Addendum to Submission to the Committee dated 04 September 2026

Chair, Members of the Committee

I am making this addendum to my earlier submission in a personal capacity. I am an author and retired risk professional, with degrees from the University of Tasmania. Prior to retirement I served as a policy staff officer in the Australian Army's Risk Management portfolio.

AI is not my area of expertise. My submission is framed around the management of risk which is my area of expertise.

Tasmania is currently attempting to negotiate the terms of a major industrial build although I am not aware of any formal risk assessment in place. That means every stakeholder at the table — the State, Local Government, communities, and the proponents themselves — is dealing with blancmange.

Blancmange takes the shape of whatever container it is poured into. It holds no fixed form, resists no pressure, and offers nothing solid to push against. That is precisely the condition of the current debate. Without a shared, documented assessment of what could go wrong, how likely it is to go wrong, and what would prevent or help recover from it, if it did go wrong, we are dealing with blancmange. Risk becomes managed on the run, or what is generally termed, 'risk managed' i.e. you deal with the problem when it arises and pay the price for not putting controls in place in the first instance.

A formal assessment of risk is what turns blancmange into a structure. It gives the State something firm to stand on, provides a basis for negotiation, and is something specific to regulate.

Let me offer an analogy. As the Trojans watched a group of trusted servants dragging in a horse that had appeared outside the citadel of Troy, they took it for an offering from the gods. The following day revealed the cost of not checking the horse outside the gates.

Today, Tasmania faces a similar choice. AI data centres(AIDCs) represent a genuine opportunity — but they also concentrate unknown risks in shared systems. Right now, we are inviting them in before agreeing on how to vet them.

I am not opposed to AI data centres in principle. I simply argue that they require proper regulation before scale.

Tasmania's water, wastewater, and electricity infrastructure was designed for a population of roughly our current size — not for industrial AI facilities that could each draw 100 MW or more, equivalent to around 6% of Tasmania's peak electricity demand.[1]

[1] **Note:** Tasmania's transmission system peak demand was 1,736 MW in 2023–24. Source: Office of the Tasmanian Economic Regulator, *Energy in Tasmania Report 2023–24*, Table 8.1.

To assist the Committee, understand the potential risks associated with AI Data Centres, I have developed a bow tie risk diagram and made a copy available to the Committee.

For the benefit of the committee, the risk assessment is called a bow tie because, like the bow tie worn with a dinner suit, the shape grows from the centre. The shape is symbolic because the more questions you ask, the larger the size of paper you need. The bow tie risk assessment is designed to be a depiction of risk on a page.

At the centre is what is referred to as the top risk event:

> **The State loses the ability to govern AI data centre demand on shared power, water, and planning systems.**

To assist the Committee make sense of the document, on the far left are the threats, next to it are the controls that if applied, will prevent the threat from occurring. On the far right are the consequences of the threat realising, and next to it are the recovery controls – those measures, if employed will reduce the effect of the threat if it occurs – or rather, mitigate the risk.

So, if we look at T1 *No formal Regulator* or clear mandate, its control would be PC1 *Appoint a statutory AIDC regulator with enforcement powers*. However, if this threat occurred i.e. no formal regulator was appointed, then the terms for operation of new AIDCs would be weak with the state losing economic benefit. The recovery control would be intervention to renegotiate conditions – a somewhat untidy option.

The distinction that matters in this risk assessment is *inherent* versus *residual* risk

The **inherent risk is HIGH** – that's a subjective assessment based on the likelihood and consequence of one or more of the threats occurring. However, the **residual risk is unknown**.

It is unknown because until subject matter experts can be assembled to agree on the preventative and recovery controls, we simply do not know what exposure Tasmania carries. The State is currently carrying an unquantified liability on behalf of its residents, and no one can say what it is.

I might mention here that it would be commercially sound for the State to ask the AIDC for its own risk assessment. Its top event will be different because it will have a corporate mission, but it would give the State an insight into how well prepared the AIDC corporation is in its own contingency planning.

