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## **Infrastructure NSW**

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### **NSW Data Centre Consultation Paper (March 2026)**

LGNSW welcomes the opportunity to respond to the *NSW Data Centre Consultation Paper (March 2026)*. Local Government NSW (LGNSW) is the peak body for local government in NSW, representing NSW general purpose councils and related entities.

This submission is provided in draft form, pending endorsement by the LGNSW Board at its next meeting. Infrastructure NSW is asked to consider this current version. LGNSW will advise of any amendments to the submission in due course.

LGNSW recognises that data centres are essential digital infrastructure that underpin modern economic activity and critical services. Local government does not oppose data centre development in principle; however, councils have consistently raised that the current pace, scale and concentrated clustering of proposals is exceeding the capacity of existing planning, infrastructure and governance settings, which may lead to unacceptable cumulative impacts at a precinct level unless it is strategically planned and effectively managed.

This submission considers how the NSW planning system can better support the timely and consistent delivery of data centre development, in response to growing demand and associated infrastructure implications. It advocates for a State-supported and locally delivered planning approach, with the State providing strategic oversight, policy guidance and technical support, while councils retain responsibility for development assessment and the management of local impacts. Improved coordination, clearer guidance and fit-for-purpose planning controls would provide greater certainty for industry, streamline assessment processes and support effective decision-making at the local level.

Councils have advised that a clear and coordinated statewide approach to data centre location is needed, supported by a precinct-scale cumulative impact assessment. Councils also emphasise the need to protect both housing and employment capacity, safeguard water security and electricity grid stability, ensure full cost recovery (including public domain impacts) and require transparent and enforceable sustainability performance reporting.

A State-led strategic plan for data centres, developed in partnership with councils, is needed to provide clearer direction for government, councils and industry. This should be an immediate priority, to provide critical context for considering how data centre growth should be planned and managed across NSW, and how statewide priorities can be translated into consistent, place-based outcomes. Such a plan would identify appropriate locations, infrastructure pathways and clear assessment expectations, so that cumulative impacts are addressed upfront rather than retrospectively on a project-by-project basis.

This strategic approach is consistent with the direction in the NSW Government's *New approach to strategic planning: Discussion paper*<sup>1</sup>, which emphasises clearer strategic direction to guide growth and investment. With this strategic framework in place, councils will be well placed to assess and determine suitable data centre proposals through the development application (DA) process in a timely and consistent way.

Councils seek to work with the NSW Government to implement strategic plans that can prepare and provide for growth. Some of the key recommendations made in LGNSW's submission<sup>2</sup> on *A New approach to strategic planning: Discussion paper* are relevant here and are important considerations for the NSW Government as they plan for a future NSW which supports data centre investment.

### **Principle 1 - Investment in data centres should enable a wider technology ecosystem that drives job creation and propels economic growth**

LGNSW supports the principle that data centre investment can strengthen NSW's digital economy and data sovereignty and can act as enabling infrastructure for technology sectors and critical services. However, councils consistently observe that:

- The operational employment intensity of data centres is low relative to their land take and infrastructure consumption, and this can generate significant opportunity costs in strategic locations that could otherwise accommodate higher-employment, mixed-use or innovation outcomes.
- The benefits of data centres are often distributed broadly, while the impacts are concentrated locally, creating a social licence challenge unless local impacts are actively managed, and communities see tangible benefits.

LGNSW recommends that NSW Government guidance and assessment requirements better link economic claims to place-based outcomes, including:

- Requiring proponents to demonstrate how proposals support the intended economic function of the precinct (e.g. industrial logistics, innovation, strategic centres), not only broader statewide value propositions.

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<sup>1</sup> [A New Approach to Strategic Planning: Discussion Paper](#)

<sup>2</sup> [New Approach to Strategic Planning.pdf](#)

- Encouraging structured workforce development commitments (apprenticeships, TAFE pathways, local procurement) in areas hosting clusters of data centres, where local impacts are highest.

