

Our reference: 26/77-2-8

Contact Leanne Boyd

T [REDACTED]

E execofficegroup@ipart.nsw.gov.au

27 March 2026

Ms Abigail Boyd, MLC
The Chair
NSW Legislative Council Public Accountability and Works
Committee – Inquiry into data centres

via email

Dear Ms Boyd,

Submission to the Parliamentary Inquiry into data centres in NSW

Thank you for the opportunity to make a submission to the Committee's inquiry into data centres. The Independent Pricing and Regulatory Tribunal (IPART) is the independent economic regulator for declared monopoly services in NSW. Our responsibilities are defined by legislation and references from the NSW Government.

Our role includes determining the maximum prices that Sydney Water, Hunter Water, Central Coast Council and Essential Water (Broken Hill) can charge for their monopoly water and wastewater services. We also set maximum prices for WaterNSW's bulk water services, Sydney Desalination Plant and for water management services undertaken by the Water Administration Ministerial Corporation.

IPART also reviews and makes recommendations to the Minister for Water on the Operating Licences for Sydney Water, Hunter Water and WaterNSW and has a regulatory role in overseeing *Water Industry Competition Act 2006* (WICA) licensees (private third-party water utilities), including arbitrating disputes or setting pricing principles where required.

IPART does not regulate energy prices, but we administer the licensing regimes for electricity transmission and distribution network operators to support safe, reliable and efficient energy services for NSW consumers. We also monitor and report annually on the performance and competitiveness of the NSW retail electricity and gas markets for small customers. We play an audit and reporting role in the roll out of the Electricity Roadmap.

IPART performs several key roles that are relevant to the Committee's consideration of data centre development.

Regulating maximum prices for connecting to water and wastewater services

IPART determines the maximum prices metropolitan water utilities¹ can charge new developments, including data centres, to connect, extend or upgrade a water or wastewater service. These upfront developer charges seek to recover the long-term costs of supplying new customers. The charges are set to reflect a development's share of the costs of providing new and existing infrastructure, and any additional operating costs incurred.

Developer charges play 2 important roles in the provision of water and wastewater services. They:

1. Protect the broader customer base from paying higher annual water bills to recover the costs of servicing a new development.
2. Send price signals to developers on the costs of providing services to different locations. This assists developers to make more efficient decisions about the location, scale and demand of their potential development.

IPART's current developer charges determination prescribes the methodology that metropolitan water utilities must use to calculate these charges. The maximum charges are determined by assessing the capital costs required to service a Development Servicing Plan (DSP) area and adjusting for the expected future surplus (or adding any expected deficit) from the utility's ongoing customer charges in that area.

Our current determination has been in effect since 2018. IPART intends to commence a public review of how we set these charges by May this year. We expect this review to take around 9-12 months.

Regulating maximum prices for water usage

IPART independently sets the maximum prices that metropolitan water utilities can charge water users. In determining these prices, IPART must consider several statutory principles, which include:

- the need for greater efficiency in the supply of services
- enabling utilities to recover efficient costs, including a reasonable return on assets
- protecting consumers from monopoly pricing
- considering equity and affordability impacts
- considering social, ecological and sustainability impacts.

IPART currently applies a two-part tariff water pricing structure for all residential, commercial and industrial water users. This consists of:

- a usage charge, based on the long-run marginal cost of supply to encourage efficient water use
- a service charge, based on meter size, which reflects the system capacity reserved to meet potential peak demand.

Large industrial users typically pay the same usage charge per kilolitre as other non-residential customers, but a higher fixed charge if they require a larger meter. This reflects that they receive the same level of service (potable drinking water and supply availability subject to water restrictions).

¹ Sydney Water, Hunter Water and Central Coast Council water.

The prices we have set in our 2025 determinations are not reflective of a different (and potentially higher) level of service. We note that where a different level of monopoly service might be warranted, our Sydney Water and Hunter Water determinations include a provision for Negotiated Service Agreements. Under this provision, Sydney Water and Hunter Water can enter into an agreement with a large non-residential customer to provide monopoly services (including terms and conditions) that are different from those set out in our determination.

We issued our most recent 5-year price determinations for Sydney Water and Hunter Water in 2025, with our determination for Central Coast Council scheduled for June this year.

Operating licences for Sydney Water and Hunter Water

Sydney Water and Hunter Water are subject to the requirements set out in their respective Operating Licences, which are issued by the Governor. These licences are regularly reviewed at intervals of no longer than 5 years and are audited annually.

The licences set the terms and conditions that each utility must adhere to in order to protect consumers, ensure service quality and reliable supply, and assess the impact of the utility on the environment.

In our most recent review of Sydney Water's Operating Licence (which applies from 1 July 2024 to 30 June 2028), we did not consider the service needs of data centres.

Licensing arrangements for WICA licensees

IPART also licences and manages audits and compliance for private water utilities in NSW under the *Water Industry Competition Act 2006* (WICA licensees), but we do not set maximum prices for their water and wastewater services (except for the Sydney Desalination Plant). WICA licensees may enter contracts to service data centres, offering an alternative supply option to public water utilities.

Emerging non-traditional water users like data centres

The prices set out in our most recent price determinations are set on the basis that industrial customers receive a similar type of service to residential customers. However, the scale and type of water services that data centres might require are potentially different than the rest of the customer base. We understand this may include guaranteed, uninterrupted supply and very high consumption which can far exceed those of any existing customers of metropolitan water utilities. However, the impacts are uncertain.

In September 2025, IPART received some information from Sydney Water about the potential impact of data centres on future system costs and water demand. While the scale, number and timing of such facilities are uncertain, the additional system infrastructure and water resources needed may be significant. Sydney Water estimated the water needs of data centres may be up to 250 megalitres a day by 2035. Sydney Water did not include the additional costs of servicing, or water demand from, data centres in its pricing proposal. Due to both the preliminary information available and the considerable uncertainty of large-scale data centre development, IPART did not include an allowance for additional efficient costs of serving data centres in its 2025 determination.

We will consider the costs associated with connecting new customers to water services as part of our upcoming review of our developer charges methodology.

Electricity Regulation

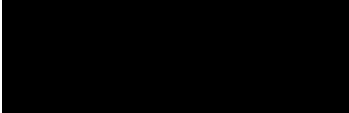
It is expected that data centres will also require substantial and secure access to electricity. While for the most part issues relating to pricing and reliability of supply are managed at the Commonwealth level, nonetheless it is expected that the establishment of data centres will have implications for licenced transmission and distribution entities, and in the roll out of the Electricity Roadmap.

We trust this information assists the Committee in understanding IPART's role in relation to water pricing and energy regulation, which is relevant to the establishment and operation of data centres.

IPART's contact officer for this matter is Leanne Boyd, Executive Office Manager, contactable on 9290 8448 or execofficegroup@ipart.nsw.gov.au.

Yours sincerely

27/03/2026



Andrew Nicholls PSM
Chief Executive Officer
Signed by: andrew.nicholls@ipart.nsw.gov.au