SUBMISSION

AEMC: NATIONAL ELECTRICITY AMENDMENT (COST RECOVERY FOR NETWORK AUGMENTATIONS - PACKAGE 1 & 2) RULE 2027 (ERC0448 AND ERC0456)

5 NOVEMBER 2026

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, cement, paper, data services, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the National Electricity Objectives (NEO) so that our members can continue to provide a fit for purpose product for their customers.

The Energy Users Association of Australia (EUAA) welcomes the opportunity to comment on the proposed *National Electricity Amendment (Cost Recovery for Network Augmentations - Package 1 & 2) Rule 2027 (ERC0448 and ERC0456)* consultation.

The members of EUAA operate in different sectors and therefore different parts of the economy, however they share a common interest in an efficient, transparent and predictable framework for network investment and cost allocation.

EUAA supports the continued growth of large electricity loads across the National Electricity Market (NEM), including hyperscale data centres, advanced manufacturing, industrial electrification and other major economic developments. These investments will play an increasingly important role in Australia's economic growth, digital infrastructure and decarbonisation objectives.

These investments are critical to delivering sovereign capability and are what the Federal Government's Made in Australia policy aims to deliver.

EUAA supports the fundamental principle that parties driving network augmentation costs should bear those costs and the associated risks. Existing consumers should not be required to fund infrastructure that is primarily required to facilitate the commercial decisions of individual connection proponents.

Accordingly, EUAA supports:

- stronger application of cost-causation principles;
- recovery of augmentation costs from the proponents driving those investments;

- measures to protect consumers from stranded asset risk;
- prudential arrangements that discourage speculative reservation of network capacity;
- greater transparency regarding major new load developments; and
- measures that prevent the socialisation of augmentation costs across existing consumers.

EUAA considers these reforms an important opportunity to prevent the socialisation of network augmentation costs associated with rapidly growing large loads.

However, several important issues require further refinement to ensure that the framework remains targeted, proportionate and consistent with the NEO.

EUAA is concerned that the proposed national framework is broader than the specific issues that prompted the reform and therefore places the government's Made in Australia policy at risk.

The consultation materials identify hyperscale data centres and similar very large developments as the primary catalyst for these reforms. EUAA accepts that projects of this scale can create network planning challenges, drive substantial augmentation expenditure and expose consumers to stranded asset risks if utilisation does not eventuate as forecast.

However, the proposed framework applies more broadly to large loads generally. This creates uncertainty regarding the future treatment of traditional commercial and industrial (C&I) customers that have historically connected under existing arrangements and have generally not been associated with the risks underpinning this reform.

EUAA therefore supports a more targeted framework that remains focused on those connections capable of driving material augmentation expenditure or creating significant stranded asset risks. The final rule should provide clear triggers and greater certainty regarding the circumstances under which special augmentation cost-recovery arrangements apply.

With these refinements, EUAA considers the proposed reforms will improve consumer protections while continuing to support efficient investment and economic growth across the NEM while not hindering the Government's Made in Australia targets.

THE COST-CAUSATION PRINCIPLE SHOULD REMAIN THE FOUNDATION OF THE FRAMEWORK

EUAA has consistently supported the principle that infrastructure costs should be borne by the parties responsible for creating the need for that infrastructure.

Where a new connection requires network augmentation beyond that which would otherwise be required to serve existing consumers, the costs associated with that augmentation should be allocated to the proponent driving the investment.

This principle promotes efficient investment decisions, reduces cross-subsidies and ensures that risks are allocated to the parties best positioned to manage them.

The proposed rule change is therefore broadly consistent with sound regulatory principles and established approaches to efficient cost allocation.

Large C&I consumers are already facing significant increases in electricity costs associated with transmission expansion, renewable integration, system security and other energy transition investments. It would be inappropriate for those consumers to also bear costs arising from network augmentations that are attributable to specific connecting loads.

Similarly, residential and small business consumers should not be expected to fund infrastructure investments required primarily to facilitate individual connection decisions.

