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Research Paper

Scaling Electricity Infrastructure for the Digital Age: Meeting the Demand of AI Datacenters, EVs, and the Digital Economy

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Abstract: *The rapid growth of artificial intelligence, electric vehicles, and the broader digital economy has created unprecedented demands on the U.S. electrical grid. This paper analyzes the scale of these emerging electricity demands, identifies current infrastructure bottlenecks, and proposes a comprehensive framework for scaling electricity production and distribution systems to meet these challenges. Through quantitative analysis of projected demand growth, and assessment of generation technologies, This paper presents actionable pathways to ensure reliable, sustainable, and cost-effective electricity provision for the emerging digital infrastructure. This paper findings indicate that a diversified approach combining renewable expansion, advanced nuclear deployment, grid modernization, and demand-side management offers the most viable strategy to meet projected demand growth of 25-40% by 2035.*

Keywords: *Electricity infrastructure, AI datacenters, grid modernization, renewable energy, advanced nuclear, transmission expansion*

I. Introduction

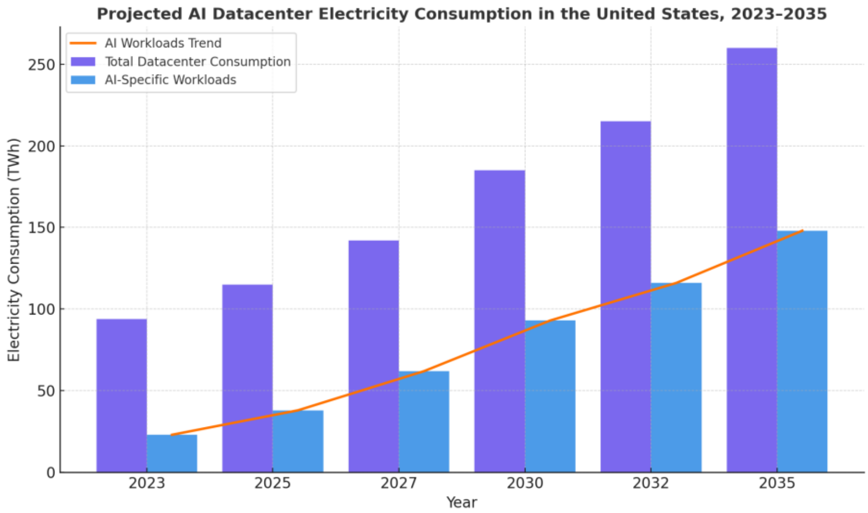
The United States stands at a critical energy inflection point. The convergence of artificial intelligence proliferation, electric vehicle adoption, increasing cooling demands due to climate change, and the expanding digital economy is creating unprecedented electricity demand growth after decades of relatively flat consumption patterns [1]. The Department of Energy projects AI datacenter energy consumption alone could reach 3-4% of total U.S. electricity consumption by 2030, up from approximately 1% in 2022 [2]. Meanwhile, the transportation sector's electrification could add an additional 10-15% to grid demand by 2035 [3]. This paper addresses four critical questions:

1. What is the projected scale and timeline of new electricity demand from emerging digital and electrification trends?
2. What are the current infrastructure bottlenecks limiting electricity system scaling?
3. Which generation technologies and distribution systems can most effectively meet these demands?

Through a comprehensive analysis of technical requirements, economic considerations, and environmental constraints, we offer a roadmap for electricity infrastructure development capable of supporting America's digital transformation while maintaining grid reliability and advancing decarbonization goals.

II. Quantifying Emerging Electricity Demand

A. AI Data Center Energy Consumption: The energy footprint of AI infrastructure has grown exponentially with the rise of large language models and other compute-intensive applications. Training a single large language model can consume 3,000-5,000 MWh of electricity [4], equivalent to the annual electricity consumption of approximately 500 U.S. households. Based on current growth trajectories and deployment plans from major technology companies, AI datacenter electricity consumption is projected to follow the growth curve illustrated in Fig. 1 Key findings from this analysis of datacenter demand include. Projected AI Data Center Electricity Consumption in the United States, 2023-2035]



- Total U.S. datacenter electricity consumption reached approximately 94 TWh in 2023, representing 2.3% of total U.S. electricity consumption
- AI-specific workloads accounted for approximately 24% of datacenter electricity use in 2023, but this share is expected to grow to 45-60% by 2030
- Geographic concentration in specific regions (particularly Northern Virginia, Oregon, Nevada, and Texas) is creating localized grid constraints
- Water requirements for cooling further strain local resources, with each 100 MW datacenter facility typically requiring 1-3 million gallons of water daily for cooling operations

