

**Independent Pricing and Regulatory Tribunal
Draft Terms of Reference – IPART review of water pricing
framework for data centres**

Submission

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This submission

1. My submission is confined to one issue that I consider the draft terms of reference does not yet capture with sufficient clarity, the treatment of recycled water and wastewater as inputs to, and outputs of, data centre cooling. I recommend that the terms of reference be amended to bring these matters expressly within scope.
2. Data centres are, in substance, large scale users of water for cooling. Two aspects of that use fall outside the conventional frame of potable water supply and deserve explicit attention.
3. The first is the potential for data centres to cool using recycled water rather than drinking water. This can be drawn from the output of sewage treatment plants or other non-potable sources. If data centres can be interconnected to recycled water schemes, this has direct consequences for several matters the draft terms of reference already identify.
4. This changes the forecast capital and operating costs of connection (matter 1), it may materially reduce the demand risk that a large, high intensity user places on the drinking water network (matter 2), and it alters how supply augmentation costs should properly be allocated between data centres and other customers (matter 3). A regulatory and pricing framework confined to potable water services would miss this opportunity and could understate the most cost-efficient path for accommodating data centre growth.
5. The second is the wastewater that data centres will need to discharge. Cooling water leaves a data centre warm and, in some cases, hot. Where that heat is not captured and sold on a heat as a service basis, it must be discharged to the wastewater network, most likely under trade waste arrangements. The draft terms of reference are silent on this.
6. In my view the pricing and regulatory treatment of trade waste from data centres raises questions closely analogous to those already listed for water supply. This includes the question as to who bears the cost of any augmentation needed to accept elevated temperature or volume discharges. It also raised the issue of how competitive neutrality should apply as between different dischargers.
7. I recommend three specific amendments to the terms of reference:
 - (a) widen the description of the approved services from water services to water and wastewater services, so the scope of the review is not read as confined to supply;
 - (b) add a matter directing IPART to consider the role of recycled water, including treated sewage effluent, as an alternative source for data centre cooling, and the pricing and regulatory treatment of interconnection to recycled water schemes; and
 - (c) add a matter directing IPART to consider the pricing and regulatory treatment of wastewater and trade waste discharge from data centres, including the treatment of waste heat and its interaction with any heat as a service arrangements.

8. I also suggest that the competitive neutrality matter, presently matter 9, be extended so that it applies to the different suppliers of recycled water and trade waste services, and not only to suppliers of potable water.
9. These amendments would bring the terms of reference into line with how data centres actually use and discharge water, and would allow IPART to recommend a framework that properly accounts for the full water cycle rather than for supply alone.