The State cannot presently demonstrate a net benefit, and it cannot presently rule out a net cost. A credible economic assessment should address, at minimum:

1) direct employment and its duration;
2) taxation and royalty flows;
3) upward pressure on electricity prices for existing consumers;
4) water and wastewater cost shifting onto ratepayers;

5) displacement of existing industry and agricultural water users; and
6) the cost of grid augmentation, including who pays for it.

Without that analysis, "opportunity" and "risk" are guestimates. Neither can be weighed.

Based on the above, I make the following recommendations:

That the State Government takes a more proactive stance by:

1. **Conducting its own formal risk assessment**, supported by subject matter experts, with published outputs.
2. **Establishing a dedicated regulator** with statutory authority over cumulative power, water, wastewater, and planning impacts — appointed before further approvals at scale.
3. **Committing to ongoing regulation** of the sector in conjunction with a Federal Regulator for the mutual benefit of all stakeholders, including proponents, who will benefit from predictable and defensible rules.

The Committee should note that this risk assessment is not an official document but could be a starting point to help the State regain the initiative in AIDC discussions.

In closing

My submission is not an argument against AI infrastructure. Far from it — with the right governance framework and regulator in place, AI data centres could be the spearhead of economic recovery. We just need to make sure the spear is pointing in the right direction.

Unlike the Trojans, let's inspect the gift horse outside the gates before dragging it in.

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[redacted]

29 October 2026

Attachment – AI Data Centre Governance Bow Tie

AI Data Centre (AIDC) Governance Bow Tie

Risk assessment and register from the perspective of an independent citizen.

Summary risk level:

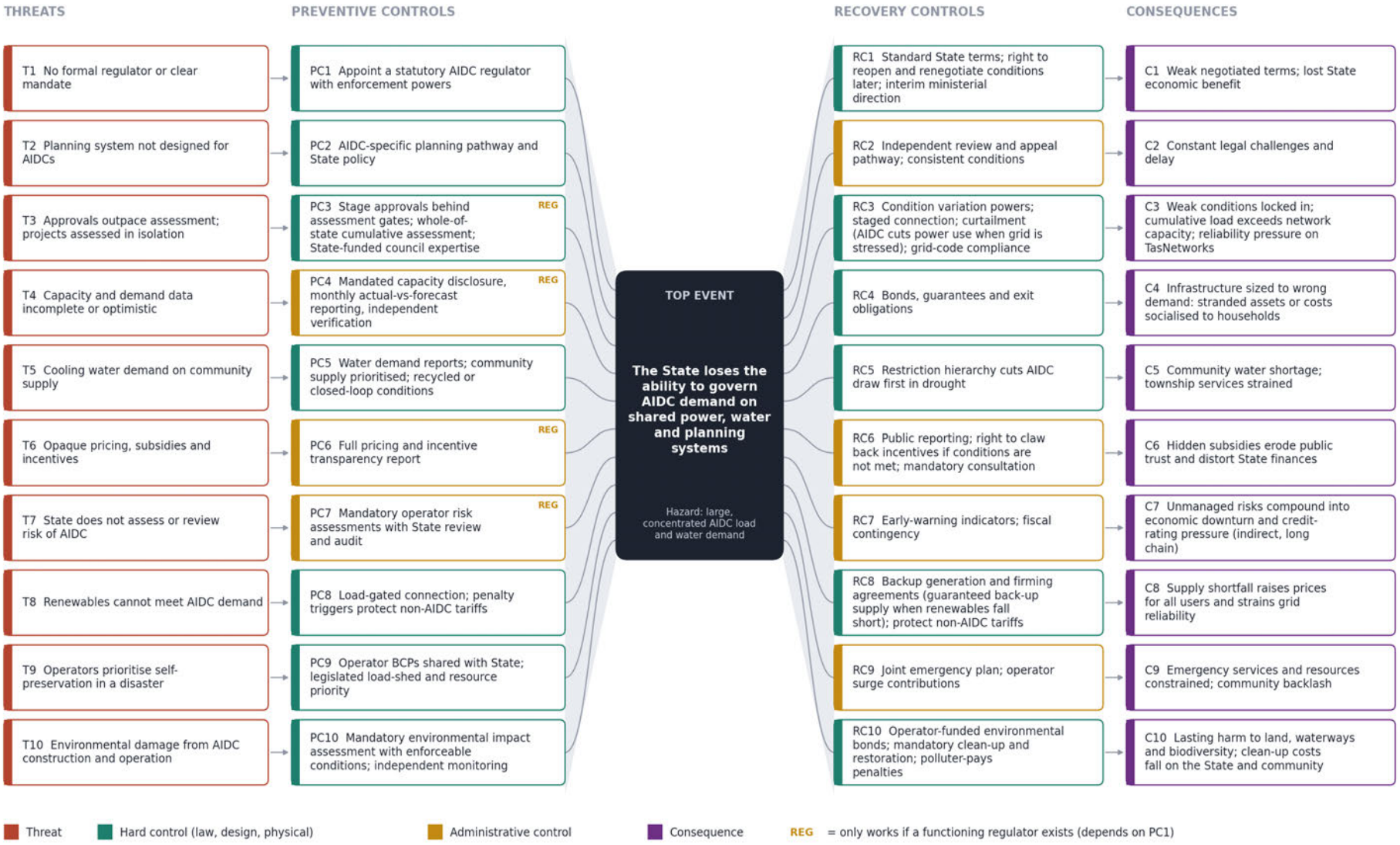
OVERALL INHERENT RISK	OVERALL RESIDUAL RISK
HIGH (12)	**UNKNOWN** Subject to stakeholder workshop