B. Electric Vehicle Charging Infrastructure: Electric vehicle adoption has accelerated significantly, with the U.S. surpassing 4 million EVs on the road in early 2024. Current projections indicate EVs could represent 30-40% of new vehicle sales by 2030, adding significant new load to the grid.Critical considerations for EV integration include:
- Unmanaged charging could increase local distribution peak demand by 20-40%
- Smart charging programs can reduce peak impacts by 60-70%
- Vehicle-to-grid capabilities could provide 30-40 GW of flexible capacity by 2035
- Rural and interstate corridor fast charging presents unique infrastructure challenges

TABLE I presents projected EV electricity demand through 2035. Source: Compiled from NREL [3], Edison Electric Institute [5], and Bloomberg NEF [6]

Year	Projected EVs on U.S. Roads (millions)	Annual Electricity Consumption (TWh)	Peak Demand Impact (GW)
2024	4.5	15	2.1
2027	12.7	42	6.4
2030	26.4	87	14.2
2035	53.1	175	29.5

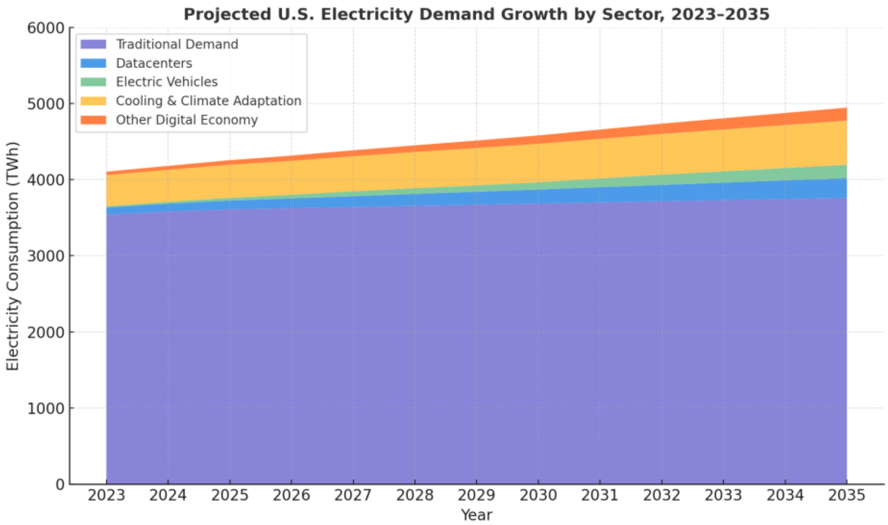
C. Cooling and Climate Adaptation: Climate change is increasing cooling demand across residential, commercial, and industrial sectors. Cooling already represents approximately 15% of U.S. electricity consumption, and this figure is projected to grow as average temperatures increase. Key projections include:
- Cooling degree days in major U.S. metropolitan areas are projected to increase by 15-25% by 2035 compared to historical averages
- Peak demand for cooling is growing at 2.2% annually in the southern U.S., compared to 0.8% overall electricity demand growth
- Data centers in warm climates require 25-35% more energy for cooling than those in temperate regions
- Grid-interactive efficient buildings could modulate up to 20% of peak cooling loads through thermal storage and demand flexibility

D. Digital Economy Expansion Beyond Datacenters; The broader digital economy including telecommunications infrastructure, manufacturing, and consumer electronics is also driving electricity demand growth. This analysis indicates:

- 5G network deployment is increasing electricity intensity of telecommunications by 2-3x compared to previous generations
- Semiconductor manufacturing facilities ("fabs") being constructed under the CHIPS Act will add 4-6 GW of new industrial load by 2030
- Consumer electronics and home network equipment now represent approximately 25% of residential electricity usage

E. Aggregate Demand Projections: Combining these trends, Fig. 2 illustrates the projected growth in U.S. electricity demand through 2035.In aggregate, this analysis projects:

