VAILINOR

WEEKLY INDUSTRY BRIEF

Week to 23 October 2026.

Stalled grid works start costing contracted revenue as high-yield lenders wait out the midterms

AI compute, data centres and the power behind them · covers 17 to 23 October 2026

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THE WEEK IN BRIEF

NEXTDC removed contracted Melbourne capacity, some of it already billing, from its guidance after its distributor suspended grid works citing local opposition, and Microsoft left Nscale's Loughton site when its grid date slipped to the 2030s. Meta disclosed US$355.73 billion of lease obligations not yet started, and credit-desk sources told CNBC the high-yield market is on hold until after the 3 November midterms.

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Suspended grid works take contracted capacity out of NEXTDC's guidance

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Microsoft leaves Nscale's Loughton site after its grid date moves to the 2030s

Microsoft, which was to be the anchor tenant at Nscale's AI site in Loughton, Essex, has pulled out of a deal to lease computing capacity there.

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Meta shows how much capacity it has leased and not yet received

Meta's third-quarter 10-Q showed US$355.73 billion of operating and finance lease obligations, covering data centres, energy-related infrastructure, colocation and some network infrastructure.

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WEEK TO 23 OCTOBER 2026

Key numbers

THE NUMBERS

- NEXTDC cut its FY27 net revenue guidance to **A$475 million to A$500 million**, from A$615 million to A$640 million, after removing contracts at its M3 Melbourne site whose grid works were suspended, and its shares fell 39.5% during trading on 21 October, CNBC reported.
- Meta disclosed **US$355.73 billion** of lease obligations for data centres, energy-related infrastructure, colocation and some network infrastructure that had not commenced at 30 September; the leases start between late 2026 and 2036 and run for up to 30 years.
- Data-centre projects in Malaysia held approvals for **12.3 GW** of electricity supply capacity as of August, against a government projection of 8.39 GW of maximum demand from the sector by 2030.
- CoreWeave's five-year credit default swaps last stood at **1,145 basis points**, and credit-desk sources told CNBC the high-yield market is effectively on hold until after the 3 November midterm elections.

WHAT MOVED · 01 · GRID CONSENT

Suspended grid works take contracted capacity out of NEXTDC's guidance

19 to 23 October

On 21 October NEXTDC told the ASX that Jemena, the distributor supplying its M3 Melbourne site, had suspended parts of its 66 kV line works, citing community and stakeholder opposition and the local council, as road authority, "not giving its consent while further community consultation takes place". NEXTDC removed about A$140 million of net revenue and the same of underlying EBITDA from its FY27 guidance, including capacity already billing, because existing grid supply at M3 "cannot be relied on to support the full contracted power ramp in data halls already delivered". It put new development and land acquisitions on hold and said delays to grid supply at M3 could adversely affect its ability to draw senior debt. The capacity remains under contract, subject to the customer's rights. A Bloomberg review published on 23 October found that only 23% of the more than 40 large data centres planned or under construction in Sydney and Melbourne had publicly confirmed their power supply or grid connection.

WHY IT MATTERS

NEXTDC had the contract, had built the halls and had started billing, and the revenue still came out of guidance because a distribution line is waiting on local consent. Our reading is that the consent problem sat with a distributor and a council, outside the operator's control, and could still reach its borrowing: NEXTDC's interest-cover covenant counts contracts expected to bill within 24 months, so a slower ramp could limit how much of its undrawn senior debt it can use.

WHAT MOVED · 02 · GRID DATES

Microsoft leaves Nscale's Loughton site after its grid date moves to the 2030s

18 to 22 October

Microsoft, which was to be the anchor tenant at Nscale's AI site in Loughton, Essex, has pulled out of a deal to lease computing capacity there. The Independent reported that Microsoft had confirmed the withdrawal, which followed concerns that the site would not have access to the power grid until after 2030. The site was due to receive power at the end of 2026, and Nscale has been told this will not happen until the 2030s, the BBC reported, following the Telegraph. National Grid told DCD it had not agreed to the 2026 date. A group of prospective investors in Nscale's planned listing has urged a valuation of US$16 billion to US$19 billion, against the roughly US$30 billion the company has been seeking, in light of factors including the collapse of Firmus's IPO plan, Bloomberg reported, citing unnamed people.

> **WHY IT MATTERS**
> An anchor tenant's deal unwound on a grid date, and in the same week prospective investors urged a valuation well below the company's target. Our reading is that the date power arrives is now part of a contract's value, and in Britain that date can depend on more than one network operator: DCD reported that the 2026 date had been agreed with UK Power Networks, the local distributor, while National Grid told DCD it had not agreed to it.

