

# SUBMISSION

## IPART review of water pricing framework for data centres

October 2026

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### Recommendations

- Clarify the geographic region covered by the proposed framework.
- Clarify how undue burden will be avoided, such as through allocation of cost-shares.
- Protect the integrity of water property rights to safeguard irrigated agriculture.
- Mandate that data centres must purchase water entitlements from bulk water market or existing town water; no SPALs should be created to service data centres.
- Consider the full lifecycle of a data centre when developing the framework.
- Clearly define service levels.
- Mandate minimum water efficiency standards for data centres.
- Assess economic benefits alongside impact on natural resources and infrastructure.
- Ensure transparency, consistency and efficiency through the regulatory framework.



## Introduction

NSW Irrigators' Council (**NSWIC**) welcomes the opportunity to make a submission to the Independent Pricing and Regulatory Tribunal (**IPART**) review of water pricing framework for data centres. The development of this water pricing and regulatory framework comes at a critical juncture, where competing demands on water resources are intensifying across the State.

Irrigated agriculture in Australia underpins regional economies, supports extensive supply chains and contributes to food and fibre security. The gross value of irrigated agricultural production is estimated at \$18.9 billion, with NSW comprising \$4.4 billion. This must be protected with new entrants to the water market.

As recognised by Premier Minns and IPART, the framework must not place an undue burden on existing and future water customers, including the irrigation industry in regional NSW.<sup>1</sup> Water pricing principles must remain anchored in long-standing principles: efficiency, equity, transparency and the protection of established property rights. Data centres should purchase entitlements from the existing bulk water market or existing town water.

This NSWIC submission provides feedback on the scope of the review as set out in the draft Terms of Reference (**ToR**), including the approved services, matters IPART is to consider, and conduct of the review. We consider these sections from the lens of regional and rural data centres.

## NSW Irrigators' Council Submission

### 1. The approved services

#### Recommendations:

- Clarify the geographic region covered by the proposed framework.
- Clarify how undue burden will be avoided, such as through allocation of cost-shares.

#### 1.1 Clarify geographic location

NSWIC submits that clarity should be provided on the geographic region captured by this framework. The ToR should specify whether the framework relates to only metropolitan water services or is inclusive of regional and rural water services. While the majority of data centres are currently in or proposed for metropolitan areas, there is potential for expansion into regional areas where there is available land and water resources.

#### 1.2 Remove undue burden through allocating cost-shares and full cost recovery

NSWIC submits that clarity should be provided on the phrase '*undue burden on existing and future water customers*.' We support the framework outlining how data centres will fund upfront and ongoing cost of water service provision – the direct cost of supplying water must be captured.

<sup>1</sup> NSWIC sees 'water customers' as including all water access licence holders.



However, data centres will have further impact on water sources beyond what is recognised by strict water service provision costs.

Cost recovery is a vexed issue for agricultural irrigators. NSWIC has consistently raised concerns that current pricing approaches shift a growing share of bulk water infrastructure costs onto irrigators, regardless of usage across society. IPART has recognised that irrigators in NSW have reached their capacity to pay limit. Data centre costs cannot be socialised across existing water users through bulk water pricing as this will cause further price increases for these water users.

In a similar manner to other stakeholders (i.e., WaterNSW rural bulk water customers), NSWIC submits that data centres should be allocated cost-shares that recognise that data centres are beneficiaries for water service planning, management and infrastructure that service the demands they pose. Cost share allocations ensure common costs are allocated equitably and avoid the undue transfer of costs onto other existing and future water customers. For infrastructure benefiting individual data centres, a 100% cost-share should be allocated.

## 2. Matters IPART is to consider

### Recommendations:

- Clarify the geographic region covered by the proposed framework.
- Protect the integrity of water property rights to safeguard irrigated agriculture.
- Mandate that data centres must purchase water entitlements from bulk water market or existing town water; no SPALs should be created to service data centres.
- Consider the full lifecycle of a data centre when developing the framework.
- Clearly define service levels.
- Mandate minimum water efficiency standards for data centres.
- Assess economic benefits alongside impact on natural resources and infrastructure.
- Ensure transparency, consistency and efficiency through the regulatory framework.

### 2.1 Clarify geographic location

**ToR 1** states that IPART is to consider “Forecast capital and operating costs of connecting data centres to metropolitan water services”. As raised in Section 1.1, the current ToR specifically identifies metropolitan water services, excluding regional and rural water services. This creates confusion about the geographic scope of this ToR and requires clarification.