EUAA therefore strongly supports the objective of preventing major augmentation costs from being socialised across the broader consumer base.

DATA CENTRES AND OTHER LARGE LOADS DELIVER SIGNIFICANT BENEFITS

EUAA recognises the substantial economic contribution made by large-load developments, including hyperscale data centres, advanced manufacturing facilities, processing industries and industrial electrification projects.

Data centres in particular are playing an increasingly important role in Australia's digital economy and are expected to remain a significant source of future electricity demand growth.

The unprecedented scale of some proposed developments means they have the potential to influence network planning decisions and drive significant augmentation expenditure. In these circumstances, cost-causation principles should apply so that the costs and risks associated with those investments are borne by the proponents driving them.

The purpose of these reforms should not be to discourage data centre investment or create unnecessary barriers to development.

Rather, the objective should be to establish a transparent and durable framework that provides confidence that network costs and risks will be allocated fairly and efficiently.

A well-designed framework benefits all stakeholders. All consumers receive protection from inappropriate cost transfers, network businesses receive clearer signals regarding investment requirements, proponents receive greater certainty regarding their obligations, and governments and regulators gain increased confidence that infrastructure investment is occurring efficiently.

EUAA therefore supports a framework that facilitates continued growth in data centre investment while ensuring that augmentation costs and utilisation risks are appropriately allocated.

EXISTING CONSUMERS SHOULD BE PROTECTED FROM STRANDED ASSET RISKS

The proposal correctly identifies the risk that network investments may be undertaken in anticipation of future loads that subsequently do not proceed, are delayed or utilise less capacity than originally forecast.

This issue is particularly relevant where very large load developments seek substantial network capacity, potentially influencing the timing and scale of network augmentation decisions.

The challenge for the regulatory framework is to manage this uncertainty without preventing efficient investment.

EUAA supports prudential arrangements that allocate utilisation risk to those parties best placed to manage it.

Such arrangements may include:

- financial guarantees;
- minimum demand commitments;
- staged investment contributions;
- capacity reservation arrangements; or
- other mechanisms that protect consumers from stranded asset risks.

These arrangements should be proportionate to the risks involved and should provide sufficient flexibility to accommodate the different development pathways that may apply to large projects.

THE FRAMEWORK SHOULD DISCOURAGE SPECULATIVE CAPACITY RESERVATION

The increasing value of access to network capacity creates incentives for proponents to secure connection rights well in advance of final investment decisions.

While this behaviour may be commercially rational, it can create planning challenges if network businesses undertake investment based on uncertain future developments.

EUAA therefore supports mechanisms that encourage efficient use of connection processes and network capacity.

The objective should not be to prevent new developments, but rather to ensure that proponents seeking access to scarce network resources bear an appropriate level of responsibility for the consequences of those decisions.

This approach improves investment discipline while reducing the risk of inefficient augmentation expenditure.

THE PROPOSED FRAMEWORK REQUIRES GREATER PRECISION

EUAA's principal concern with the proposed rule change is that the scope of the framework is broader than the policy issue it seeks to address.

The consultation paper identifies hyperscale data centres and similar very large developments as the primary driver of concern. These projects can involve hundreds of megawatts of new demand concentrated at a single location and can drive substantial augmentation requirements.

EUAA accepts that developments of this nature may warrant a distinct regulatory framework where they create material augmentation costs or expose consumers to significant utilisation risk.

However, the proposed rule extends more broadly to large loads generally.

This creates uncertainty regarding the future treatment of traditional industrial and commercial loads that have historically connected under existing arrangements and have not generally been associated with the augmentation and stranded asset risks underpinning this reform.

Many existing industrial facilities have long asset lives, stable operating profiles and well-established business models. Their connection arrangements have historically been accommodated through existing regulatory frameworks.

EUAA does not support an open-ended framework that provides broad discretion to classify any large customer as being subject to special augmentation cost-recovery arrangements.

The final rule should more clearly define the circumstances in which the framework applies.