Basis for the inherent rating (to confirm): several root-cause conditions in the map are described as already present, such as no formal regulator and a planning system not designed for AIDCs, which supports a LIKELY rating. The potential impact on shared power, water and State finances supports a consequence of MAJOR. LIKELY x MAJOR = HIGH (12) on the matrix in section 6. Residual risk cannot be rated until the controls are tested for existence, ownership and effectiveness.

1. Scope and definitions

- AIDC: AI data centre, a large facility with concentrated electrical load and cooling water demand.
- Hazard: large, concentrated AIDC load and water demand on a small grid and on community water and planning systems.
- Top event: the State loses the ability to govern AIDC demand on shared power, water and planning systems.
- Hard control: law, design or physical limit. Administrative control: reporting or procedure.
- REG: a control that only works if a functioning regulator exists – see bow tie diagram at Section 2.

2. AIDC Governance Bow-tie



3. Pathway register

Read each row left to right. A threat is held back by its preventive control. If that control fails, the top event can occur, and the consequence follows unless the recovery control limits it. Section 11 explains the less familiar control terms.

ID	Threat	Preventive control	Type	REG	Consequence	Recovery control	Type	Owner
T1	No formal regulator or clear mandate	Appoint a statutory AIDC regulator with enforcement powers	Hard		Weak negotiated terms; lost State economic benefit	Standard State terms; right to reopen and renegotiate conditions later; interim ministerial direction	Hard	Premier / Treasury
T2	Planning system not designed for AIDCs	AIDC-specific planning pathway and State policy	Hard		Constant legal challenges and delay	Independent review and appeal pathway; consistent conditions	Admin	Planning Minister
T3	Approvals outpace assessment; projects assessed in isolation	Stage approvals behind assessment gates; whole-of-state cumulative assessment; State-funded council expertise	Hard	Yes	Weak conditions locked in; cumulative load exceeds network capacity; reliability pressure on TasNetworks	Condition variation powers; staged connection; curtailment (AIDC cuts power use when grid is stressed); grid-code compliance	Hard	Planning / Regulator
T4	Capacity and demand data incomplete or optimistic	Mandated capacity disclosure, monthly actual-vs-forecast reporting, independent verification	Admin	Yes	Infrastructure sized to wrong demand: stranded assets or costs socialised to households	Bonds, guarantees and exit obligations	Hard	Regulator / TasNetworks
T5	Cooling water demand on community supply	Water demand reports; community supply prioritised; recycled or closed-loop conditions	Hard		Community water shortage; township services strained	Restriction hierarchy cuts AIDC draw first in drought	Hard	Water utility
T6	Opaque pricing, subsidies and incentives	Full pricing and incentive transparency report	Admin	Yes	Hidden subsidies erode public trust and distort State finances	Public reporting; right to claw back incentives if conditions are not met; mandatory consultation	Admin	Treasury
T7	State does not assess or review risk of AIDC	Mandatory operator risk assessments with State review and audit	Admin	Yes	Unmanaged risks compound into economic downturn and credit-rating pressure (indirect, long chain)	Early-warning indicators; fiscal contingency	Admin	Regulator
T8	Renewables cannot meet AIDC demand	Load-gated connection; penalty triggers protect non-AIDC tariffs	Hard		Supply shortfall raises prices for all users and strains grid reliability	Backup generation and firming agreements (guaranteed back-up supply when renewables fall short); protect non-AIDC tariffs	Hard	Energy / TasNetworks