To the extent that rural/ regional or inland (“non-metropolitan”) areas were being considered for data centres, NSWIC submits that IPART would need to reopen consultation for both ToR and pricing in these non-metropolitan areas. Water reliability and the economic opportunity cost of reallocating water from irrigated agriculture to data centres would both need to be thoroughly and separately considered if data centres were being located in areas with irrigated agriculture.

### 2.2 Introducing data centres into the existing water allocation framework

The proposed ToR directs IPART to consider the water allocation framework. This includes:

- **ToR 2** - Demand risks of connecting large, high-intensity water users to existing supply sources and the impact on existing and future water customers.



- **ToR 5** - The water security requirements of data centres and how these might be addressed in a regulatory and pricing framework.
- **ToR 6** - Safeguarding long-term water security (including drought management).

Policy and price settings must remain anchored in long-standing principles: efficiency, equity, transparency and the protection of established property rights.

Water access entitlements in NSW are a property right, underpinned by legislation and long-standing policy frameworks. The expansion of new water uses must not erode these rights; rather, the NSW Government must maintain the integrity of entitlement frameworks. New demand should not disrupt existing rights through regulatory or pricing mechanisms.

NSWIC supports a regulated water market. We do not support the creation of additional entitlement pools for specific purposes, or the creation of Specific Purpose Access Licences (SPALs) to service data centres, regardless of claims by data centres that they will demonstrate water efficiency. It should be mandated that data centres purchase water entitlements from the bulk water market (General Security or High Security) or access existing town water.

NSWIC to note that consideration must be given to the impact on General Security water entitlements that often operate as the residual source of supply for new demand on water systems. The introduction of large, capital-backed data centre operators into water markets introduces structural risks to water users reliant on the resource for their livelihoods and production. NSW's water system is highly constrained; without deliberate policy settings, incremental approvals for data centres will collectively erode system reliability for primary producers.

We note that stakeholders and regional water users are not being consulted on this possibility as part of this review; if policy settings or location preferences were to change, water users would require specific consultation on the unintended consequences of data centre expansion into regional areas.

NSWIC also notes concern about the siloed approach that the Department Climate Change, Energy, the Environment and Water (**DCCEEW**) have demonstrated when processing water access licences, compared to WaterNSW who perform licensing functions for private irrigators. When these inconsistent licensing approaches occur in the same water source, for example if each agency has different thresholds for a high flow class, the result is inequitable water sharing that often disadvantages irrigated agriculture water users.

NSWIC submits that connecting data centre water users to existing supply sources must be performed within the existing entitlement framework, with consistency to existing water entitlement. This should help support the security of existing water entitlement property rights, the consistency of water extraction rules and requirements, and equity in water pricing and cost-share allocations.



### **2.3 Consider full lifecycle of a data centre**

**ToR 3** states that IPART is to consider “Supply augmentation costs and how these are allocated between data centres, existing and future water customers, and any other parties (including consideration of stranded asset risk).”

NSWIC submit that IPART must consider the whole lifecycle of a data centre in the development of the pricing and regulatory framework.

The viability of individual data centres is an inherent risk due to changes in technology, business needs and regulatory obligations. This is a period of transition for data centre reform; there is uncertainty about the regulatory and operating obligations that will emerge in the next decade. Delivering required data centre output while balancing socio-economic viability and the needs of the environment will not always be achievable. It is important for IPART to consider all stages of a data centres lifecycle to ensure pricing and regulation frameworks improve the ability to plan and manage operations and ensure accountability to cost requirements during all stages of the data centre lifecycle.

### **2.4 Clearly defined service levels**

**ToR 4** states that IPART is to consider “Service levels required by data centres and how they differ from other large water users”.

NSWIC considers that identifying service levels required by data centres will ensure these standards are clearly defined and provide transparency for associated costs. Service levels should meet relevant Operating Licence conditions or legislative requirements and show commitment to the services that matter most to customers and for which customers pay. These measures should guide the prioritisation of resources so sufficient levels of service are provided for core business and commercial services provided to paying customers.

### **2.5 Optimising water use efficiency & additionality requirements**

**ToR 7** states that IPART is to consider “Incentivising data centres to optimise their use of water with energy consumption implications”.

NSWIC submits that water recycling, reuse and efficiency standards must be mandated. Irrigators in NSW are amongst the most water efficient and least subsidised growers in the world. For data centres, NSWIC strongly supports the use of recycled water<sup>2</sup> as a mandatory requirement for new-build data centres and consideration of ‘no net increase in water demand’ principles in systems at full allocation.

