

# Implementation Plan for Augmentation of the Adelaide Desalination Plant (100 gigalitres per annum)

## NATIONAL PARTNERSHIP AGREEMENT ON WATER FOR THE FUTURE

### PRELIMINARIES

- 1 This Implementation Plan is created subject to the provisions of the *National Partnership Agreement on Water for the Future* and should be read in conjunction with that Agreement.
- 2 As part of its *Water for the Future* initiative, the Commonwealth has committed to provide a financial contribution toward a desalination plant to assist Adelaide diversify its water supply and reduce its reliance on the River Murray.
- 3 The Commonwealth has agreed to provide the Adelaide Desalination Project with financial assistance of \$228 million to allow the plant to be expanded to a 100 gigalitre per year desalination plant. This is in addition to the original \$100 million committed for the 50 gigalitres per year plant, which is funded under a separate Implementation Plan. The project is scheduled to be completed on or before 31 December 2012, subject to the contractor meeting milestones.
- 4 The Commonwealth's contribution of \$228 million is subject to the state implementing an arrangement that will reduce reliance on the River Murray. This arrangement is provided in project milestones and in Schedule 1 of this Implementation Plan.
- 5 The Commonwealth intends that any water provided to the environment as a result of this Implementation Plan will be available to offset South Australia's sustainable diversion limit established by the Murray Darling Basin Plan. This requires a technical framework being agreed with the Murray Darling Basin Authority to verify the provision of the water provided by this Implementation Plan.
- 6 This Project is consistent with the objectives and funding criteria for the National Urban Water and Desalination Plan.

### TERMS OF THIS IMPLEMENTATION PLAN

- 7 This Implementation Plan will commence as soon as it is agreed between the Commonwealth, represented by the Parliamentary Secretary for Sustainability and Urban

Water, and the State, represented by the Minister for Water and the Minister for the River Murray.

- 8 Clauses 19 to 29 of this Implementation Plan (which deal with the financial arrangements and certain reporting requirements for the Project) will cease upon completion of the Project and delivery of the final report required by clause 27. The remaining clauses and Schedule 1 shall continue to have effect and will only cease upon the agreement of the parties.
- 9 This Implementation Plan may be varied by written agreement between the representatives for the Commonwealth and the State, or their delegates.
- 10 The Parties to this Implementation Plan do not intend any of the provisions to be legally enforceable. However, that does not lessen the parties' commitment to this Implementation Plan and to the fulfilment of the commitments within the Schedule.

## PROJECT

### Project Objective

- 11 The objective in this Implementation Plan is to expand the Adelaide Desalination Plant to a 100 gigalitres per year capacity desalination plant to assist Adelaide diversify its water supply whilst reducing its reliance on the River Murray and providing environmental benefits.

### Roles and Responsibilities

#### Commonwealth of Australia

- 12 The Commonwealth, in consultation with the State, is responsible for reviewing the State's performance against the Project Milestones and Schedule 1 in accordance with this Implementation Plan.

#### The State of South Australia

- 13 The State will have responsibility for:
  - a. completing the Project diligently, effectively and in a professional manner, consistent with achieving best value for money for the use of Commonwealth funds, in accordance with this Implementation Plan;
  - b. ensuring compliance with all relevant laws and policies in the implementation of the Project, including but not limited to the Australian Government's National Code of Practice for the Construction Industry 1997 and the Australian Government Implementation Guidelines for the National Code of Practice for the Construction Industry; and
  - c. meeting all conditions (including those detailed in Schedule 1) in accordance with this Implementation Plan.
- 14 The State will be responsible for ensuring that personnel, contractors, sub-contractors and consultants:
  - a. are appropriately qualified;

- b. are covered by appropriate levels of insurance;
  - c. conduct work to appropriate professional standards; and
  - d. have established health and safety procedures which are implemented in the workplace.
- 15 The State agrees to establish an 'ADP Project Committee' (the Committee) to monitor and oversee the implementation of the Project. The Commonwealth representative will be an observer and may attend and participate in quarterly meetings (via telephone or in person).
- 16 The State agrees to continue the reforms agreed at the Council of Australian Governments in relation to urban water, including the urban water pricing principles and urban water planning principles.
- 17 The State agrees to maintain its commitment to source 100 per cent of its energy needs from renewable sources or fully offset the carbon impact from the Adelaide Desalination Plant's operations over the life of the asset.
- 18 While acknowledging that value for money is the core principle underpinning decisions on procurement, when assessing tenders the State may preference contractors, subcontractors and consultants that have a demonstrated commitment to:
- a. adding and/or retaining trainees and apprentices;
  - b. increasing the participation of women in all aspects of the industry; and
  - c. promoting employment and training opportunities for Aboriginal and Torres Strait Islander peoples in regions where significant Aboriginal and Torres Strait Islander populations exist.

