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Update on network capacity and connection pathway for data centres in the Sydney basin

Dear applicant,

I am writing to provide an update on transmission network capacity remaining in the Sydney basin for new large-scale data centre loads, the augmentation needed to unlock further capacity, and the approach to capacity allocation. We recognise that network capacity, timing and cost are critical considerations for investment and procurement decisions. We are therefore providing this update to data centre proponents at the same time so that decisions can be made based on a clear and consistent understanding of network capacity and connection opportunities.

Transgrid supports data centre investment in New South Wales and is committed to fairly and safely connecting new load to the network while safeguarding the interests of all electricity consumers. Data centre load continues to grow at an unprecedented, rapid pace. Connection enquiries representing more than 20 GW of data centre load, about double NSW's current peak demand, have been lodged with Transgrid.

This pace and scale of data centre growth presents a shared challenge for all electricity network providers that service the Sydney basin. Decisions made by Transgrid and other network service providers over the coming months will influence how the electricity system supports future demand well into the 2030s as data centre demand ramps up. If we don't take action now, there is a genuine risk of reliability issues and supply constraints. Transgrid is therefore applying a consistent and transparent approach to each proponent to ensure we maintain a secure and reliable system, consumers are not worse off now and in the future, and connections are facilitated in compliance with the National Electricity Rules.

Capacity in the Sydney basin

Our previous letter dated 17 June 2026 confirmed that Transgrid has signed connection agreements with data centres representing approximately 1.5 GW of demand in Western Sydney. This demand can be accommodated within Transgrid's existing network capacity.

Following these commitments, the existing transmission network in Western Sydney and the broader Sydney basin has limited remaining capacity to support additional large-scale data centre connections. As a result, further capacity can only be made available by augmenting the transmission network.

This reflects the interconnected nature of the Sydney basin transmission network, where new large-scale loads in one part of the network affect capacity across the broader system. As such, Transgrid is unable to offer capacity to any prospective connection applicants in this region unless the appropriate network augmentation is undertaken with the connection.

Augmentation is required to unlock further capacity

Transgrid has undertaken analysis of potential transmission network augmentations to facilitate more network capacity. Based on the information currently available to us, Transgrid's assessment is that augmentation of the transmission network could unlock up to 2 GW of additional capacity for data centre connections across the Sydney basin. This assessment will continue to be refined as planning work progresses and additional information becomes available. At a minimum, Transgrid expects these augmentations to involve:

- the establishment of a South Creek 500/330 kV substation;
- new 330 kV transmission line capacity between South Creek and Sydney West 330 kV substation;
- works at Sydney West 330/132 kV substation;
- additional dynamic and static compensation for voltage and reactive power support; and
- for connections remote of South Creek and Sydney West 330 kV, any additional augmentation required to increase network capacity between these sites and the point of connection.

Consistent with recent Commonwealth and NSW announced regulatory reforms, Transgrid confirms that where transmission network augmentation is needed to facilitate a new data centre connection, the costs of those augmentations will be borne by the data centre proponent creating that need rather than electricity consumers more broadly.

In addition, Transgrid confirms that:

- these network augmentations will be paid for by the proponents and where they are used by multiple proponents, such costs will be shared between those proponents. The terms and conditions of how the network augmentation will be provided and the costs of the network augmentation are subject to negotiation between Transgrid and proponents; and
- charges associated with connection assets used by a single proponent are not shared and remain payable in full by that proponent in accordance with existing regimes under Chapter 5 of the NER.

Network capacity is being allocated on a market-led basis

As capacity is created through transmission network augmentation, Transgrid intends to allocate that capacity through a market-led, first-to-commit approach to the allocation of capacity across both transmission and distribution networks, while also maintaining system security and reliability. Under this approach, network capacity for data centres will be treated as committed and allocated only once the proponent enters into a connection agreement on either the transmission or distribution network. Transgrid recently published a Network Capacity Allocation Policy which explains Transgrid's approach to allocating capacity to data centres connecting to Transgrid's network.

Transgrid considers this approach to be consistent with the National Electricity Rules, under which connection applicants are entitled to access available network capacity, subject to maintaining system security and reliability.

Based on the current level of connection interest, Transgrid's assessment is that the remaining capacity in the Sydney basin, including any capacity unlocked through the augmentations described above, could be committed within the coming months.

No allowance has been made for 'as available' capacity connections

Transgrid has not included any allowance for 'as available' or dynamic capacity connections when determining remaining network capacity. While these arrangements may offer future opportunities, further work is required with AEMO and data centre proponents before they can be implemented with confidence.

Maintaining system security and reliability remains paramount. Until the operational framework for these arrangements is better understood, Transgrid does not consider it appropriate to rely on them when allocating available capacity.

Next steps

Transgrid remains committed to supporting your connection application and will continue to work with data centre proponents to progress connection enquiries and applications.

Transgrid's dedicated customer connections team can also help you explore all available connection options, including locations that are able to support future growth. These opportunities include areas in regional New South Wales, such as the Hunter and Riverina regions. Further information on regional connection opportunities will be provided in our upcoming 2026 Transmission Annual Planning Report.

If you would like to discuss this update, your connection pathway, or potential connection options in more detail, please contact your customer representative.

Sincerely,

Jason Krstanoski
Executive General Manager, Network