



Government of South Australia

Department of the Premier
and Cabinet

Data Centre Management Act

Building a responsible framework to ensure data
centre development and operations are in line with
South Australians' interests



Data Centre Management Act

A principles-based framework to manage data centre development and operations in South Australians' interests

The South Australian Government is proposing legislation to put in place robust, practical standards and processes to ensure data centres are developed and operated in a way that delivers long-term benefits to South Australians while preventing adverse impacts.

Executive summary

South Australia's Data Centre Strategy outlined the economic opportunities that large scale data centre investment can bring to our state, including the potential to leverage our world-leading renewable energy resources as a way to help grow our economy – especially in regional areas – and increase our economic complexity through AI industry development, adoption and jobs.

While the state is well-placed to capitalise on this opportunity, it is important that we balance the attraction of such investment with robust controls that give the community confidence that data centre development will be a long-term positive for South Australians right across the state, and that risks are appropriately managed.

That means facilitating development in a way that delivers long-term economic, social and local benefits, is proactive in managing risk regarding grid stability and reliability, power prices and sustainable water use, and provides for transparency.

The *Data Centre Management Act* will aim to strike the right balance between these interests, so all stakeholders have what they need to turn opportunity into enduring benefits.

Contributing to a principles-based framework

The Government of South Australia is proposing principles-based legislation that aligns with Australia's recently announced [Australian Standards for AI](#), while still allowing for adaptation to cater for South Australia's specific circumstances.

The proposed model would be outcomes-focused rather than procedurally prescriptive, with proponents expected to demonstrate how they will deliver on set principles.

We seek your feedback on the principles that would underpin the draft legislation. Principles being considered include:

1. Manage energy use
2. Secure water sustainability
3. Strengthen trust and transparency
4. Deliver benefits for all South Australians
5. Staged, streamlined and coordinated development

Principles and desired outcomes

Principle 1: Manage energy use

The South Australian Government wants to ensure large data centres have no adverse impact on consumer power bills or grid stability and reliability.

We propose an outcomes-focused approach, allowing proponents to choose the most effective mix of generation, storage and firming, demand response and back-up solutions for their project, provided target outcomes are achieved.

In practice, we expect this will bring online a range of new renewable energy projects, especially those that are already approved and are awaiting an energy offtaker to be built.

Importantly, we propose a staged framework to allow staged development and commissioning over time, in a manner that does not create undue risks to South Australia's electricity supply and reliability, or additional energy costs for other consumers. Wherever possible, government will be looking for positive impacts.

To achieve this, we are considering requirements on proponents to demonstrate that:

- infrastructure costs associated with their project are borne by the proponent rather than passed on to other electricity consumers;
- the project has secured/access to sufficient firming incremental energy supply to meet the proposed facility's demand per stage of the development, with any increases in new load aligning in scale and timing with corresponding new supply and firming; and
- facilities' technical design and operations are structured in a way that does not create undue risks to the security, reliability or stability of the state's electricity system.

A staged operational authorisation is being considered as an effective and efficient way to manage this issue with the required flexibility and rigour. This would enable careful management of the balance between new load and new firming supply over time.

Principle 2: Secure water sustainability

The following outcomes and processes are proposed to apply to water use, to ensure responsible, sustainable water arrangements.

- Proponents will need to demonstrate their proposed water use is sustainable and efficient, and provide details such as demand profile, water sources and suppliers (including any relevant licensing arrangements) and proposed offsets (if any);
- Future standards under the Act could encourage use of non-sensitive and non-potable water sources, such as wastewater, recycled or desalinated water;
- As with energy, proponents will be expected to pay for their own supply and infrastructure requirements to prevent adverse impacts on other users; and
- Authorisations would be structured in line with facilities' staging, with clear volume limits per stage, and may have conditions attached.

Principle 3: Strengthen trust and transparency

In line with national requirements, transparency mechanisms related to water and energy use are proposed, in addition to regular change in control and transfer of authorisation provisions as are common for industries of this scale.

Potential options to achieve these objectives could include:

- Monitoring and public reporting requirements relating to energy and water use, including annual and peak usage;
- Provision of information on operational governance and know-your-customer arrangements (e.g. for neocloud facilities);
- Change of control and transfer of authorisation provisions in line with requirements applicable to other major industries such as energy and mining; and
- Disclosures to a relevant regulatory authority, with the ability to disclose to other state or federal agencies where in the public interest or required under another law.

Principle 4: Deliver benefits for all South Australians

The South Australian Government wants to make sure that data centre development delivers benefits that endure well beyond the construction phase and are broader than a data centre's direct employment footprint.

Data centres can be a valuable driver of economic development locally, across supply chains as well as in industry development. Mechanisms are proposed to facilitate these types of benefits over a project's lifecycle.

Options to achieve this could include:

- Requiring projects to commit to a level of economic and community benefits commensurate with the scale of the development;
- Mechanisms to ensure these benefits are maintained over the life of the project, either as part of an authorisation or through a Benefits Agreement or similar;
- Means to tie such arrangements to the project, the land or an authorisation, to ensure they carry through any future change of control; and
- Requirements to prepare and invest in workforce and skills development programs to ensure projects contribute to, rather than put pressure on, the state's workforce;

Principle 5: Staged, streamlined and coordinated development

The South Australian Government is considering changes to better integrate and coordinate the end-to-end approval processes for data centres' planning, energy and operational authorisations.

A combination of simultaneous assessments across these categories and staged approvals would both strengthen grid and consumer protections and improve efficiency.

General design considerations

- An applicability threshold based on data centres' capacity (scale) is proposed, consistent with interstate and national frameworks. This threshold is proposed to be determined under the Act rather than set within it, to enable it to be adjusted as technology advances and risk profiles evolve;
- The main mechanism under consideration is an operational authorisation (similar to a licence), combined with several tranches of amendments to electricity legislation;
- Proportionately scaled reporting, monitoring, compliance and enforcement provisions are proposed;
- Standard cost recovery provisions would cover administrative, regulatory and operational costs incurred to process applications, monitor compliance and address operational requirements directly caused by the operation of large-scale data centres. This way, these costs would be borne by the proponent, not South Australian taxpayers;
- High-level enabling legislation is proposed, with more detailed standards or guidelines to be made under the Act once in place, to maintain a balance between adaptability and certainty, and accommodate national and/or industry standards which remain under development; and
- Transitional provisions would apply the new requirements to any large-scale data centres in South Australia. Grandfathering provisions are not currently proposed.

Next steps

We welcome all input on these principles and the proposed approach, and will consider feedback received to inform the draft bill. We aim to introduce the legislation as soon as possible, and will keep you informed via YourSAy as updates become available.

Thank you for contributing to this important reform.