WHAT MOVED · 03 · LEASES

Meta shows how much capacity it has leased and not yet received

21 to 22 October

Meta's third-quarter 10-Q showed US$355.73 billion of operating and finance lease obligations, covering data centres, energy-related infrastructure, colocation and some network infrastructure, that had not commenced at 30 September and will start between the rest of 2026 and 2036. Meta reported capital expenditure of US$34.91 billion in the quarter and free cash flow of negative US$2.12 billion, narrowed its 2026 capex range to US$135 billion to US$145 billion by raising the bottom end, and said its board had approved a new listed, non-voting Class C stock, effective January 2027, with capital raising first among its stated purposes.

> **WHY IT MATTERS**
> Our reading is that this is the same gap seen from the buyer's side: more than a third of a trillion dollars of future lease payments for data-centre, energy and colocation capacity that Meta has committed to and does not yet occupy, with a new share class created partly to raise capital. The 10-Q does not say whether any start dates have moved.

WHAT MOVED · 04 · AI CREDIT

Credit and listing investors pull back from AI infrastructure as debt desks wait out the midterms

19 to 23 October

CoreWeave's five-year credit default swaps last stood at 1,145 basis points and its unsecured debt yielded about 15%, CNBC reported. Credit-desk sources told CNBC that the high-yield market is effectively on hold until after the 3 November midterms because of political pushback against data centres, and one said fixed income investors "want permitting and regulatory requirements to be substantially resolved" before they commit financing. DayOne is weighing a delay to its US listing or a smaller deal of US$2.5 billion to US$3 billion, roughly half its original aim, Bloomberg reported on 21 October, citing unnamed people. Its F-1 shows 2,281 MW of IT capacity booked under binding contracts at 20 September, of which 953 MW was billing. Nebius disclosed on 22 October that it had signed a US$3.5 billion senior secured bridge loan with Citi on 17 October, at SOFR plus 2.75%, rising every 90 days to a maximum of 3.50% and maturing in October 2027.

> **WHY IT MATTERS**
> Last week the concern in credit markets was operating cash flow; this week it is the midterms and, for one source, permitting. We read secured bank lending as still open to a borrower like Nebius, which holds long-term contracts with investment-grade customers, though only on a one-year bridge secured on substantially all its assets, while unsecured debt and new listings wait.

WHAT MOVED · 05 · MALAYSIA

Malaysia's approvals run ahead of its own demand forecast

19 to 23 October

Data-centre projects in Malaysia had secured approval for 12.3 GW of electricity supply capacity as of August, Deputy Prime Minister Fadillah Yusof said in a written parliamentary reply reported on 20 October, while the government projects maximum demand from the sector at 8.39 GW by 2030. In a second reply, his ministry said 45 data centres in Peninsular Malaysia were operational with a combined supply capacity of 6,041 MW; The Edge Malaysia reported on 13 October that the actual electricity consumption of the operating sites was about 1.37 GW. Both replies said the government has increased the Connected Load Charge, without giving a rate, and Fadillah described it as a penalty to stop data centres applying for more capacity than they need. In a report covered on 23 October, BMI, a Fitch Solutions company, said "headline generation capacity can overstate how much power is actually accessible to new projects" because grid infrastructure takes considerably longer to develop than data centres.

> **WHY IT MATTERS**
> On the ministry's figures, approved supply exceeds its own 2030 demand projection by about 3.9 GW, though one reply gives the 8.39 GW projection for Peninsular Malaysia only, and the replies do not say whether the two figures are on the same basis. Our reading is that a supply approval in Malaysia says little about when power will be drawn.

WHAT MOVED · 06 · OPPOSITION

Opposition moves from councils to substations, ballots and insurance

19 to 23 October

President Trump posted on 21 October that new large data centres "are mandated by me to make their own electricity, and give or sell any excess back to the local community, or grid", and urged operators to pay communities a "dividend" to win support. Bisnow and Spectrum News reported that it was unclear whether or how it would be put into effect. In Memphis, the city council rejected an 18-month moratorium on a 6-6 tie on 20 October and passed a substitute ordinance that halts data-centre approvals for 135 days. Dominion Energy sued Prince William County, Virginia on 22 October over the board's unanimous denial of its Vint Hill substation expansion. The Washington Examiner counts 41 data-centre measures in 10 states on the 3 November ballot, 21 of them in Ohio, and the parametric underwriter Arbol launched cover that pays out if a government halts data-centre construction as a class. In Finland, where Google has stopped preparatory work at Muhos and Kajaani pending environmental assessments, the environment ministry's director general said the government is "prepared to propose legislative amendments as necessary", the Guardian reported.

> **WHY IT MATTERS**
> Local refusal now reaches the grid itself: a utility is in court to build a substation a county turned down. The president's post offers two answers, generation built by the data centre and payments to its neighbours. Our reading is that neither removes the need for local and state approval, since generation built for a data centre needs permits of its own, and Millington, Tennessee already pauses applications for non-grid generation.