THE FRAMEWORK REQUIRES CLEAR AND TARGETED APPLICATION TRIGGERS

EUAA supports a framework that applies to exceptionally large new developments capable of driving substantial network investment or creating material stranded asset risks.

The application of special augmentation cost-recovery arrangements should be based on clear and objective criteria rather than broad discretion or generic classifications of "large load".

The final framework should therefore apply where a proposed connection:

- is of sufficient scale to create material network impacts;
- drives augmentation expenditure that would not otherwise be required;
- creates a material stranded asset or utilisation risk for consumers; and
- involves capacity requirements beyond those traditionally associated with standard industrial and commercial connections.

These criteria would ensure that the framework remains focused on the circumstances that prompted the reform while preserving long-standing connection arrangements for traditional commercial and industrial loads where those risks do not arise.

Sectors that do not create these risks should continue to be treated through existing arrangements.

EUAA considers this approach more likely to deliver efficient and predictable outcomes for consumers, proponents and network businesses.

AVOIDING UNINTENDED CONSEQUENCES FOR INDUSTRIAL INVESTMENT AND ELECTRIFICATION

As Australia moves toward a more electrified economy, many existing industrial facilities will seek to increase electricity consumption through fuel switching, process electrification and investment in lower-emissions technologies.

These developments are an important component of Australia's decarbonisation pathway and broader industrial competitiveness.

EUAA supports cost-reflective charging arrangements for all customers. However, the framework should not inadvertently create uncertainty or new regulatory barriers for investments that do not exhibit the augmentation and utilisation risks that gave rise to this reform.

The final rule should therefore provide sufficient clarity regarding its application to ensure that efficient industrial investment continues to be supported and should not cover existing large loads irrespective of whether they require a new connection agreement in the future.

STRONG PROTECTIONS AGAINST DOUBLE RECOVERY ARE ESSENTIAL

EUAA considers protection against double recovery to be a critical element of the final framework.

Where augmentation costs are recovered directly from a connection applicant, those same costs should not subsequently be recovered through regulated transmission or distribution revenues.

Consumers must have confidence that assets funded by proponents will not later be incorporated into regulated asset bases in a manner that results in duplicate cost recovery.

The final rule should therefore include explicit safeguards requiring:

- transparent cost allocation methodologies;
- clear treatment of applicant-funded assets;
- rigorous regulatory oversight by the AER;
- appropriate reporting requirements; and
- auditable compliance arrangements.

Strong protections against double recovery are essential to maintaining confidence in the integrity of the framework.

REGULATORY CERTAINTY AND NON-RETROSPECTIVE APPLICATION

EUAA strongly supports regulatory certainty.

Both existing consumers and future proponents require confidence that the rules governing network cost recovery are stable, predictable and transparent.

The final framework should apply prospectively and should not alter the treatment of projects that have already committed capital through design works or entered existing connection arrangements.

Clear transition provisions will be critical to maintaining investment confidence and ensuring that the framework does not introduce unnecessary regulatory risk.

JURISDICTIONAL SCHEME COST RECOVERY

EUAA recognises that the growth of transmission-connected loads has highlighted potential inconsistencies in the recovery of jurisdictional scheme costs across different classes of electricity consumers.

Historically, many jurisdictional scheme costs have been recovered primarily through distribution networks. As the scale of transmission-connected loads continues to increase, particularly in relation to data centres and other very large developments, it is reasonable to consider whether existing cost-recovery arrangements remain equitable and reflect the beneficiaries of these schemes.

EUAA supports the principle that customers benefiting from, or contributing to the need for, jurisdictional schemes should contribute appropriately to the recovery of those costs. Where governments determine that jurisdictional scheme costs should be recovered through network charges, similar customers should face similar obligations regardless of whether they connect to the transmission or distribution network.

However, EUAA considers that any expansion of jurisdictional cost recovery must be accompanied by strong safeguards to ensure that the resulting allocations are transparent, proportionate and cost-reflective.

