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Data-centre developers, not other electricity customers, now pay for the new power and grid their campuses need

California, Texas, Vistra and a Georgia tariff moved power costs and risk onto data-centre developers in one week

>>> Governments and power sellers moved the cost of new grid, new generation and collateral onto the data-centre side of the contract. Underwrite power and permits before the tenant.

California. Governor Newsom signed seven data-centre bills on 21 September. His office says they make data centres "pay their fair share of grid update costs" and "pay for any upgrade costs". According to law-firm summaries, SB 886 and AB 2383 take effect on 1 January 2027. The utilities regulator (CPUC) must adopt new data-centre tariffs by 1 January 2028. A campus signing a new transmission-level interconnection agreement from 1 January 2027 pays for the transmission upgrades it triggers, under a method the CPUC will set. It must also pay the extra generation cost its load causes for at least 10 years. It must post collateral or prepay up front. And it pays a fee if it leaves early or its load does not arrive. The CPUC will set the size threshold for the generation tariff, capped at 25MW, per one law-firm summary. The interconnection tariff applies only to new agreements, so on our reading the cost shift reaches the next campus, not existing ones.

Texas. Governor Abbott directed the state environmental regulator (TCEQ) on 21 September "to pause the issuance of all permits related to data center projects until ERCOT completes its review". TCEQ confirmed it has paused all air and water permits for infrastructure directly supporting data centres. The pause covers projects that planned to build their own power plants, which the August order on grid connections of 75MW or more had missed. ERCOT, the Texas grid operator, expects its audit in December. TCEQ must report compliance by 19 October. Whether TCEQ also stops processing in-flight applications is unclear.

The contracts. New Era Energy & Digital disclosed on 21 September a 20-year agreement, signed on 18 September, to buy 200–207MW from Vistra's Luminant for its Texas data-centre project. New Era must post a \$116m letter of credit within 15 business days, plus up to \$82.8m more before power flows. Vistra also gets 5% non-voting equity in the project company once power flows, a right of first refusal on on-site generation expansion and reimbursement of certain substation and transmission-line costs. Three days later New Era filed a \$100m at-the-market share programme, which sells new shares into the market over time. Its prospectus

warns that, after Abbott's order, air permits it needs "may be delayed until after completion of the ERCOT audit".

In Georgia, Google will support uprates (capacity increases) at the Vogtle and Hatch nuclear plants adding about 96MW, by subscribing to a new NU-1 tariff, subject to state approval. Georgia Power says the structure protects other customers from the uprate costs. The subscription agreement is fully redacted, so the price is not public. Woodway Energy Infrastructure, backed by Macquarie Capital Principal Finance, will build a 22-mile gas pipeline for a behind-the-meter power plant (one that supplies the site directly, not through the grid) serving an unnamed hyperscale campus, due in the first half of 2028.

Outside the US, the same direction. Victoria, Australia, will make new data centres front their own connection and network costs and match new demand with new renewables, with no start date set. The European Commission adopted a rating scheme for data centres above 500kW, with first labels expected in 2027. Minimum performance standards follow: an impact assessment in Q4 2026 and a proposal around Q2 2027. The US Department of Energy announced \$1.9bn for 31 grid projects in 26 states. Fervo's Cape Station geothermal plant reached first power on its first 33MW block. On our reading, that is Phase I for other buyers, not Google's contract, whose first deliveries still target Q3 2028.

Sources: note 5.

For Wealth Managers: Data-centre exposure now carries a power bill that used to sit with other ratepayers. The new California and Texas rules bite on new connections and new permits, not on campuses already running. Development-stage equity and construction-stage credit therefore carry more cost and timing risk than a month ago. Ask the manager of any infrastructure or data-centre credit fund one question per deal: if the power cost or the timeline overruns, who pays — the tenant, the developer or the lender? Watch for sponsors whose collateral calls come due before their permits arrive. New Era's \$116m letter of credit falls due around 9 October on our count, while its air permits may wait for a December audit.