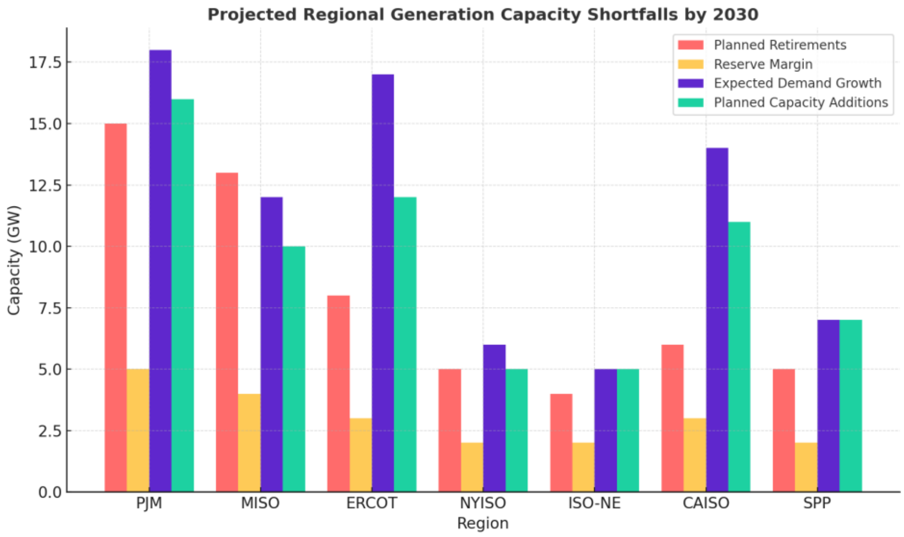
- Total U.S. electricity consumption increasing from approximately 4,100 TWh in 2023 to 5,200-5,700 TWh by 2035 (25-40% growth)
- Peak demand growing from approximately 760 GW to 950-1,050 GW (25-38% growth)
- Significant regional variation, with demand growth of 40-60% in digital economy hubs (e.g., Northern Virginia, Texas, Pacific Northwest)
- Demand growth concentrated in specific utility service territories, creating hotspots of infrastructure stress



III. Current Infrastructure Bottlenecks

A. Generation Capacity Constraints: The U.S. currently maintains approximately 1,150 GW of utility-scale electricity generation capacity. While this provides an apparent capacity margin above peak demand, several factors constrain effective capacity:

- Retiring generation: Approximately 90 GW of coal and 20 GW of nuclear capacity are projected to retire by 2035
- Resource limitations: Hydropower and thermal plants face increasing constraints due to water availability and cooling water temperature limits
- Intermittency challenges: The growing share of wind and solar resources (23% of generation in 2023) requires corresponding growth in balancing resources.As shown in Fig. 3, several regions face looming capacity shortfalls without significant new investment. Source: Compiled from NERC (2023), ISO/RTO long-term reliability assessments, and regional capacity expansion plans



B. Transmission Constraints: The U.S. transmission system has seen underinvestment for decades, with only 1,800 miles of new interregional transmission built over the past decade against a projected need of 40,000-60,000 miles by 2035 [7].. Key transmission bottlenecks include:

- Interregional transfer capacity limitations preventing optimal resource sharing
- Interconnection queues exceeding 1,000 GW of generation capacity with average wait times of 4-5 years
- Aging infrastructure with 60% of high-voltage transmission lines over 30 years old
- Limited transmission from renewable resource zones to load centers

C. Distribution System Limitations: Local distribution systems face significant challenges in accommodating new concentrated loads from datacenters and EV charging:

- Approximately 70% of distribution substations would require upgrades to accommodate full electrification
- Underground urban distribution systems often lack capacity for rapid load growth
- Visibility and control systems are inadequate for managing bidirectional power flows
- Regulatory frameworks limit proactive investment in distribution capacity

