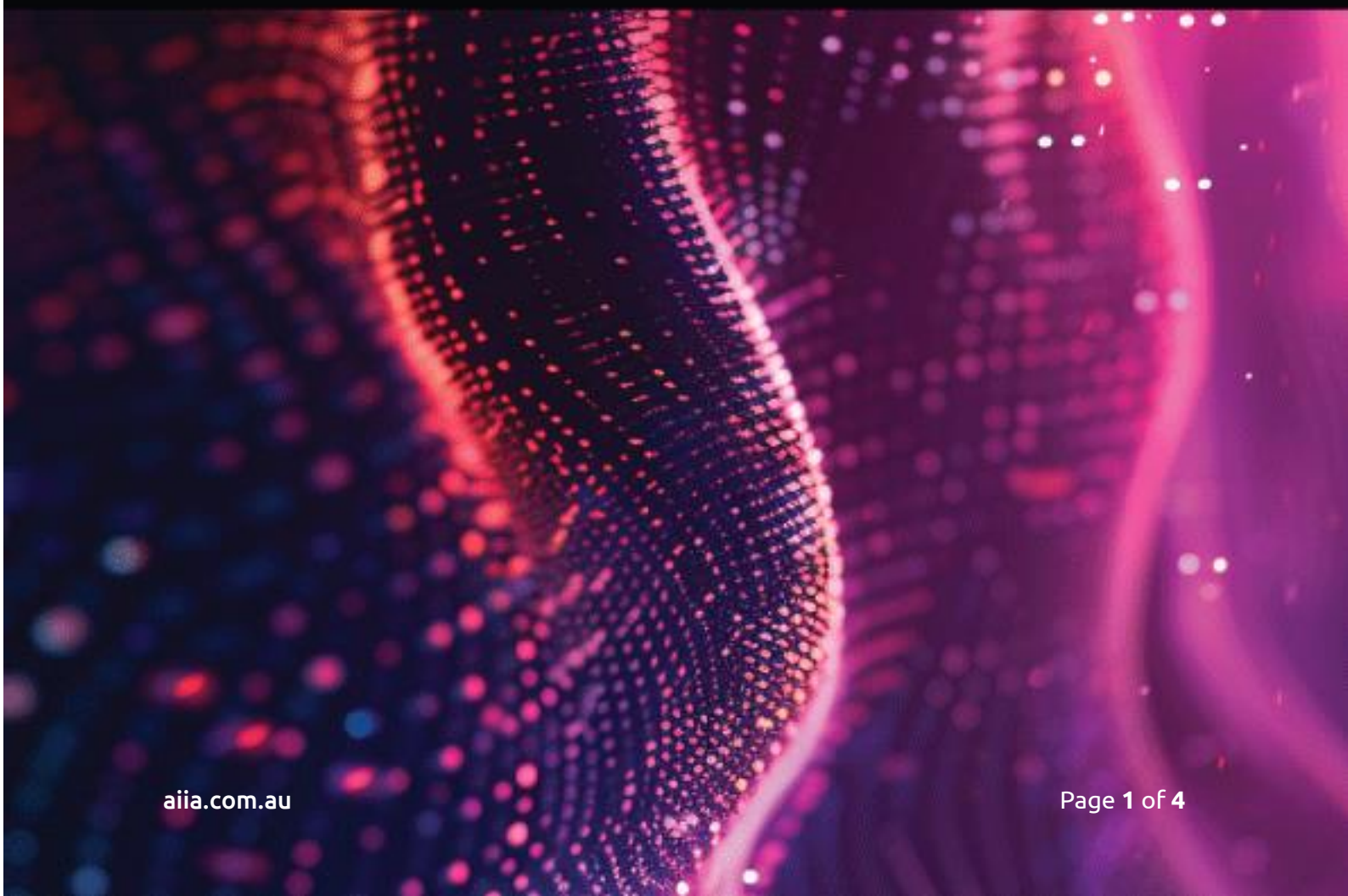
Australian Information Industry Association

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Submission on the draft terms of reference for the IPART data centre water pricing review



About the AIIA

The Australian Information Industry Association (AIIA) is the nation's peak body for those in the digital ecosystem, leading strategic policy and advocacy to shape a thriving digital sector. Through strong engagement with government, industry, and the broader community, the AIIA ensures the voice of its members informs decision-making on technology, innovation, and digital capability.

Membership provides direct access to influential networks, premium events, and opportunities to collaborate on initiatives with the sector's best and brightest to drive industry growth, improve productivity, and secure Australia's place as a global technology leader. AIIA members access real collaboration, real connections, and real outcomes.