## FUNDING, MILESTONES AND PAYMENTS

- 19 The maximum funding to be provided by the Commonwealth for the augmentation of the desalination plant from 50 gegalitres per annum to 100 gegalitres per annum is \$228 million, payable in accordance with milestones set out in Table 1 below. All figures in Table 1 are exclusive of Goods and Services Tax.
- 20 Subject to the terms of this Implementation Plan including any right the Commonwealth has to reduce or withhold Funds, the Commonwealth will pay the Funds to the State as specified in Table 1.
- 21 The State will put in place the arrangements outlined in Schedule 1 of this Implementation Plan.

Table 1

Payment Number	Milestone	Dates	Amount (excluding GST)
1	<ul style="list-style-type: none"> <li>Completion of the 100 gigalitres per annum plant bulk earth works, reverse osmosis building foundations and steel structure substantially erected.</li> <li>Submission of a progress Report to the satisfaction of the Committee and the Commonwealth.</li> </ul>	Expected by 01 May 2011	\$76,000,000
2	<ul style="list-style-type: none"> <li>Agreement of the Murray Darling Basin Authority of a framework that ensures that the 6 gigalitre high reliability entitlement and the Environmental Provision will be available to offset the South Australian sustainable diversion limit established by the Basin Plan (Schedule 1 refers).</li> <li>Agreement of the Commonwealth Department of Sustainability, Environment, Water, Population and Communities to an annual reporting format for the environmental water arrangements agreed in Schedule 1.</li> </ul>	Expected by 31 October 2011	nil
3	<ul style="list-style-type: none"> <li>Completion of procurement of the 100 gigalitre per annum equipment and receipt in warehouse or on-site (as appropriate, erection of precast façade panels and roof installed).</li> <li>Submission of a progress Report to the satisfaction of the Committee and the Commonwealth.</li> </ul>	Expected by 30 November 2011	\$53,200,000
4	<ul style="list-style-type: none"> <li>Installation in place of all mechanical pumps and pipe work, high voltage switchboards and motor control centre.</li> <li>Submission of a progress Report to the satisfaction of the Committee and the Commonwealth.</li> </ul>	Expected by 01 May 2012	\$53,200,000
Final	<ul style="list-style-type: none"> <li>Completion of all previous milestones.</li> <li>Achieve practical completion and tests to demonstrate the operation of the 100 gigalitre annum expansion works.</li> <li>Submission of a final Report to the satisfaction of the Committee and the Commonwealth.</li> </ul>	Expected by 31 December 2012	\$45,600,000
<b>TOTAL</b>			<b>\$228,000,000</b>

- 22 Any financial contribution payable by the Commonwealth will be processed by the Treasury of the Commonwealth and paid to the Treasury of the State of South Australia in accordance with the payment arrangements set out in Schedule D of the Intergovernmental Agreement on Federal Financial Relations.

## State Contributions

- 23 The State agrees to provide the amount of \$1.496 billion (GST exclusive) and any additional costs incurred to complete the Overall Project.

## BUDGET

- 24 The Overall Project Budget is inclusive of the \$100 million Federal Funding for 50 gigalitres per year plant and the \$228 million to expand the plant's capacity to 100 gigalitres per year. The overall project budget is set out in Table 2. All figures are exclusive of Goods and Services Tax.

Table 2

Expenditure Item	Cth Amount (million)	State Amount - Cash contribution (million)	State Amount - In-kind contribution (million)	Total Cost (million)
Desalination plant (design & construct)	279.0	788.0	0.0	1067.0
Transfer Pipeline System	33.0	143.0	0.0	176.0
ETSA & Associated Infrastructure	16.0	107.0	0.0	123.0
Land & Easements	0.0	69.0	0.0	69.0
Project Delivery, Insurances, Contingency & Other Costs	0.0	389.0	0.0	389.0
<b>Total Budget:</b>	328.0	1496.0	0.0	1824.0

- 25 Having regard to the estimated costs of projects specified in the overall project budget, the State will not be required to pay a refund to the Commonwealth if the actual cost of the project is less than the agreed estimated cost of the project. Similarly, the State bears all risk should the costs of a project exceed the estimated costs. The Parties acknowledge that this arrangement provides the maximum incentive for the State to deliver projects cost-effectively and efficiently.

## PROGRESS REPORT

- 26 Each Progress Report is to contain the following information:
- a description of actual performance of the Project to date against the Project milestone/s and budget
  - promotional activities undertaken in relation to, and media coverage of, the Project during the last reporting period

- c. a description of the work that will be undertaken to complete the remaining Project Milestone(s), and any expected promotional opportunities, during the next reporting period for the Project
- 27 The final Project Report is due within 60 Business Days of the completion of the Project (or termination of this Implementation Plan or the Project) and will be a stand-alone document that can be used for public information dissemination purposes regarding the Project. The final Project Report must:
- a. describe the conduct, benefits and outcomes of the Project as a whole
  - b. evaluate the Project, including assessing the extent to which the objective has been achieved and explaining why any aspect were not achieved
  - c. include a discussion of any other matters, relating to the Project, which the Commonwealth notifies the State should be included in this final Project Report at least 30 days before it is due.