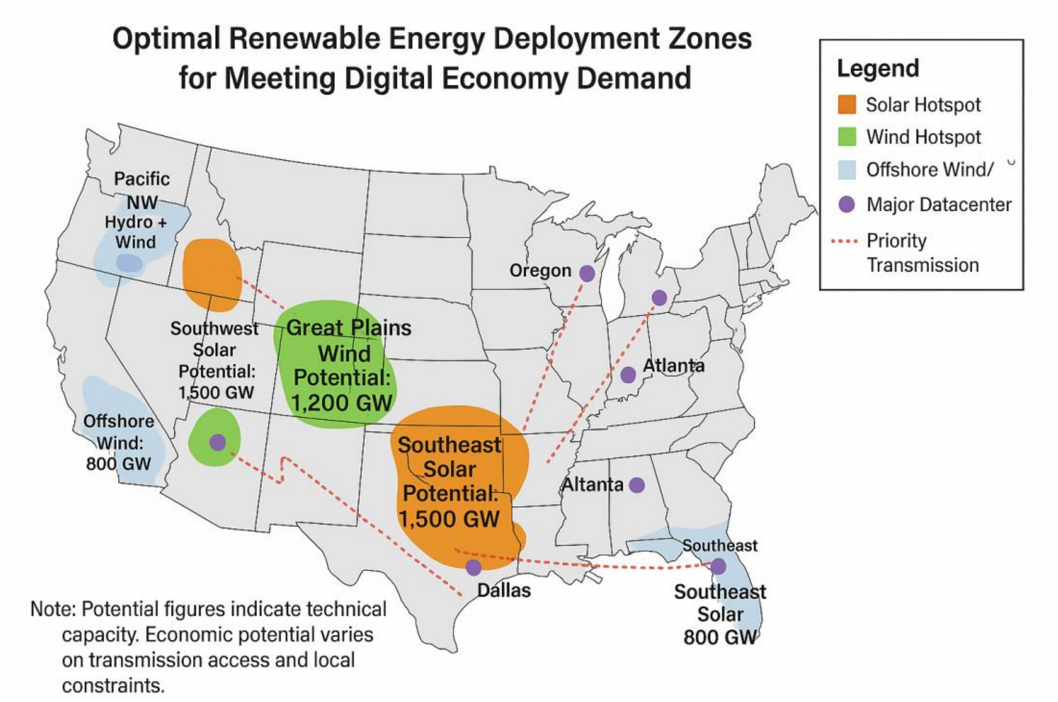
D. Planning and Permitting Bottlenecks: Beyond physical infrastructure limitations, institutional bottlenecks include:

- Fragmented planning processes across 66 balancing authorities
- State-by-state permitting processes lacking coordination
- Average timeframes of 8-10 years for major transmission projects
- Limited cost allocation mechanisms for interregional infrastructure

IV. Generation Technology Pathways

A. Renewable Energy Expansion: Wind and solar photovoltaics offer the fastest deployment pathways for new generation capacity, with current U.S. annual additions of approximately 25 GW. To meet projected demand growth, this deployment rate would need to increase to 40-50 GW annually. This analysis of renewable scaling potential indicates:

- Technical potential exists for over 11,000 GW of utility-scale solar and 8,000 GW of wind in the United States
- Land use requirements would amount to approximately 0.5-0.7% of U.S. land area to meet 50% of projected 2035 electricity demand
- Optimal geographic distribution would require significant transmission expansion
- Learning rates continue to improve economics, with new solar and wind representing the lowest cost generation in most regions. Fig. 4 maps the optimal renewable energy deployment zones based on resource quality, transmission access, and land availability.



B. Advanced Nuclear Deployment: Nuclear power offers unique advantages for supporting digital infrastructure with its high capacity factor and minimal land use requirements. Several pathways exist for expanding nuclear generation:

- Life extension of the existing 94 GW fleet, preventing ~20 GW of planned retirements
- Completion of 2.2 GW of conventional nuclear currently under construction
- Deployment of small modular reactors (SMRs) and advanced reactor designs. And Potential advantages of nuclear for digital infrastructure include
- Potential for direct colocation with major datacenter facilities
- Thermal energy utilization for district heating/cooling and industrial processes
- Minimal land use impact compared to other firm generation options
- Technological alignment with research activities of major technology companies

TABLE II Presents the projected deployment timeline for advanced nuclear technologies. Source: Compiled from EPRI [8], NEI [9], and DOE [10]

Technology	First Commercial Deployment	2030 Potential Capacity (GW)	2035 Potential Capacity (GW)
LWR SMRs	2028	3-5	15-20
Advanced SMRs	2029-2030	1-2	8-12
Microreactors	2027-2028	0.5-1	3-5
Advanced LWRs	Operating (AP1000)	4-6	10-15

C. Natural Gas Role in Transition: Natural gas generation currently provides approximately 40% of U.S. electricity and serves as both baseload and flexibility resource. Its role in meeting emerging digital demands will depend on several factors:

- Deployment of carbon capture technologies for emissions reduction
- Hydrogen blending capabilities for partial decarbonization
- Development of long-duration storage as an alternative flexibility resource
- Natural gas price stability and supply chain resilience. And this analysis suggests:
- 20-40 GW of new natural gas capacity may be required by 2030 to maintain reliability during the transition
- Carbon capture retrofit potential exists for approximately 150 GW of existing capacity
- Hydrogen blending capability could reduce emissions from gas plants by 20-30% by 2035