Introduction

The Australian Information Industry Association (AIIA) welcomes the opportunity to comment on the draft terms of reference for IPART's review of the water pricing and regulatory framework for data centres.

AIIA members operate and supply the facilities that support cloud services, artificial intelligence, cybersecurity, digital government and businesses across the state. NSW has an opportunity to attract further investment in this infrastructure, provided proponents can understand how water services will be delivered, what they will cost and when they will be available.

AIIA has previously asked NSW to recognise data centres as enabling digital infrastructure and to coordinate their development with energy, water and planning systems. Its submission to the NSW Legislative Council inquiry[1] identified reliable water access and predictable regulation as factors in investment decisions, while recognising the need to manage environmental and community impacts responsibly.

AIIA supports a framework in which charges are transparent, proportionate and confined to costs fairly attributable to a project. The draft terms appropriately consider water security and customer impacts alongside NSW's competitive position, jobs, skills and innovation. AIIA recommends retaining that breadth and making the following matters explicit in the final terms.

Cost allocation and demand risk

The review should distinguish infrastructure needed solely for an individual project from infrastructure designed to serve several users over time. Where an augmentation will also support housing, other businesses or future data centres, IPART should examine how its costs and benefits are allocated among those users. This would protect existing customers

[1] AIIA, Submission to the NSW Legislative Council Public Accountability and Works Committee Inquiry into Data Centres, 27 March 2026.

while ensuring that an initial proponent is not required to fund capacity built for others.

The draft terms identify stranded asset risk. IPART should examine how staged delivery, demand forecasts, contractual commitments and appropriately sized security arrangements can manage that risk. These arrangements should reflect the scale and timing of a project and provide a clear route for adjusting commitments if demand changes. Predictable charges and connection terms will help operators make investment and location decisions while protecting other water customers from project-specific risks.

Supply choices and service levels

The review should assess the water sources that could realistically service a project, including recycled and other non-potable supplies where technically and commercially feasible. The assessment should account for connection and treatment costs, delivery timeframes, water quality, reliability and price. A potential alternative supply should only be treated as a practical option when it can meet a project's requirements within a workable timeframe.

Operators may also require different levels of reliability, peak capacity and backup supply. IPART should consider whether clearly specified service options, including arrangements during drought, would allow operators to choose and pay for the service they need. Public utilities and *Water Industry Competition Act 2006* licensees should have a fair opportunity to offer suitable services under clear and comparable rules.

Water and energy outcomes

AIIA supports efficient water use. Cooling choices can, however, change a facility's electricity demand, operating costs and resilience. IPART should examine these effects together and recommend incentives based on measurable outcomes and local conditions. The framework should allow operators to adopt and improve suitable technologies over the life of a facility, rather than favouring a particular cooling design.

Investment and coordination

Matter 8 rightly asks IPART to consider NSW's competitive position and the broader benefits of data centres. AIIA's earlier NSW submission describes their role in supporting cloud services, AI, cybersecurity and digital government, as well as specialist employment and skills pathways.[2] These benefits should inform the design of a framework that allows responsible projects to proceed with confidence.

Water servicing costs and timeframes can influence where a data centre is built. IPART should therefore consider whether its recommendations give proponents sufficiently early, reliable information to compare locations and commit capital. In considering

[2] AIIA, Submission to the NSW Legislative Council Public Accountability and Works Committee Inquiry into Data Centres, 27 March 2026.

approaches in other jurisdictions under Matter 10, it should examine the predictability of charges and connection processes as well as the allocation of costs. The review should also consider workable transitional arrangements for projects already well advanced in planning or connection discussions.

This review should be coordinated with IPART's concurrent review of developer charges and recycled water prices for metropolitan water businesses. That review covers the costs of connecting, extending and upgrading water, wastewater and recycled water services, and recognises data centres as potential high-demand users. The final terms should allow IPART to explain how the two sets of recommendations interact, giving both proponents and providers consistent pricing signals and avoiding overlapping processes.

Suggested clarification to the final terms of reference

The draft terms provide a sound starting point. AIIA suggests that the final terms expressly permit IPART to consider:

- the availability, delivery timing, reliability and cost of suitable water sources, and the fair allocation of shared infrastructure costs and stranded asset risks;
- service options and incentives that account for water use, electricity demand, operational resilience and drought management without prescribing a cooling technology;
- the effect of charging and connection arrangements on investment decisions, including their clarity, timing and application to projects already in development; and
- the interaction of this review with the metropolitan developer charges and recycled water pricing review, including arrangements for public utilities and licensed private suppliers.

AIIA would welcome the opportunity to provide evidence from data centre operators and other members during the substantive review.