WHAT MOVED · 07 · PJM

PJM backs tying energisation to supply, and plans to allocate backstop costs on large-load growth

21 to 22 October

In testimony for FERC's reliability technical conference on 21 October, PJM said it supports a framework that "ensures that interconnection and energization decisions reflect time required to develop sufficient generation and transmission". On 22 October PJM consulted members on a revised reliability backstop filing it plans to make at FERC on 29 October. Costs would be allocated pro rata to the zones with large-load growth between the 2026/2027 and 2028/2029 delivery years, the opt-out for municipal utilities and co-operatives would be removed, and collateral would be sized on a clearing price PJM currently assumes at US$555 per MW-day.

> **WHY IT MATTERS**
> The operator of the largest US grid told its regulator it supports tying energisation to the supply needed to serve it, and plans to allocate the cost of its emergency procurement to the zones where large loads grow. Our reading is that both move the cost of the gap onto new large loads, the same direction Pennsylvania's proposal took last week.

WEEK TO 23 OCTOBER 2026

Our reading of the week

OUR READING

This section gives our own reading of the week's events. Vailinor builds power-anchored, behind-the-meter compute, so we have an interest in the argument.

Our view is that the AI build-out is priced on signed capacity, while the constraint runs further up a chain: public and regulatory consent, then a grid connection, then energised power, and only then compute. This week each link showed in the numbers. On consent, a council's withheld consent for line works took contracted and partly billing capacity out of NEXTDC's guidance, and Dominion is suing to build a substation a county refused. On the grid, Microsoft pulled out of Loughton when the connection date moved by years, and PJM told FERC it supports energisation decisions that reflect the time needed to build generation and transmission. On energised power, Malaysia's operating sites draw under a quarter of the supply capacity they hold, on the ministry's figures and The Edge's report. Capital followed, with one credit-desk source telling CNBC that investors want permitting resolved before they commit.

The case against this reading is that chips and capital still set the pace: one source told Reuters that Nvidia told partners they might receive only 5% to 10% of the RTX PRO 5500 cards Chinese buyers ordered, two sources said Nvidia is expected to devote much of its TSMC capacity to Rubin from 2027, and Nebius borrowed at SOFR plus 2.75%. Our reading is that a chip shortage decides which buyers are served first without bringing any site's power forward, and that Nebius's loan is one-year money that will need energised capacity behind it to be refinanced.

For investors, our first reading is that this week's sharpest repricing fell on capacity that is booked and not yet billing. DayOne, whose F-1 showed 953 MW of its 2,281 MW billing at 20 September, is weighing a listing of roughly half its original size, NEXTDC took even billing capacity out of guidance when the grid behind it could not be relied on, and prospective Nscale investors want a valuation well below the company's target. Our second reading is that consent risk is being priced directly: high-yield lenders are reported to be waiting for the midterms, an underwriter now sells cover against moratoria, and 41 data-centre measures are on the 3 November ballot.

WEEK TO 23 OCTOBER 2026

Capital and valuation read-through

Money kept reaching the owners and suppliers of energised capacity. Keppel DC REIT, whose results deck cites JLL that "power availability remains the key constraint on future data centre development", reported distribution per unit 11.7% higher for the first nine months of 2026, helped by acquisitions as well as operations. Korean power-equipment maker LS Electric reported record quarterly operating profit of 233.5 billion won, up 131.7%, driven partly by AI data-centre power solutions and ultra-high-voltage transformers. In our view income is going to owners of capacity that already has power and to the makers of the equipment that supplies it.

WEEK TO 23 OCTOBER 2026

What we are watching

ON THE WATCH LIST

- PJM's revised reliability backstop filing at FERC, planned for 29 October.
- The Australian Energy Market Commission's final determination on grid access standards for large loads, planned for 29 October.
- Third-quarter results from SK hynix, Samsung, Alphabet, Microsoft and Amazon, expected in the last days of October.
- The 41 data-centre measures on the 3 November US ballot, and whether high-yield issuance for data centres resumes after it.
- Jemena's restart of the M3 line works, which it does not expect before February 2027.
- Any further step by Finland's environmental regulator after Google's response on the Muhos and Kajaani sites.

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ABOUT THIS BRIEF

This brief was prepared by Vailinor Analysts to help people better understand the AI and energy spaces, and the places where the two meet: power for data centres, the chips that set how much power they draw, and the money and policy behind both. It covers 17 October 2026 to the US market close on Friday 23 October 2026, and is written as at 27 October 2026. Every figure comes from the public sources listed above, as reported by the companies, regulators and publications named, and forecasts are attributed to whoever made them. Nothing in it is investment advice.