- Regulatory uncertainty represents the largest barrier to optimal deployment

C. Storage and Grid Flexibility: Energy storage technologies play a critical role in balancing variable generation and managing peak demands from digital infrastructure. Scaling energy storage deployment to meet grid integration needs will require:

- 100-150 GW / 300-450 GWh of short-duration storage by 2035
- 20-40 GW / 200-800 GWh of long-duration (8+ hour) storage
- Co-optimization of storage siting with renewable deployment and transmission constraints
- Regulatory frameworks that value multiple storage services

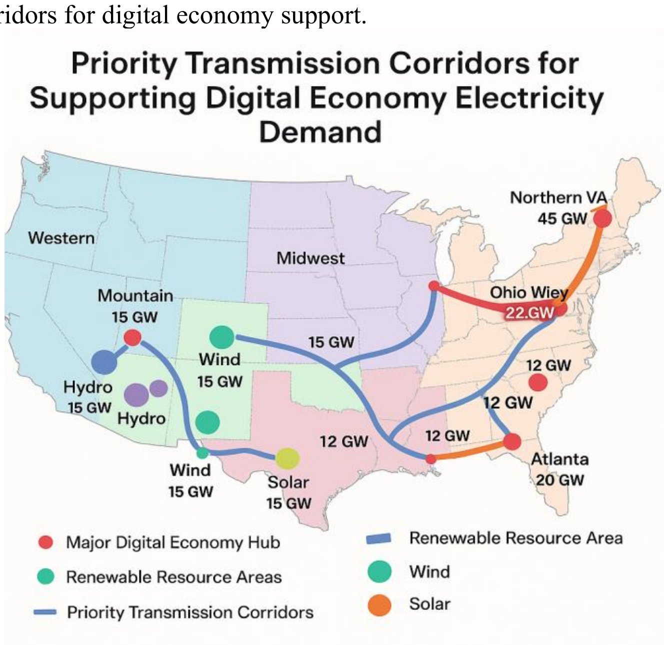
TABLE III: summarizes key storage technologies and their applications. Source: Compiled from NREL [11], EPRI [8], and LBNL [12]

Technology	Duration	Current Cost ($/kWh)	Projected 2030 Cost ($/kWh)	Primary Application
Lithium-Ion	1-4 hours	$250-350	$120-180	Short-duration balancing, frequency regulation
Flow Batteries	4-12 hours	$400-600	$150-250	Daily shifting, datacenter backup
Pumped Hydro	8-24+ hours	$150-250	$140-230	Long-duration shifting
Compressed Air	10-24+ hours	$120-180	$80-140	Multi-day backup
Hydrogen Storage	Days-Seasons	$700-1,000	$300-500	Seasonal balancing
Thermal Storage	2-12 hours	$50-150	$30-100	Cooling load management

V. Transmission and Distribution Infrastructure

A. Macro-Grid Development. Expanding interregional transmission capacity is essential for accessing renewable resources, managing intermittency, and serving concentrated digital loads. This analysis indicates optimal transmission expansion requires:

- 40,000-60,000 miles of new high-voltage transmission by 2035
- Prioritization of 22 key interregional corridors connecting renewable resources to digital economy hubs
- HVDC technology deployment for efficient long-distance transfer
- Upgraded transfer capacity between Eastern, Western, and ERCOT interconnections. Fig. 5 identifies priority transmission corridors for digital economy support.



B. Distribution Grid Modernization. Local distribution systems require significant modernization to accommodate digital economy loads:

- Substation capacity upgrades for 60-70% of the distribution system
- Advanced monitoring and control systems for dynamic load management
- Standardized interconnection procedures for distributed resources
- Resilience enhancements for critical digital infrastructure. Investment requirements are estimated at $375-450 billion through 2035 for distribution modernization.

