connection applicants fairly and equitably to comply with its obligations under the Rules and competition law. All connection applications are assessed on their merits and progress through the same defined stages satisfying the Rules Chapter 5.3 process. TasNetworks cannot provide preferential treatment by guaranteeing a connection outcome, or reserving network capacity ahead of a project meeting the required criteria for commitment. A load project is considered to have reached committed status when the proponent has obtained all required planning and construction consents, land has been procured, financial close has been achieved, and the Chapter 5.3 process of the Rules is complete. The final required step being that there is a signed Connection Agreement that is either unconditional or all conditions within it are satisfied.

Importantly, the NEM operates as an open access regime, and under the Rules, TasNetworks is obligated to connect any party that would like to (contingent upon all regulatory, technical, and commercial requirements being met).

1.3. Emerging NEM Reforms

TasNetworks considers that the Tasmanian Government's Statement of Expectations should be developed consistently with, and anticipate, the emerging national regulatory framework for large data centres and other large inverter-based loads.

Since the draft Expectations were developed, the Australian Energy Market Commission (AEMC) has commenced a substantial program of work addressing the connection, operation, cost allocation and system impacts of data centres and other large loads.

TasNetworks supports alignment between the Tasmanian framework and these national reforms wherever practicable. This will provide greater regulatory consistency for proponents, reduce duplication and ensure that Tasmanian network and system requirements remain consistent with the National Electricity Rules.

2. Feedback on draft Expectations

In line with the Principles of the draft Statement of Expectations, TasNetworks provides the following feedback on the relevant Expectations.

2.1. Maximising benefits to Tasmania

Connecting more load to the transmission network puts direct downward pressure on electricity prices for all Tasmanians. Under the Australian Energy Regulator's (AER) regulatory framework, the total transmission revenue TasNetworks can recover over each five-year regulatory period is capped, meaning these network costs are effectively fixed.

Given this, expanding the customer base spreads this shared cost across a broader volume of demand, lowering charges for existing customers. Crucially, this benefit extends beyond major industrial customers. With roughly 60 per cent of transmission costs recovered from distribution customers, adding large-scale load also directly reduces network charges for households and small businesses, delivering on TasNetworks' core commitment to provide the lowest sustainable prices for all customers.

New large loads can deliver broader benefits, including:

- state wide economic investment and growth through the construction of new renewable generation to power new loads,
- job creation through planning, design, construction, and operation of new industries,
- increased utilisation of existing transmission infrastructure, i.e. better value for our customers,
- a broader and more diversified customer base which can mitigate the risks of existing loads such as our Major Industrials exiting,
- the predictability of large load blocks and the flexibility that these can offer to respond to system issues and supporting stable network operation, and more large loads that can participate in transmission network protection schemes such as the Frequency Control System Protection Scheme to ensure there is sufficient transfer capability available on interconnectors, maximising the value of assets like Basslink and Marinus Link, and further supporting the state in reaching its legislated renewable energy target.

Further to the above, data centres and AI factories specifically introduce high-utilisation demand that can deliver material commercial benefits. Commercially, their long-term power purchase agreements provide the certainty needed to underwrite new renewable generation, overcoming first-mover impasses while establishing capacity headroom for future industries.

Along with TasNetworks' role described above, it has an integral role to play in meeting Tasmania's growing need for electricity, by delivering projects such as the North West Transmission Developments and connection of the proposed Marinus Link interconnector (together known as Project Marinus).

Project Marinus is a pre-requisite for doubling Tasmania's clean energy generation, boosting Tasmania's energy security and, in the longer term, keeping downward pressure on electricity prices for Tasmanian businesses and households. Project Marinus is key to unlocking the investment in new renewable generation needed to meet the State's growing demand for electricity.

2.2. Engagement with Tasmanian Government

TasNetworks supports the role proposed for the Office of the Coordinator-General (OCG) as a central point of coordination. However, as noted in the draft Expectations, it is important the OCG's role should complement, rather than replace, the independent technical and commercial roles of TasNetworks and other infrastructure providers.

In particular, the final Expectations should consider making clear that:

- Government investment facilitation does not constitute a commitment to network capacity;
- Government support for a project does not alter TasNetworks' obligations under the Rules or other applicable requirements; and
- Connection capacity and network investment remain subject to the relevant technical, regulatory, commercial and investment processes.

This distinction will provide greater certainty to both proponents and existing customers.

2.3. Supporting Tasmania's Energy System

When referencing Tasmania's energy system, TasNetworks' considers it important to differentiate between 'energy security' and 'power system security'. TasNetworks, as the jurisdictional network planner is accountable to ensure the network is planned and operated to maintain power system security, whereas energy security is not our accountability and we do not have power to control it.

2.3.1. Firming Arrangements

Securing energy and firming services sits outside the standard Network Service Provider's connection process. TasNetworks does, however, consider energy arrangements as part of the obligation to maintain overall power system frequency and power system security through the application assessment process in coordination with AEMO.