For Fund Managers: Collateral is the new financing gap. Letters of credit, upfront generation prepayments and exit fees all need funding before revenue starts. That is a lending opportunity for specialty and private credit desks that can write letter-of-credit facilities and bridge collateral against contracted but unbuilt load. Power sellers are pricing their scarcity into the capital stack: Vistra took collateral, cost reimbursement and equity. Underwrite California's unwritten numbers as ranges until the CPUC acts. Change-in-law and force majeure drafting now carries real value, which Texas lawyers are already advising developers to check.

→ Across California, Texas, the Vistra contract and Georgia's tariff, the cost of new grid, generation or collateral lands on the campus, not on other ratepayers; the Jupiter notice in Section 1 shows what that means for the lender when power is late.

Energy-transition capital concentrates in the largest platforms and in debt

>>> Transition capital now chases return, not targets. Blackstone expected to close an \$8.5bn equity fund in September and is raising a credit fund of at least \$8bn, while an insurer anchors wind mezzanine.

Blackstone expected to hold the final close of Blackstone Energy Transition Partners V (BETP V), a private equity fund, in September at its \$8.5bn hard cap, according to documents prepared for

the Teachers' Retirement System of Louisiana. The fund held its first close in June. It targets a 20% net IRR (annual return to investors after fees), with 85% of investment in North America and 15% in Europe. Its predecessor closed at its \$5.6bn hard cap (the most a fund will accept) in February 2025, so the new cap is about 52% larger.

Separately, Blackstone is seeking at least \$8bn for the fourth vintage of its energy-transition and digital-infrastructure credit strategy, Bloomberg reported in mid-September. It lends across energy security, power and utilities, data centres and semiconductor financing. The previous fund raised \$7.1bn in 2023 and had a 15% net IRR at 30 June, according to people familiar.

Enercon, the wind-turbine maker, launched a mezzanine fund lending up to €10m per project to wind-farm operators. Mezzanine debt ranks behind the bank loan but ahead of the owners, with no ownership or voting rights. MEAG, Munich Re's asset manager, is the anchor investor. The fund is a sub-fund of a Luxembourg SICAV-RAIF, a fund reserved for professional and other well-informed investors, with Universal Investment as manager and Mountstreet as portfolio manager. Enercon sources deals from its own customers and invests alongside. No target size or MEAG ticket was disclosed.

On the demand side, NYC Comptroller Mark Levine plans to present \$5bn of private-market climate opportunities to three city pension boards. Each board must still approve, and no period was given. Investors at Infrastructure Investor's London forum said ESG is now routine due diligence, "strongly checked" against economics. PSP Investments cut its portfolio-company ESG questionnaire from about 100 questions to 50. LGT Capital Partners' survey found 92% of respondents kept or raised their ESG commitments.

Sources: note 6.

For Wealth Managers: Clients can now take transition exposure at very different points in the capital structure. The equity fund depends on exits and targets 20%. The credit fund pays a contractual coupon, and its predecessor had a 15% net IRR at 30 June, according to people familiar. If you hold transition credit, ask how much of the book is data-centre and semiconductor lending rather than renewables; the label now covers AI infrastructure too. The Enercon fund is institutional only, since a RAIF is limited to well-informed investors.

For Fund Managers: Blackstone's two parallel raises set the size bar for rival transition funds this cycle. The Enercon model is a different route to market: an equipment maker sources borrowers from its customers and an insurer anchors. On the evidence so far, that competes directly with manager-run infrastructure debt funds for German-speaking mid-market wind mezzanine. LPs are asking for less ESG paperwork, not fewer commitments. Treat NYC as a pipeline to pitch, not a mandate won.

→ Transition money is going to the biggest platforms and to debt-like structures, sold on power demand and return; ESG has become due diligence, not a separate bucket.

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