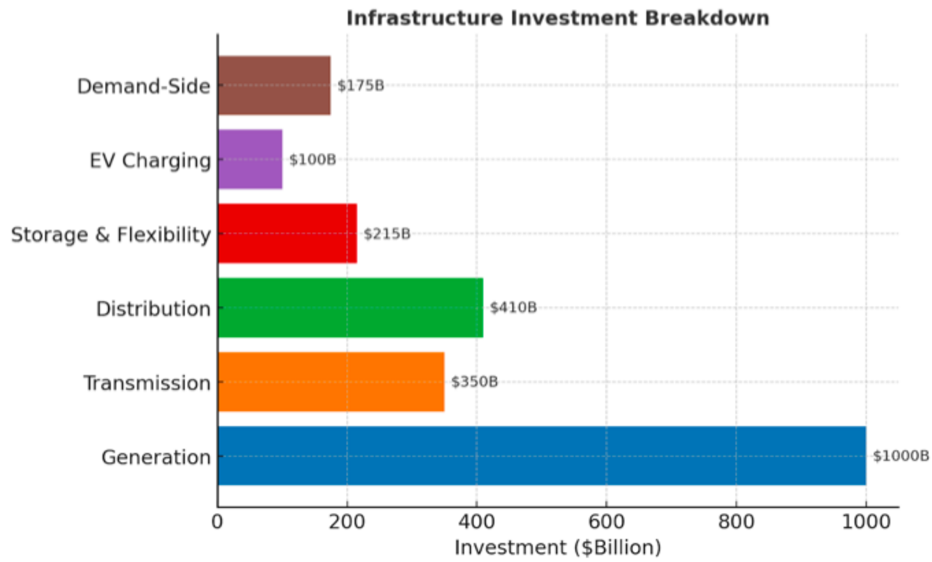
C. Grid-Enhancing Technologies: Non-wires alternatives and grid-enhancing technologies can increase the capacity and flexibility of existing infrastructure:

- Dynamic line ratings can increase transmission capacity by 5-15%
- Advanced power flow controls can optimize utilization of existing corridors
- Topology optimization can reroute power flow away from constrained paths
- Virtual power plants can aggregate distributed resources for system services. These technologies can accelerate grid capacity expansion while larger infrastructure projects are developed.

VI. Financing and Investment Requirements

A. Total Investment Needs: Meeting the electricity infrastructure needs of the digital economy will require unprecedented capital mobilization. Fig. 6 summarizes the projected investment requirements by infrastructure category. In aggregate, this analysis indicates:

- Total investment requirements of $2.1-2.5 trillion through 2035 [13]
- Generation: $900 billion - $1.1 trillion
- Transmission: $300-400 billion
- Distribution: $375-450 billion
- Storage and grid flexibility: $180-250 billion
- EV charging infrastructure: $80-120 billion
- Demand-side infrastructure: $150-200 billion



B. Capital Sources and Financing Mechanisms: Multiple capital sources will be required to meet these investment needs:

- Utility rate base investments: 40-45% of total
- Independent power producer project finance: 25-30%
- Corporate direct investment: 10-15%
- Public funding (federal, state, local): 15-20%. And Innovative financing mechanisms to accelerate deployment include:
- Green bonds and sustainability-linked financing [14]
- Infrastructure investment trusts
- Public-private partnerships with shared risk allocation
- Securitization of transition assets
- Customer investment through on-bill financing [15]

VII. Implementation Roadmap and Recommendations

A. Near-Term Actions (2024-2026): Immediate priorities to address digital economy electricity needs include:

1. Expedite interconnection queue reform to clear backlogs
2. Implement streamlined permitting for priority transmission corridors
3. Accelerate deployment of grid-enhancing technologies
4. Establish datacenter energy performance standards
5. Develop locational deployment incentives to match generation and load growth

B. Medium-Term Strategy (2027-2030): Medium-term priorities include:

1. Scale interregional transmission construction to 5,000+ miles annually
2. Deploy 30-40 GW annually of renewable generation
3. Commission first fleet of advanced nuclear reactors
4. Implement grid-interactive building standards for new construction
5. Establish organized flexibility markets in all regions

C. Long-Term Vision (2031-2035): Long-term objectives include:

1. Complete national macro-grid connecting major renewable resource zones
2. Achieve 60-70% clean electricity generation
3. Deploy 40-60 GW of long-duration storage
4. Establish networked EV charging as grid resource
5. Integrate digital infrastructure directly with energy systems through co-optimization

VIII. Conclusion

The convergence of AI, electrification, and digital economy growth presents both an unprecedented challenge and opportunity for U.S. electricity infrastructure. Meeting projected demand growth of 25-40% by 2035 will require mobilizing $2.1-2.5 trillion in investment across generation, transmission, distribution, and flexibility resources. This analysis indicates that no single technology or policy approach can address these needs in isolation. Rather, a coordinated strategy combining renewable expansion, advanced nuclear deployment, transmission development, and distribution modernization offers the most feasible path forward. This strategy must be supported by market reforms, permitting streamlining, and innovative financing mechanisms. The scale of this challenge demands unprecedented cooperation between technology companies, utilities, regulators, and policymakers. With appropriate planning and investment, the U.S. can develop an electricity system capable of powering the digital economy while advancing clean energy goals.

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