Switching or cycling of large loads independently of market dispatch can disrupt or even damage generators and other grid customers. To prevent this, TasNetworks expects large variable loads to

coordinate with the established market dispatch or demonstrate adequate firming services to protect grid stability in line with frequency operating standards. TasNetworks considers this position is in line with Government expectations that data centres do not comprise the stability, security and operation of the network.

2.3.2. Energy Security

As mentioned further above, energy security is only one part of the energy system overall and not enough emphasis has been placed on power system security which is a critical function that TasNetworks maintains.

As part of their obligations in the connection application process under the Rules, all applicants must demonstrate they satisfy the Rules' technical requirements prior to an offer to connect being issued. This includes not adversely impacting the wider power system and other network users. This evidence must be reviewed and approved by both TasNetworks and AEMO.

To continue to maintain power system security, TasNetworks requires all connecting loads to have Fault Ride Through (FRT) capability to withstand network disturbances. Additionally, loads must demonstrate appropriate coordination with generation dispatch to ensure ongoing compliance with the NEM frequency operating standards.

TasNetworks suggests also including an expectation for new connections to participate in wide area protection and control schemes to minimise costs to the existing customer base. It should be noted that whilst TasNetworks operates protection schemes such as the Frequency Control System Protection Scheme to ensure there is sufficient transfer capability available on interconnectors, there is a cost to parties that opt to participate, and incentivising participants is currently solely a commercial decision for Hydro Tasmania.

Based on the above, TasNetworks suggests broadening the "Energy Security" section to emphasise the importance of 'Power System Security' with the suggested inclusion below:

> *Maintaining a reliable, stable, and secure power system is a fundamental prerequisite for connecting any new major customer to the Tasmanian network. To ensure ongoing operational integrity, proponents must demonstrate that their projects will not cause adverse impacts on the grid or other network users.*
>
> *Proponents are expected to demonstrate that their facility possesses the core technical capabilities required to safeguard network reliability. Data centre developments must meet the following baseline requirements for successful grid integration:*
>
> - *Continuous operation through credible network disturbances via robust* ***Fault Ride-Through (FRT)*** *capabilities.*
> - *Alignment of load demand with generation via active* ***NEM central dispatch participation*** *or approved automated control schemes to mitigate frequency risks.*
> - *Integration with* ***Tasmanian wide area and emergency control schemes****, including Special Protection Schemes (SPS) and Under-Frequency Load Shedding (UFLS).*

- *Submission of validated, site-specific* ***EMT (Electromagnetic Transient) and RMS (Root Mean Square) power system models*** *consistent with AEMO modelling requirements to assess technical compliance and network impact.*

From TasNetworks' perspective, the above requirements, together with the anticipated rule changes currently with the AEMC should provide a clearer, more suitable framework for data centres to connect to the Tasmanian transmission network without negatively impacting power system security.

2.3.3. Paying for network costs

Under the Rules, and consistent with the Draft Expectations, any dedicated connection assets that need to be constructed and installed for the purpose of connecting a single customer to the transmission network, must be paid for solely by that customer. This includes all stages of a customer's project, from the initial connection enquiry to design, and commissioning.

Where augmentation to our shared network is required to enable connection of a new customer to the transmission network, TasNetworks works to identify both network augmentations, and non-network alternatives, that will maximise net economic benefit to all customers in Tasmania. Through our network planning process, we ensure the solutions implemented by TasNetworks balance both the economic and technical requirements of customers and the network.

Any shared network augmentation required (above a threshold value) will only proceed following a Regulatory Investment Test (**RIT**), which is a public process set by and subject to oversight by the AER. The purpose of a RIT is to substantiate the need for the investment and identify the preferred network (or non-network) option that maximises the net economic benefit to the electricity market.

The RIT process also ensures investment decisions are only made in the long-term interests of customers, in line with the National Electricity Objective. It should also be noted that connecting parties can opt to fund shared network augmentations themselves. This approach may reduce augmentation timeframes (including removing the need for a RIT) and removes the burden on the broader customer base.

TasNetworks supports the Tasmanian Government establishing a clear expectation that the development of large data centres should not result in existing electricity customers bearing costs or risks that are properly attributable to the new load.

Consideration should, however, be given to risks associated with staged data centre developments and where network capacity requests from proponents are not maintained over the longer term resulting in potential 'capacity banking', or in the case of shared asset augmentation, 'asset stranding' which the AEMC is considering as part of the rule change request packages. Mechanisms such as 'make-good clauses' or holding security for those shared network assets may reduce this risk. We recognise this represents a balance between attracting investment and additional customers to the network (which should bring net benefits) and managing risk to existing customers.

3. Further Information

TasNetworks appreciates the opportunity to provide input into these critical matters. Should you have any questions in relation to our response please contact Aaron Vlahov at [redacted]



www.tasnetworks.com.au

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