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Submission to IPART's Draft Report and Sydney Water's Pricing Proposal

I am writing to provide feedback on IPART's draft decision on the maximum prices Sydney Water can charge for water and water-related services from 2025-26 to 2029-30. While affordability and cost-of-living pressures remain a central concern for households and businesses alike, it is equally important that IPART considers the broader implications of rapid urban expansion, and the demands placed on water resources due to large-scale developments.

Across New South Wales, and particularly in the City of Ryde, we are witnessing significant growth that is surpassing initial forecasts. This accelerated urban development is being driven by several key factors:

- A surge in data centre developments, which require vast quantities of water for cooling systems and operational efficiency. With the growing reliance on digital infrastructure and cloud-based services, these facilities are expanding rapidly, adding substantial demand to Sydney Water's capacity.
- An increase in build-to-rent housing projects, which contribute to ongoing urban densification and higher water consumption per capita. As this model of residential development gains traction, there is a corresponding increase in long-term utility demands.
- State Significant Developments, particularly in Macquarie Park, which are reshaping the landscape with high-density apartment complexes and mixed-use developments. These contribute not only to population growth but also place considerable strain on local infrastructure, including water and wastewater management.
- Increased demand for parks, sports fields and open spaces, which will require additional water resources to support ongoing maintenance and upkeep.
- Intensification in use of community facilities and businesses (e.g. extended operating hours of businesses in line with the State Government's 24-Hour Economy Strategy, provision of a 24/7 library, etc.) which will increase demand for water services to facilitate extended use.

Sydney Water's pricing structure should not be determined solely by the size of a site but should incorporate specific land-use categories, particularly for land uses that consume significant water resources, such as data centres. While data centres are classified as industrial land uses, their operational demands rely heavily on water infrastructure, resulting in significantly higher water consumption than other industrial facilities.

Given this, Council recommends further investigation into land-use classifications, specifically concerning data centres, and the development of a distinct fee structure that appropriately reflects their extensive water usage.

The current fee framework designates a “High Industrial User” as consuming 26,000 kilolitres (26 million litres) of water per annum. However, Council’s research indicates that even the smallest data centres, operating at 1 megawatt, require approximately 25.5 million litres of water annually (Refer article at <https://www.weforum.org/stories/2024/11/circular-water-solutions-sustainable-data-centres/>). Furthermore, the majority of data centres exceed the 15-megawatt threshold for State Significant Development, with those in Macquarie Park ranging from 35MW to 170MW.

The water consumption of these data centres far surpasses the levels attributed to a “high industrial user” and places considerable strain on water supply capacity. For instance, a 100MW data centre can consume up to 4.16 million litres of water per day (<https://foe-malaysia.org/articles/data-centres-are-big-energy-and-water-guzzlers/>), amounting to over 1.5 billion litres annually. The cumulative effect of large-scale data centres must be thoroughly examined to ensure that future amendments to the pricing structure accurately reflect their impact on Sydney’s water resources.

Applying the high industrial user rate to data centres—which consume over 50 times more water than other industrial sites—is inappropriate. Council advocates for the establishment of a separate category for data centres to ensure fairness in cost allocation and mitigate risks to water security.

Macquarie Park, within the Ryde Local Government Area (LGA), has one of the highest concentrations of data centres in Greater Sydney. This clustering presents a significant risk to ongoing water supply, particularly given the existing constraints. Sydney Water has already flagged concerns regarding servicing Macquarie Park, as detailed in the attached documents, and is apprehensive about the impact of future data centres exacerbating water shortages in the area.

Currently, Ryde has five operational data centres, with six more at various stages of the planning process. Even with price increases, the growing number of data centres will continue to drain water resources. Without substantial infrastructure upgrades, the long-term sustainability of Macquarie Park’s water supply remains uncertain.

Furthermore, Macquarie Park has recently undergone rezoning under the Transit-Oriented Development (TOD) program initiated by the Department of Planning, Housing and Infrastructure to facilitate increased housing density. The additional density increase will require sufficient access to water infrastructure, should the Government seek to achieve the National Housing Accord Targets. This rezoning anticipated to accommodate approximately 10,000 new homes and approximately 11,000 new build-to-rent dwellings. However, with recent proposals being considered as State Significant Development through the Housing Delivery Authority could substantially increase this number. This significant growth must be supported by appropriate infrastructure from all levels of government. It should also be noted that prior to rezoning, Sydney Water advised a pause on new developments in Macquarie Park until at least FY 2026 due to the Marsfield water supply reaching capacity.

Council remains concerned that upon completion of additional infrastructure, rapid consumption by data centres may render new capacity insufficient, further delaying planned residential developments. If adequate water supply is unavailable, housing delivery within Macquarie Park may be severely impacted, hindering growth objectives for the region.

To ensure sustainable water management and adequate funding for future infrastructure, Council recommends introducing a differentiated cost structure for data centres. Given their disproportionate consumption, such measures will help secure the capital required for essential upgrades, safeguarding Sydney's long-term water security.

While economic growth is crucial in fostering investment, job creation, and long-term prosperity, unchecked development without adequate infrastructure planning creates unintended challenges. Over time, rising demand without corresponding improvements in water supply management can lead to service inefficiencies, increased operational costs, and potential environmental concerns.

I strongly urge IPART to undertake a comprehensive evaluation of the cumulative impact these developments will have on water supply in the City of Ryde and beyond. Pricing decisions should not only account for consumer affordability but also reflect the necessity for long-term sustainability, ensuring that future generations inherit a resilient and well-maintained water network.

Thank you for considering this submission. I appreciate the opportunity to contribute to this important discussion. I hope that IPART will take a balanced approach that protects both the interests of consumers and the integrity of Sydney's essential services.

If you have any questions or concerns, please do not hesitate to contact 

Yours Sincerely 



ATTACHMENTS