**Principle 2 - Data centre developers and operators need to fund their infrastructure requirements, in addition to what is already planned and funded, so as to not increase prices for households**

LGNSW supports full cost recovery as a cornerstone of a workable framework. The Consultation Paper recognises the need to review cost recovery approaches, including where upstream electricity augmentations may otherwise be recovered from the wider consumer base and where utilities may negotiate bespoke arrangements. The paper also notes Sydney Water’s practice of recovering costs associated with technical assessments for data centre developments<sup>3</sup>. LGNSW submits that a similar cost recovery mechanism should be introduced to enable councils to recover the costs of performing their role where data centres are assessed through the SSD pathway.

The shared evidence of councils is that:

- Data centre growth can outpace councils’ infrastructure planning and maintenance cycles, with hidden costs shifting to communities and councils. Northern Sydney Regional Organisation of Councils (NSROC) member councils have stated:

*“...remediation of public realm infrastructure has been required because of construction impacts, sometimes repeatedly if repair is not completed to a required standard on a like for like basis. This places additional pressures on local government constrained budgets. The means to require impact mitigation payments or ‘make good’ development approval conditions must be available to councils.”<sup>4</sup>*

- Public domain impacts (including repeated trenching, road and footpath degradation and reinstatement) can be substantial and are not consistently recoverable under current arrangements.
- Competition for electricity and water capacity can directly compete with housing delivery in constrained precincts, reducing available servicing capacity for new housing, increasing the need for (and cost of) infrastructure upgrades and potentially delaying rezonings and development approvals.

LGNSW recommends a clear and enforceable ‘user pays’ framework, including:

- A strengthened and explicit mechanism for councils to recover costs associated with public domain impacts and accelerated asset deterioration linked to servicing works.

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<sup>3</sup> Referred to on p 9 of the Consultation Paper

<sup>4</sup> [Northern Sydney Regional Organisation of Councils Submission to Inquiry into Data Centres](#), p 15, March 2026

- Ensuring conditions of consent for data centres assessed through the SSD pathways reflect councils' local concerns, including the requirement for developer contributions.
- Explicit provision in the state significant development (SSD) assessment framework to remunerate councils for their role in assessing data centres that come through the SSD pathway (similar to Sydney Water's cost recovery for technical assessments).
- Transparent sequencing rules, so approvals do not outstrip confirmed servicing pathways for critical electricity and water that may be earmarked to support housing growth and uplift.

### **Principle 3 - Data centres need to be efficient and make sustainable use of our energy and water systems as well as the environment**

LGNSW supports mandatory outcome-based performance measures such as benchmarks for Power Usage Effectiveness (PUE) and Water Usage Effectiveness (WUE), as contemplated in the Consultation Paper. Councils also support the use of recycled water for data centres and consistently emphasise that efficiency settings must be paired with controls on scale and clustering, because precinct-level cumulative impacts may result in potential adverse outcomes for communities.

#### **Electricity and emissions**

The Paper notes that data centre demand could increase materially and place upward pressure on prices and emission reduction targets if not matched by additional sustainable generation. Councils emphasise the need for data centre development to be aligned with the expansion of renewable energy supply, including requirements for renewable power purchase agreements, on-site generation and battery storage, and transparency around energy use and emissions. There is concern that unmanaged growth could drive new fossil-fuel generation, locking in long-term emissions and conflicting with local and state climate commitments. Councils similarly highlight grid capacity, reliability and affordability risks. LGNSW recommends:

- Requiring proponents to demonstrate and where feasible implement credible pathways to increase renewable energy supply and apply demand management measures, consistent with the Paper's emphasis on collaboration and system reliability.
- Embedding cumulative electricity impact assessment at the precinct/network level, not only at the project level.

#### **Water security**

The Paper proposes that data centres should utilise recycled water for water-intensive cooling where feasible and flags the need to consider drought management alongside growth. NSW is increasingly experiencing prolonged and severe droughts which, along with increasing temperatures and water supply risks are being intensified by climate

change. Councils across the state are at the frontline of these conditions, particularly in regional locations beyond the service areas of Sydney Water and Hunter Water, where local governments own and operate water utilities. Councils strongly support the use of recycled water for data centre developments and have consistently argued that reliance on potable water is unsustainable, particularly in constrained urban areas where housing and other essential needs compete for capacity. Councils also call for data centre proponents to fund necessary upgrades to water infrastructure required to service their developments. LGNSW recommends:

- A strong presumption toward efficient, recycled water use for suitable cooling systems, supported by early utility engagement and precinct planning for recycled water schemes.
- Drought contingency requirements that ensure data centre operations adapt to restriction settings in a manner that aligns with community expectations and environmental needs, consistent with the Paper's intent to consult on drought management.