T9	Operators prioritise self-preservation in a disaster	Operator BCPs shared with State; legislated load-shed and resource priority	Hard		Emergency services and resources constrained; community backlash	Joint emergency plan; operator surge contributions	Admin	Emergency management
T9	Environmental damage from AIDC construction and operation	Mandatory environmental impact assessment with enforceable conditions; independent monitoring	Hard		Lasting harm to land, waterways and biodiversity; clean-up costs fall on the State and community	Operator-funded environmental bonds; mandatory clean-up and restoration; polluter-pays penalties	Hard	Environment Minister / environmental regulator

4. Critical dependency: the regulator

Preventive controls in P3 (in part), P4, P6 and P7 depend on the regulator in P1 existing and being resourced. P1 is the critical control. Consider interim arrangements, such as a ministerial direction or an interim unit, while legislation is developed.

5. Escalation factors

What makes controls fail:

- Regulator under-resourced or lacking technical skills.
- Operator data that cannot be independently verified.
- Commercial-in-confidence limits on what the State can use.
- Political pressure to approve ahead of assessment.
- Controls that exist on paper but are never tested.

6. Risk rating framework

Proposed descriptors for this assessment. LIKELIHOOD refers to the top event occurring, meaning loss of State control over AIDC demand on shared systems.

6.1 Likelihood descriptors

Rating	Score	Description
Almost certain	5	Expected to occur during the activity. Is known to have occurred more than once in similar activities.
Likely	4	Expected to occur in most circumstances but is not certain. Is known to have occurred previously in similar circumstances.
Possible	3	Might occur at some stage. Sporadic but not uncommon.
Unlikely	2	Not expected to occur during the activity. Occurrence conceivable but considered uncommon.
Rare	1	Not expected to occur during the activity. Occurrence conceivable but in exceptional circumstances.

6.2 Consequence descriptors

Rating	Score	Economic and fiscal	Infrastructure and services	Community and environment	Governance and reputation
Minor	1	Negligible fiscal effect.	No disruption to power, water or planning services.	No noticeable community or environmental effect.	No scrutiny or concern raised.
Moderate	2	Absorbed within existing budgets.	Short, localised disruption.	Minor, local community concern.	Minor stakeholder or media queries.
Major	3	Requires budget reallocation; limited local economic effect.	Temporary disruption or restrictions affecting some users of shared services.	Noticeable community concern; localised water or service impact.	Sustained media interest; agency-level review.

Rating	Score	Economic and fiscal	Infrastructure and services	Community and environment	Governance and reputation
Critical	4	Material State-level cost; infrastructure costs socialised to households or businesses.	Significant, prolonged disruption to power or water for communities; emergency capacity constrained.	Serious community harm; township services reduced; sustained backlash.	Ministerial or parliamentary inquiry; loss of public confidence.
Catastrophic	5	Sustained State economic damage; credit-rating downgrade.	Prolonged state-wide outages or irrecoverable stranded infrastructure.	Widespread, lasting harm; communities lose essential services.	Loss of confidence in Government's capacity to govern.

