
Implementation of the Project Agreement to Produce Water from the Adelaide Desalination Plant to support the Water for Fodder Program

Progress Report 3

Report Date: 25 August 2020



**Government
of South Australia**

Department for
Environment and Water

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1. Project Outline

The Project Agreement to produce water from the Adelaide Desalination Plant to support the Water for Fodder Program (the Agreement) is an agreement between the Commonwealth of Australia and the State of South Australia (the State). The Commonwealth will fund the State to produce up to 100 gigalitres of water from the Adelaide Desalination Plant at the actual marginal cost of production and the State will transfer water allocations from entitlements held by the State in the Murray-Darling Basin (the Basin) to irrigators in the Southern Basin under the Water for Fodder Program.

2. Progress Report Detail

This is the third Progress Report for the Agreement. It relates to activities completed in the period ending 30 June 2020 under the fourth Milestone of the Agreement. The provision of this report to the Department of Agriculture, Water and Environment demonstrates the completion of these milestone activities.

3. Achievement of Milestone Activities

Milestone 4	
<u>Output</u> Production of water from the Adelaide Desalination Plant.	<u>Performance milestones or benchmark</u> Progress report confirming production of a total of 40 GL of water from the plant for the purposes of this Agreement.
Completion of Milestone 4 Activities for Reporting Period 3	
Evidence of Activity Completion for Reporting Period 3, and an explanation of any difficulties/delays.	
Activity Status as at 6 July 2020: <i>Completed</i> As at 30 June 2020, a total of 40.00 GL of South Australian Murray-Darling Basin water allocations held by the South Australian Government have been transferred to eligible farmers for the purposes of the Water for Fodder Program. Attachment 1 provides a summary of these trades. The total volume produced by the Adelaide Desalination Plant in the period ending 30 June 2020 and supplied to Metropolitan Adelaide for the purposes of this Agreement was 40.00 GL. This has been confirmed by SA Water. Refer Attachment 2. All allocation transfers and desalination production has been completed for Round 1 of the Program for the purposes of this Agreement.	

Attachment 1 – Trade under Water for Fodder Program at 30 June 2020

Trade as at 30 June 2020		
Volume Traded (GL)	NSW	14.1
	Vic	25.25
	SA	0.65
	Total	40.00
Number of Trades	December	12
	January	135
	February	484
	March	142
	April	24
	May	1
	June	2
	Total	800

Attachment 2 – Confirmation from SA Water

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- Operation of the Adelaide Desalination Plant
 - Water for Fodder Program

June 2020 Progress Report

Key Messages

Adelaide Desalination Plant (ADP) Commercial Arrangements

- The 40 GL Stage 1 production target of the Water for Fodder Project Agreement was met on 22 June 2020.
- SA Water received the first two milestones payments of \$17m and \$11m, and now meets the requirements for a further \$2m milestone due to completion of the Stage 1 target.
- Through the Minister, the Treasurer will request ESCOSA to commence a review of the actual costs; the final payment relating to the 2019/20 year is dependent upon the finalisation of this review.

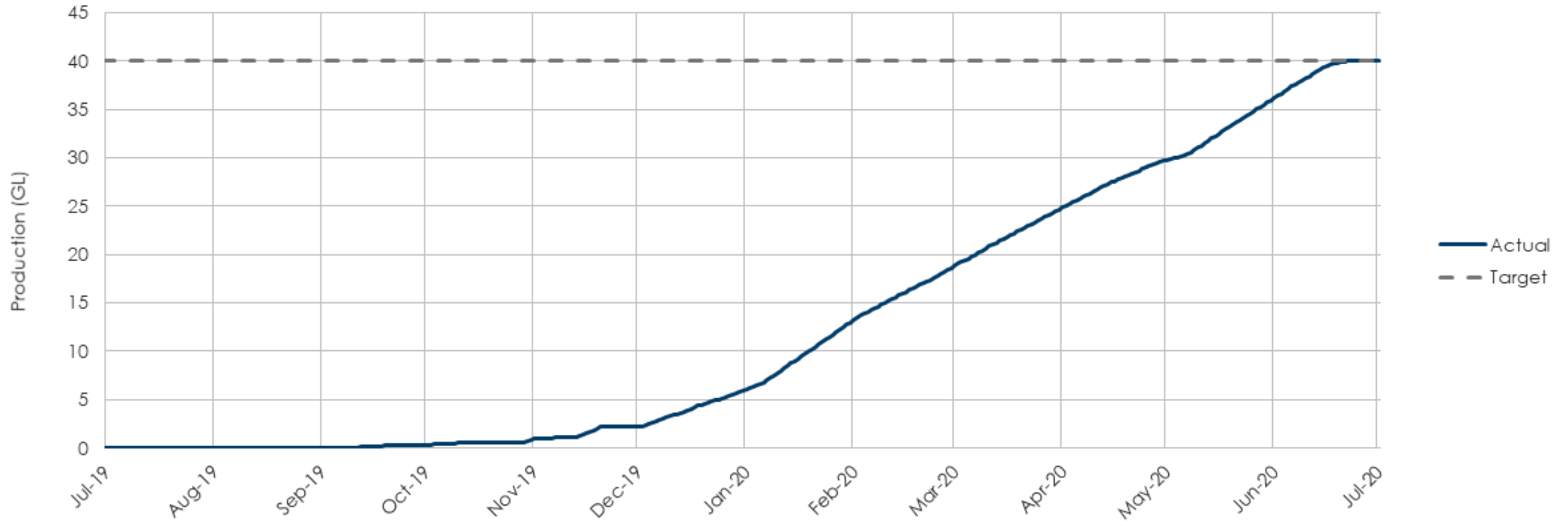
ADP Operational Performance

- The ADP ran to expectations and delivered planned production on schedule.
- Full financial year volume produced by the ADP was 40,001 megalitres (ML).
- In June production averaged 173 ML per day (58% of full capacity).
- The ADP has now entered its usual winter shutdown mode. Its restart date is dependent on continuation of the Water for Fodder scheme.

Water Allocation Transfers

- The full 40,000 ML has been offered to successful applicants to the Water for Fodder scheme across SA, Victoria and NSW.
- 40,000 ML has been transferred to the Department for Environment and Water for trading to successful applicants on behalf of SA Water (as advised by the Commonwealth of Australia).
- As at 30 June 40,000 ML has been traded to successful irrigators.

Cumulative ADP Production



- Production tracked closely to plan, we have now reached 100% the final 2019/20 production target.

ADP Financial Overview

Expenditure Item (\$'000)	Year End	
	Act	Bud
O&M Service Fee		
AGL Electricity		
Membrane Costs		
Management/Admin		
Total Expenditure	33,845	32,500
Production (ML)	40,001	40,000
Marginal Cost (\$/ML)	846.1	812.5

- Year end costs unfavourable to budget by \$1,345,000.
- Unfavourable energy market ancillary events (Frequency Control Ancillary Services – FCAS) and higher than forecast energy charges were the primary budget pressures.

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