For significant new industrial demand, IPART should consider the cumulative impact of multiple data centre developments on constrained water systems, rather than assessing each development in isolation. Water additionality should be addressed through measures such as recycled water and efficiency requirements where appropriate. Any consideration of data centres in non-metropolitan areas should be subject to separate consultation and must not

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<sup>2</sup> Recycled water can include minimised reliance on potable and constrained conventional water sources, including through recycled/non-potable water, closed-loop systems and alternative cooling technologies.



compromise the reliability of existing water users, especially in highly constrained systems where additionality rests on water use efficiency and recycling.

## **2.6 Economic benefits of data centres**

**ToR 8** states that IPART is to consider “NSW’s competitive position in attracting new investment and the broader economic benefits to NSW that data centres may provide including jobs, and investment in skills and innovation”.

Data centres may provide economic benefit and opportunity to consumers and the community. NSWIC submits that while IPART should consider these benefits, they should not be used to justify data centre subsidies for water infrastructure or water charges, or preferential access to water. The economic benefits offered by data centres should be assessed alongside the impact of data centres on natural resources and infrastructure.

## **2.7 Transparent regulatory frameworks**

**ToR 9** states that IPART is to consider “A regulatory framework that provides for competitive neutrality for the different suppliers of water services (public water utilities, and *Water Industry Competition Act 2006* licensees)”.

Different suppliers of water services should have equal opportunities. The regulatory framework should ensure consistent cost-recovery principles are applied, encourage water efficiency, and require transparent reporting to ensure clarity and accountability to competitive neutrality.

## **3. Conduct of the review**

NSWIC agrees that IPART should undertake staged public consultation, including a draft report with findings and recommendations, and targeted stakeholder consultation including with existing water customers. Water reliability, economic opportunity cost of data centres away from irrigated agriculture, and pricing equity are all specific concerns to non-metropolitan areas and warrant specific consultation if data centres were considering expanding into these regions.

## **Conclusion**

NSWIC supports a framework that protects the interests of existing and future water users while Governments navigate an unclear and fast-paced expansion of data centres. Clear service levels, appropriate allocation of costs, purchase of entitlements from the bulk water market, minimum water efficiency standards and consideration of the full lifecycle and infrastructure impacts of data centres are required. Above all, the framework should ensure that new demand is accommodated transparently, efficiently and equitably, without compromising the security of existing water rights or placing an undue burden on irrigated agriculture and regional communities.

Please contact NSWIC if you have any questions or would like any further information.



## NSW Irrigators' Council

The NSW Irrigators' Council (NSWIC) is the peak body representing irrigation farmers and the irrigation farming industry in NSW. Our members include valley water user associations, food and fibre groups, irrigation corporations and commodity groups from the rice, cotton and horticultural industries.

Through our members, NSWIC represents over 12,000 water access licence holders in NSW who access regulated, unregulated and groundwater systems. NSWIC engages in advocacy and policy development on behalf of the irrigation farming sector. As an apolitical entity, the Council provides advice to all stakeholders and decision makers.

Irrigation farmers are stewards of tremendous local, operational and practical knowledge in water management. With more than 12,000 irrigation farmers in NSW, a wealth of knowledge is available. Participatory decision making and extensive consultation ensure this knowledge can be incorporated into best-practice, evidence-based policy.

NSWIC and our members are a valuable way for Governments and agencies to access this knowledge. NSWIC offers the expertise from our network of irrigation farmers and organisations to ensure water management is practical, community-minded, sustainable and follows participatory process.

NSWIC sees this consultation as a valuable opportunity to provide expertise from our membership. Each member reserves the right to independent policy on issues that directly relate to their areas of operation, expertise or any other issues that they deem relevant.

## NSW Irrigation Farming

Irrigation farmers in Australia are recognised as world leaders in water efficiency. For example, according to the Australian Government Department of Agriculture, Water and the Environment:

“Australian cotton growers are now recognised as the most water-use efficient in the world and three times more efficient than the global average”<sup>3</sup>

“The Australian rice industry leads the world in water use efficiency. From paddock to plate, Australian grown rice uses 50% less water than the global average.”<sup>4</sup>

Our water management legislation prioritises all other users before agriculture (critical human needs, stock and domestic, and the environment), meaning our industry only has water access when all other needs are satisfied. Our industry supports and respects this order of prioritisation. Many common crops we produce are annual/seasonal crops that can be grown in wet years, and not grown in dry periods, in tune with Australia's variable climate.

Irrigation farming in Australia is also subject to strict regulations to ensure sustainable and responsible water use. This includes all extractions being capped at a sustainable level, a hierarchy of water access priorities, and strict measurement requirements.

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<sup>3</sup> <https://www.agriculture.gov.au/ag-farm-food/crops/cotton>

<sup>4</sup> <https://www.agriculture.gov.au/ag-farm-food/crops/rice>