6.3 Risk matrix

.The primary purpose of the risk level computation is to determine the level of management authority (in the RMA at 6.5) to sign off on the exposure.

Likelihood \ Consequence	Minor (1)	Moderate (2)	Major (3)	Critical (4)	Catastrophic (5)
Almost certain (5)	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely (4)	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible (3)	Very Low (3)	Low (6)	Medium (9)	High (12)	High (15)
Unlikely (2)	Very Low (2)	Very Low (4)	Low (6)	Medium (8)	Medium (10)
Rare (1)	Very Low (1)	Very Low (2)	Very Low (3)	Low (4)	Medium (5)

6.4 Overall project rating

OVERALL INHERENT RISK HIGH (12) OVERALL RESIDUAL RISK **UNKNOWN** Subject to stakeholder workshop

Inherent risk is the risk with no effective controls in place. Residual risk is what remains after the controls in this register are confirmed as in place and effective. Residual risk is unknown until the workshop tests each control.

6.5 Risk Management Authority

Risk Level	Approval Authority	Comments
Extreme	PM / Cabinet	Cabinet meeting to be convened
High	Regulator / Treasury	PM/Cabinet to be advised
Medium	Regulator	
Low	Department Head	Regulator to be notified of all risk levels LOW and above
Very Low	Departmental Manager / Supervisor	EL 1 and above

7. Pathway rating template (complete in workshop)

Pathway	Threat	Likelihood	Consequence	Inherent	Residual	Evidence needed
T1	No formal regulator or clear mandate				Unknown	
T2	Planning system not designed for AIDCs				Unknown	
T3	Approvals outpace assessment; projects assessed in isolation				Unknown	
T4	Capacity and demand data incomplete or optimistic				Unknown	
T5	Cooling water demand on community supply				Unknown	
T6	Opaque pricing, subsidies and incentives				Unknown	
T7	State does not assess or review risk of AIDC				Unknown	
T8	Renewables cannot meet AIDC demand				Unknown	
T9	Operators prioritise self-preservation in a disaster				Unknown	
T10	Environmental damage from AIDC construction and operation				Unknown	

8. Explanations of key control terms

Term	Where	Plain-English explanation	Example (illustrative)
Reopener clause	RC1	A clause in an agreement that lets the State reopen and renegotiate the terms later if circumstances change. Without one, terms set at approval stay fixed even if the project's power, water or community impacts turn out very different from forecast.	If an AIDC's power use grows well beyond what was agreed, the State can require the conditions to be renegotiated instead of waiting decades.
Curtailment	RC3	An agreement that the AIDC will reduce or switch off its electricity use at short notice when the grid is under stress, so homes and essential services stay supplied.	In a heatwave with low wind output, the AIDC cuts its load by an agreed amount for an agreed period.
Grid-code compliance	RC3	The AIDC must meet the technical rules for connecting to the grid, such as staying connected through disturbances and not degrading power quality for other customers.	Equipment must ride through voltage dips and not cause flicker or instability for neighbours.
Staged connection	RC3	The AIDC's load is connected in steps, and each step is allowed only once the previous one is shown to be supported by the grid and water supply.	Connect a first block of capacity now; release the next block only after the network upgrade is complete.
Clawback provisions	RC6	Terms that let the State take back incentives, such as grants, tax concessions or discounted land or power prices, if the operator does not deliver what it promised or leaves early.	If an operator received concessions in return for promised jobs and investment but delivers far less, the State recovers part of the benefit.
Firming agreement	RC8	A contract for reliable, dispatchable supply that can be switched on when wind and solar output falls, so AIDC demand does not depend on intermittent generation alone. Backup-generation agreements set the rules for the AIDC's own on-site generators, such as when they can run and for how long.	Contracted battery storage, hydro or gas capacity is available to cover a calm, cloudy week.

9. Next steps

1. Validate the top event and scope with stakeholders.
2. Confirm the likelihood and consequence descriptors against the State Government-approved risk framework.
3. Confirm owners and rate each pathway; test the controls to establish residual risk.
4. Review at each major approval and at least annually.