## REQUESTS FOR REPORTS AND INFORMATION

- 28 The State agrees to meet any reasonable request by the Commonwealth to provide other reports, or access to information, sites or assets, to enable assessment or review of the implementation of the Project.

## NOTICE OF DETAILS FOR THIS PROJECT

29 A notice relating to this Project, rather than the Agreement generally, is to be in writing and dealt with as follows:

a. if given by the State to the Commonwealth:

Director  
National Urban Water and Desalination Plan  
Urban Water Security Branch  
Water Governance Division  
Department of Sustainability, Environment, Water, Population and Communities  
John Gorton Building (Location: Level 4C North)  
Kings Edward Terrace  
PARKES ACT 2600

GPO Box 787  
CANBERRA ACT 2600

Or

b. if given by the Commonwealth to the State:

Deputy Project Director  
Adelaide Desalination Project  
SA Water Office  
16 Chrysler Road  
LONSDALE SA 5160

GPO Box 1751  
ADELAIDE SA 5001

# Schedule 1

## ENVIRONMENTAL WATER ARRANGEMENTS IN RELATION TO AUGMENTATION OF THE ADELAIDE DESALINATION PLANT

### Commencement

S-I The Environmental Provision included in this Schedule will commence when the full capacity of the 100 gigalitre desalination plant comes online and is available to the Adelaide water network (expected to be during 2012–13).

### Eligible Year

S-II An 'Eligible Year' for the Environmental Provision will be when at least 1600 gigalitres of water is allocated in that year to South Australia from shared Murray Darling Basin resource, and South Australia's Critical Human Water Needs have been secured for the following year during that water year.

- i. The parties to this agreement note that the Murray Darling Basin Authority has proposed that the volume of water required from the River Murray system to meet the Critical Human Water Needs of South Australia is 204 gigalitres per year.
- ii. In this agreement, 'Critical Human Water Needs' has the same meaning given in sub-section 86A(2) of the *Water Act 2007* (Cth).
- iii. 'Water Year' means the period July 1st to June 30th.

### Volume

S-III During 2012-13 a 6 gigalitre high reliability water entitlement under the ownership of SA Water will be secured by the South Australian Government. This entitlement will be held and managed by the South Australian Government for environmental purposes in the River Murray.

S-IV In addition to the above high reliability water entitlement, in Eligible Years as defined in Clause S-II a further Environmental Provision for the River Murray's environmental watering needs will be made from South Australia's annual water entitlement under the Murray Darling Agreement (currently 1850 gigalitres) as follows:

- i. After 1600 gigalitres are made available to South Australia, via the Murray Darling Basin Authority allocation announcement process, the next 12 gigalitres will be allocated to the Environmental Provision.
- ii. Once the 12 gigalitres have been provided, 5 per cent of all subsequent inflows up to 1850 gigalitres will be allocated to the Environmental Provision (i.e. a maximum of 24 gigalitres will be provided in any one Eligible Year).



- iii. A maximum of 120 gigalitres will be provided to the Environmental Provision over any 10 year rolling period of Eligible Years. Years which are not Eligible Years will be excluded from the rolling 10 year period.

S-V South Australia will establish the Environmental Provision as an environmental entitlement that will be held by the South Australian Government, to be used for environmental purposes in the South Australian portion of the Murray Darling Basin.

## Verification and Transparency

S-VI The River Murray Water Allocation Decision Framework for South Australia for the 2012–13 water year (and subsequent years) will explicitly document the requirements outlined in this agreement. This framework will continue to be made publicly available.

S-VII The South Australian Minister for Water will provide to the Commonwealth Minister for Water each year (by 30 November) a report that includes detail on:

- i. the allocations of water which has been credited to the high reliability water entitlement (required in Clause S-III), the use and outcomes from the use of this water
- ii. water allocated to the Environmental Provision (required to be created by the South Australian Government in Clause S-IV) and the use and outcomes from the use of this water
- iii. written confirmation from the Murray Darling Basin Authority that it has agreed that the available water from the high reliability water entitlement and the Environmental Provision has been accounted for consistent with the agreed framework and is therefore available to offset the South Australian sustainable diversion limit established by the Basin Plan.

The format of this report will be agreed as required in Milestone Two in Table 1 of the Implementation Plan.

S-VIII If in any one Eligible Year the Murray Darling Basin Authority does not provide confirmation as required under Clause S-VII, then the State shall provide 12 gigalitres of water in the following Eligible Year which will be used for Environmental Purposes. This volume would be additional to the requirement for that Eligible Year. Provision of 6 gigalitres of the 12 gigalitres of water under this Clause will not contribute to the maximum of 120 gigalitres that will be provided to the Environmental Provision over any 10 year rolling period of Eligible Years as provided for in Clause S-IV(iii); however the remaining 6 gigalitres will contribute to that maximum.

S-IX The South Australian Minister for Water will report publicly on the use of environmental water every year.

## Review

S-X This agreement will be reviewed in good faith by the South Australian and Australian Governments every five years or as agreed by the parties.