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

Progress Report 2

Report Date: 17 April 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 second Progress Report for the Agreement. It relates to activities completed in the period ending 31 March under the second 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 2	
<u>Output</u> Production of water from the Adelaide Desalination Plant. Transfer of Murray Darling Basin water allocations to eligible farmers under the Water for Fodder Program.	<u>Performance milestones or benchmark</u> Progress report confirming production of at least 15 GL of water from the plant, identifying the total volume produced under this agreement and that a total of 40GL of Murray Darling Basin water allocations has been transferred to eligible farmers.
Completion of Milestone 1 Activities for Reporting Period 1	
Evidence of Activity Completion for Reporting Period 2, and an explanation of any difficulties/delays.	
<p><u>Activity Status as at 17 April 2020:</u> Partially Completed</p> <p>The total volume produced by the Adelaide Desalination Plant in the period ending 31 March 2020 and supplied to Metropolitan Adelaide for the purposes of this Agreement was 24.830 GL. This has been confirmed by SA Water. Refer Attachment 1.</p> <p>As at 17 April 2020, a total of 39.00 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 2 provides a summary of these trades.</p> <p>The target for this Milestone in regards to transfer of water allocations to eligible farmers is 40 GL. As at 17 April 2020, a total of 20 transfers or 1.00 GL remained to be transferred to Water for Fodder participants. The Commonwealth department has advised South Australia that this delay has occurred as a result of participants withdrawing for various reasons, resulting in a need to contact and process applicants from the reserve list. Of the remaining 20 participants, the details of a further 14 participants have been provided to the Department for Environment and Water and will be processed for trade imminently. Staff in the Department for Environment and Water are awaiting details for the remaining six recipients from the Commonwealth department in order to process these transfers. The Commonwealth department has advised that the details of the remaining participants will be available shortly.</p> <p>The remaining 20 transfers will be reported on in the 12 June 2020 Milestone report.</p>	

Attachment 1 – Confirmation from SA Water



Operation of the Adelaide Desalination Plant

Water for Fodder Program

March 2020 Update

Key Messages

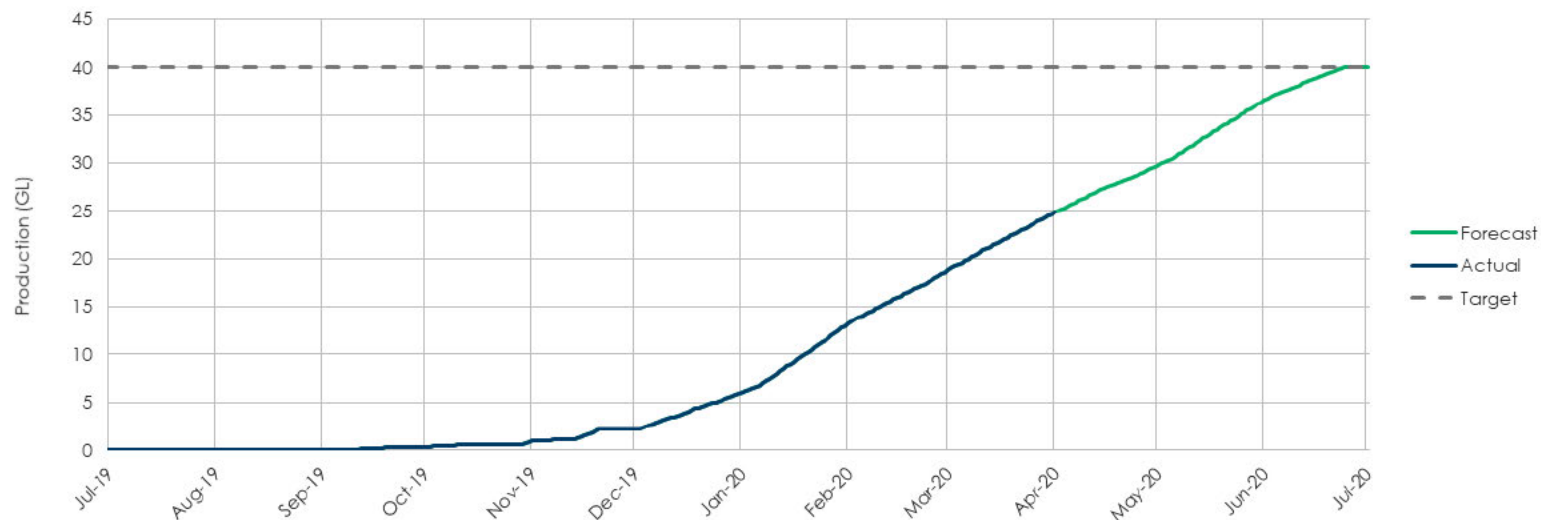
ADP Operational Performance

- The ADP is running to expectations and delivering to planned production.
- Financial year to 31 March **volume produced by the ADP was 24,829.6 megalitres (ML)**.
- In March production averaged 193 ML per day (64% of full capacity). No change to expected June completion.
- Impacts of unfavourable electricity ancillary charges offset by favourable chemical pricing and usage as well as lower than anticipated management overheads.

Water Allocation Transfers

- The full 40,000 ML has now 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 31 March **38,550 ML has been traded to successful irrigators**.

Cumulative ADP Production



- Year to date production has tracked closely to plan, approximately 62% towards the final target.
- Production planning indicates 40,000 ML is expected to be produced before end of June 2020.
- Risks to production include: customer demand, operational curtailment requirements, and plant operational availability and maintenance requirements.

ADP Financial Overview

Expenditure Item (\$'000)	Year To Date		Year End	
	Act	Bud	Fcst	Bud
O&M Service Fee				
AGL Electricity				
Membrane Costs				
Management/Admin				
Total Expenditure	19,646	19,537	32,500	32,500
Production (ML)	24,832	24,355	40,000	40,000
Marginal Cost (\$/ML)	791.2	802.2	812.5	812.5

- Year-to-date cost per megalitre continues to be below forecast due to strong energy efficiency performance of the ADP, chemical usage and price reductions. Challenges include higher energy market ancillary prices

Attachment 2 – Trade under Water for Fodder Program at 17 April 2020

Trade as at 17 April 2020		
Volume Traded (GL)	NSW	13.40
	Vic	24.95
	SA	0.65
	Total	39.00
Number of Trades	December	12
	January	135
	February	484
	March	142
	April	7
	Total	780

Published by the Department for Environment and Water.
Government of South Australia
12 March 2020

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