Advocating for the people of Western Sydney

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NSW Legislative Council
Public Accountability and Works Committee
Parliament of New South Wales
6 Macquarie St,
Sydney NSW 2000

Response to the NSW Parliamentary Inquiry into Data Centres

To the Committee,

The Western Sydney Regional Organisation of Councils (WSROC) welcomes the opportunity to contribute to this Inquiry. Data centres are essential infrastructure underpinning Australia's digital economy. They enable cloud services, artificial intelligence, and connectivity across the nation. However, their benefits are broadly distributed, while their impacts are concentrated in local communities, particularly in Western Sydney.

This creates a clear policy challenge: How to support the growth of critical digital infrastructure while ensuring host communities are not left worse off.

WSROC supports the submissions made by Resilient Sydney and Blacktown City Council, and reinforces the need for a more coordinated, strategic and transparent approach to data centre planning in NSW.

Western Sydney context

Sydney accounts for around 60% of Australia's data centre capacity, with a significant and growing share located in Western Sydney, particularly in the LGAs of Blacktown, Penrith and Fairfield.

This reflects the region's comparative advantages: large industrial sites, access to high-voltage electricity, major transport infrastructure, and an emerging cluster of operators.

While this positions Western Sydney as critical to the state's digital economy, it also means our communities are experiencing the cumulative impacts of rapid and largely uncoordinated growth. Councils are concerned that Western Sydney communities bear disproportionate cumulative impacts (grid constraints, heat, noise and visual bulk) if we do not introduce a clear strategy, transparent reporting and fair returns.

The core issue: Critical infrastructure planned in isolation

The key issue we want to highlight as part of this submission is that data centres should be considered critical infrastructure and should not be planned in isolation.

Despite their scale and importance, data centres are currently assessed on a project-by-project basis. Mixed consent pathways (local, SSD, and fast-track mechanisms) risk piecemeal assessments with no single body accountable for the combined energy, water and heat impacts of clustered sites.

Data centres function as part of a broader digital network, much like energy, water or transport systems. Planning them in isolation fails to account for:

- Cumulative energy and water demand
- Combined heat and environmental impacts
- Loss of strategic industrial land
- Infrastructure coordination and cost recovery, and
- Equitable distribution of benefits.

Without a shift to system-level planning, NSW risks locking in poor long-term outcomes for both communities and the economy.

Impacts on Western Sydney communities

Of particular concern to our member councils are the following issues:

- **Cumulative and poorly understood impacts:** Key impacts, particularly heat generation, noise and emissions, are rarely assessed beyond individual projects. At scale, these effects are significant, especially in heat-vulnerable communities in Western Sydney.

- **Resource intensity and infrastructure pressure:** Councils see grid and substation upgrades, water supply and recycled water schemes coming under pressure, with unclear cost and timing responsibilities, and with limited transparency for communities.

  This resource intensity is expected to increase significantly as AI-enabled workloads become more prevalent. AI processing requires substantially higher computational power than traditional data uses, resulting in greater energy consumption and heat generation per facility.

  Without coordinated planning, this growth risks compounding existing pressures on electricity networks, water systems and local environments in Western Sydney, and constraining services needed to enable much-needed housing and infrastructure delivery in the region.

- **Local impacts vs distributed benefits:** While data centres deliver national economic value, local communities bear the environmental, infrastructure and land use impacts. There are currently limited mechanisms to address this imbalance.

- **Loss of strategic industrial land and jobs:** Data centres occupy large sites but generate relatively low employment. In high-demand industrial precincts, this risks displacing more job-intensive uses without sharing locally the benefits of the productivity gains generated by modern digital technologies. Ultimately this undermines long-term economic outcomes.

Key recommendations

The following recommendations are intended to support a more coordinated, transparent and strategic approach to data centre development in NSW. They focus on managing cumulative impacts, improving infrastructure planning, and ensuring host communities share in the benefits of this critical infrastructure.

1. **Statewide coordination and strategy**
   The NSW Government should work with the Commonwealth and local government to develop a NSW Data Centre Strategy. This should:
   - Identify and designate suitable precincts across Greater Sydney and NSW
   - Align land use planning with energy, water and infrastructure capacity
   - Avoid over-concentration of facilities in single locations
   - Provide clear signals to industry about where development is supported.
   - Work with proponents to build the additional service capacity needed to support developments (e.g. recycled water schemes, clean energy supply).

   This will provide a clear, coordinated framework to guide data centre development, reduce cumulative impacts, and give greater certainty to industry, government and communities.

2. **System-level monitoring and transparency**
   Introduce a public, annual reporting framework covering all data centres in NSW. At a minimum, this should include:
   - Number, size and location of facilities
   - Energy consumption and emissions
   - Water use (including recycled water uptake)
   - Capital investment
   - Actual short, medium and long-term employment outcomes
   - Industrial land uptake.

   This information should inform planning decisions and enable better forecasting of demand.

3. **Precinct-based planning and cumulative impact assessment**
   Move beyond project-by-project assessment by:
   - Requiring cumulative impact assessments at a precinct level
   - Aligning approvals with infrastructure capacity and upgrades
   - Coordinating electricity, water and transport planning.

   This will improve efficiency, reduce duplication, and avoid reactive infrastructure delivery.

4. **Urban design and amenity standards**
   Introduce statewide urban design principles for data centres to reduce local impacts. This should include:
   - Façade articulation and design quality
   - Setbacks and site layout
   - Landscaping and tree canopy
   - Noise mitigation
   - Heat reduction measures
   - Circular design principles.

These standards should be consistent, enforceable, and applied across all approval pathways.

5. **Contributions and community benefit mechanisms**
   Investigate changes to state and local contributions frameworks to address the imbalance between regional benefits and local impacts. Options could include:
   - Contributions toward local infrastructure upgrades
   - Community benefit funds
   - Investment in local skills and workforce development
   - Requirements for local procurement.

   This approach is consistent with other infrastructure sectors, such as renewable energy, where host communities receive direct benefits.

6. **Resource efficiency and operational requirements**
   Establish clear, staged requirements for:
   - Energy performance and renewable energy use
   - Water efficiency and recycled water
   - Emissions reduction
   - Heat management and reporting.

   This will support better resource management and reduce long-term impacts on infrastructure systems.

Western Sydney will continue to play a critical role in supporting NSW's digital economy. However, this must be underpinned by a clear strategic framework that recognises cumulative impacts, protects scarce industrial land, and safeguards community and environmental wellbeing.

With the right settings in place, NSW can ensure that data centre development delivers broad economic benefits while avoiding unintended consequences for infrastructure systems and local communities.

WSROC looks forward to continuing to work constructively with the NSW Government on the development of a coordinated and transparent approach.

Yours sincerely,
Judith Bruinsma

Acting CEO
Western Sydney Regional Organisation of Councils