In particular, EUAA does not support the use of jurisdictional scheme cost recovery as a mechanism for transferring unrelated costs to transmission-connected customers or for circumventing established cost-allocation principles. Any changes should be supported by a clear and transparent methodology that demonstrates why costs are being recovered, who benefits from the relevant scheme and how the resulting allocations are consistent with the NEO.

EUAA also considers it essential that any new jurisdictional cost recovery framework:

- avoids double recovery of costs through multiple charging mechanisms;
- provides transparency regarding the calculation and allocation of recoverable amounts;
- applies consistently across comparable customers;
- maintains regulatory certainty for existing and prospective investors; and
- includes appropriate consultation and oversight arrangements.

Importantly, if transmission-connected data centres or other large loads are expected to contribute to jurisdictional scheme costs, this should occur within a clearly defined framework that provides certainty regarding future liabilities and avoids discretionary or ad hoc cost allocation.

A well-designed approach to jurisdictional cost recovery can improve equity between transmission-connected and distribution-connected customers while preserving the broader principle that network and policy costs should be allocated transparently and in accordance with cost-causation and beneficiary-pays principles.

RECOMMENDATIONS

EUAA recommends that the AEMC:

1. Retain the proposed cost-causation framework and ensure that augmentation costs are borne by the parties driving those investments.
2. Maintain strong protections against stranded asset risks arising from underutilised network investments.
3. Support prudential arrangements that encourage efficient use of connection processes and network capacity.
4. Increase transparency regarding the network impacts of major new load developments.
5. Introduce a transparent framework for recovering jurisdictional scheme costs from transmission-connected customers where appropriate, provided such arrangements are consistent with cost-causation and beneficiary-pays principles, avoid double recovery and apply equitably across comparable customers.
6. Narrow the scope of the framework so that it remains focused on the circumstances that prompted the reform, namely exceptionally large developments capable of driving material augmentation expenditure or creating significant utilisation risks.
7. Ensure that special augmentation cost-recovery arrangements apply only where:
    - material augmentation expenditure is required;
    - consumers face material utilisation or stranded asset risk; and
    - the connection involves exceptionally large capacity requirements beyond those traditionally associated with standard C&I loads.
8. Preserve the long-established treatment of traditional C&I customers where the relevant risks do not arise, including grandfathering existing large loads to be exempt from this rule change even if they require a new connection agreement.
9. Introduce explicit protections against double recovery.
10. Provide clear non-retrospective application and transition arrangements.
11. Maintain an appropriate balance between consumer protection, investment certainty and future economic development.

CONCLUDING REMARKS

EUAA supports the direction of the proposed reforms because they strengthen cost-causation principles, improve protection against stranded asset risks and provide an opportunity to ensure that major network augmentation costs are allocated fairly.

EUAA supports the continued growth of data centres and other large-load developments across the NEM. These investments will play an important role in Australia's economic future, energy transition and delivering sovereign capability under the Future Made in Australia policy.

At the same time, other consumers should not bear augmentation costs or stranded asset risks arising from the connection decisions of individual proponents.

The final framework should therefore remain focused on the specific circumstances that prompted the reform: exceptionally large new loads capable of driving substantial network augmentation expenditure and creating material utilisation risks.

A more targeted framework, combined with stronger protections against double recovery and clear application triggers, will provide greater certainty for proponents, network businesses and consumers alike.

EUAA also supports the development of a transparent framework for the recovery of jurisdictional scheme costs from transmission-connected customers where appropriate. As connection patterns evolve and more large loads connect directly to the transmission network, it is important that equivalent customers are treated consistently and that jurisdictional costs are allocated fairly, transparently and in accordance with established beneficiary-pays and cost-causation principles.

With these refinements, the proposed rule change can deliver a durable and balanced framework that supports investment while ensuring that network costs and risks are allocated fairly and transparently.

The EUAA welcomes further discussions around the issues raised in this submission.

Do not hesitate to be in contact with EUAA Policy Manager Dr Leigh Clemow, should you have any questions.



Andrew Richards
Chief Executive Officer