#### **Localised environmental impact, including noise, air quality, heat and amenity**

In providing essential support for banking, transport, health and government services, data centres run continuously, generating localised noise, air quality, heat and amenity impacts, day and night. Unregulated operational noise from cooling equipment, and particulate pollution from backup diesel generators, can affect nearby residents, wildlife and sensitive land uses, and large hardstand campuses contribute to urban heat through loss of tree canopy, deep soil and habitat.

LGNSW supports the application of existing sustainable building standards to data centres, and the development of comprehensive environmental ratings schemes to improve the transparency of the sector's environmental performance. However, until implementable, LGNSW recommends:

- A precinct-based approach to assessing and managing localised environmental impacts, rather than relying on site-by-site mitigation. This should include reporting and monitoring of generator testing and use, strong noise limits, and improved urban design outcomes including landscaping, setbacks, deep soil zones and heat mitigation measures.
- Clear, enforceable consent conditions aligned with environmental and health protections, particularly where multiple facilities cluster.
- Managing construction impacts, light spill and potential effects on wildlife are also key elements of environmental assessment.

#### **Principle 4 - Data centre approval and compliance must be based on reliable and transparent data**

LGNSW strongly supports this principle. The Consultation Paper notes that reliable and transparent energy and water demand data is needed for infrastructure planning, and

that smart meters and improved forecasting approaches should be explored. Councils likewise report that insufficient transparency undermines infrastructure planning and regulatory compliance, weakens accountability, and erodes community trust.

LGNSW recommends that NSW establish a binding reporting and monitoring framework, including:

- Mandatory annual reporting by operators on key performance and impact metrics (energy, water, generator operation and emissions), supported by consistent definitions and confidentiality protections for genuinely commercially sensitive material, building on the Paper's discussion of confidential data sharing and forecasting alignment.
- State-prepared precinct/system-wide cumulative impact reports in high growth areas, aligning with councils' and regional bodies' calls for system-level monitoring.
- Open access for councils to relevant servicing, capacity and performance data to enable meaningful participation in planning decisions and local impact management.

### **Principle 5 - Regulatory and planning settings must take account of differences in the size and location of data centres, and community needs**

LGNSW supports differentiated planning settings but emphasises that flexibility must be anchored in a statewide spatial strategy and precinct-scale assessment, otherwise differential pathways risk compounding inconsistency and community distrust. Councils consistently report that mixed assessment pathways and project-by-project approvals have created accountability gaps and failed to manage clustering.

The Paper indicates planning requirements should be performance-based, and that greater flexibility may apply where infrastructure and resources are less constrained.

LGNSW would support this approach, provided the NSW Government establishes:

- A state-led and mapped location strategy for NSW, supported by a framework that identifies preferred precincts based on electricity, water and land use compatibility, with clear infrastructure pathways and assessment expectations to manage cumulative impacts upfront and, where necessary, protect housing and/or employment capacity.
- With this strategic framework in place, councils can assess and determine suitable proposals through the DA process efficiently, providing industry with earlier certainty on servicing and approval pathways.
- Mandatory cumulative impact assessment triggers for identified high-growth precincts.
- Clear 'infrastructure-led sequencing' requirements so approvals align with confirmed servicing pathways (electricity and water).



- Clear, consistent performance and reporting standards for data centres, with guidance that integrates planning, energy, water and climate policy to improve certainty and compliance.

LGNSW submits that a common way forward is achievable. NSW can remain globally competitive for investment while restoring community trust if it moves from principles to an integrated package of strategic spatial planning, precinct-scale cumulative assessment, infrastructure-aligned sequencing, full cost recovery, and transparent performance reporting.

LGNSW welcomes further engagement as the NSW Government develops its proposed guidelines and implementation framework. For further information, please contact Jane Partridge, Strategy Manager, Planning, [lgnsw.planning@lgnsw.org.au](mailto:lgnsw.planning@lgnsw.org.au).

Yours sincerely

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