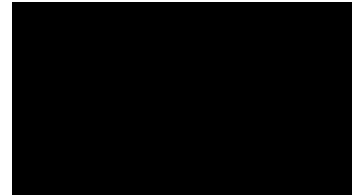


04-06-2021



Essential Services Commission

GPO Box 2605  
Adelaide SA 5001  
Level 1 / 151 Pirie Street  
Adelaide SA 5000

**RE: Variation to electricity generation licence – South Australian Water Corporation (SA Water)** Adelaide Desalination Plant (Stage 1 & Stage 2} Ground Mounted Solar PV Array Battery Energy Storage System (BESS} Mini Hydro Generator Roof Top Mounted Solar Array.

Dear ESCOSA

I provide this submission in regard to the renewable and recovered electricity projects proposed for the Adelaide Desalination Plant.

There are two main issues associated with this proposal.

The first issue is about whether this project, as part of SA Water's Zero Cost Electricity Future, will be partly funded by all other electricity customers if SA Water sell LGCs related to renewable electricity produced and consumed on site, and whether SA Water will be claiming zero scope 2 emissions for this electricity under its NGER Reporting. If so, this would not be in the long term interests of consumers with respect to the price.

This concern is limited to the electricity that SA Water produces and consumes for itself, not any surplus electricity or surplus LGCs sold which become part of the National Electricity Market to which the mandatory Renewable Energy Target mechanism correctly applies.

The second issue is about SA Water's legal responsibility for the Adelaide Desalination Plant to be carbon neutral. The State Government in 2008, committed that the Adelaide Desalination Plant (ADP) would be carbon neutral. The ADP EIS described:

**EIS Document,2008, Chapter 6 (“Energy, Sustainability and Climate Change”)**

“The State Government has committed the ADP to be ‘carbon neutral’, including requirements to operate the proposed Desalination Plant and delivery pipeline with renewable energy or the purchase of carbon permits and/or offsets as desalination is energy intensive.

“Strategies are being developed to manage the greenhouse gas emissions associated with the construction and operation of the ADP”.

#### 6.7.4.1 Greenhouse Management During Construction

“.... Beyond the reductions achieved through materials selection and construction efficiencies, SA Water is currently investigating opportunities to offset construction greenhouse gas emissions. This approach would use accredited offset mechanisms, such as forestry offsets or voluntary surrender of CPRS permits pending confirmation of voluntary mechanisms, and carbon neutral standards by the Federal Department of Climate Change”.

#### 6.7.4.2 Greenhouse Management During Operations

“The greenhouse gas emissions associated with the operation of the Desalination Plant and the Transfer Pipeline, make up approximately 90% of the ADP’s potential greenhouse gas emissions footprint. However, it is intended that this footprint will be avoided/offset by the procurement of accredited renewable energy and offsets to operate the Desalination Plant”.

**EIS Response Document (2009)**, (Section 3.7.2), which forms a part of the final EIS includes:

“The State Government has committed the proposed Desalination Plant to be ‘carbon Neutral’.....”

“Strategies are being developed to manage the greenhouse gas emissions associated with the construction and operation of the proposed Desalination Plant”.

“SA Water is also continuing discussions with the Federal Government on standards and the voluntary mechanisms that would enable carbon neutrality to be achieved.

Following this the contractual arrangements for the supply of power can be further developed. SA Water will be in a position to outline the key commitments and actions to achieve carbon neutrality following the end of the EOI process and finalisation of discussions with the Federal Government”.

### **The legal obligation for carbon neutrality**

The gazetted conditions of approval legally establish a binding carbon neutral commitment:

#### **Conditions of Approval Part A: Conditions of Development Authorisation**

##### *General Conditions*

1. Except where minor amendments may be required by other legislation, or by conditions imposed herein, the proposed Major Development shall be undertaken in strict accordance with the following documents:
  - Development application dated 23 June 2008.
  - Environmental Impact Statement (Volumes 1 and 2), (EIS), Proposed Adelaide Desalination Plant (ADP) EIS dated November 2008.
  - Response to Submissions, Proposed Adelaide Desalination Plant by SA Water Corporation dated 22 January 2009.

This information should have been provided to ESCOSA as part of the electricity license variation application as the project does interact with SA Water meeting its legal obligation for the Adelaide desalination Plant to be carbon neutral.

## POST APPROVAL

After the Adelaide Desalination Project was approved, the EPA did not include any carbon neutral compliance conditions in the operating license applied to SA Water. The State Government did not ensure compliance or public reporting of progress towards carbon neutrality.

SA Water did establish an accredited renewable electricity contract to power the facility which was a major part of achieving the legal requirement, but it did not continue to complete the carbon neutrality outcome in accordance with the standards (which were established as the National Carbon Offset Standard – Carbon Neutral Program). This meant that the commitment to all South Australians was dishonoured.

In 2011, the SA Water Chief Executive publicly advised that SA Water

“...had abandoned the commitment to make the desalination plant carbon-neutral because there was "no clear, agreed definition of what carbon neutrality was".

"This commitment was updated to state that the plant would be powered by 100 per cent accredited renewable green-energy sources within South Australia," he said.

<https://www.adelaidenow.com.au/news/south-australia/greenwash-call-on-desalination/news-story/a4503e118c1741cee30ad1a563cfdfa>

This statements above were made despite the National Carbon Offset Standard and its Carbon Neutral Program being launched by the Australian. Government in 2010. The statements claiming that the commitment was updated, ignored the fact that the conditions of approval were never changed and still legally apply in 2021 and for the life of the asset.

The outcome in 2011 was that purchased accredited renewables was achieved but not offsetting non electricity emissions to a Federal Government carbon neutral standard.

Then, in 2015, I was advised by the Minister for Water advised that:

With regard to the Adelaide Desalination Plant (ADP), I am advised that SA Water has taken a number of actions to offset the greenhouse gas emissions associated with the construction and operation of the ADP, in line with the intent of the Environmental Impact Assessment (EIS) and Development Approval.

All electricity emissions associated with the operation of the ADP are offset through the procurement of renewable energy sourced from South Australia.

In June 2013, SA Water voluntarily surrendered carbon offsets to the Commonwealth Government to offset all emissions relating to the construction of the ADP and non-electricity emissions, such as fuels, travel, chemicals and construction materials, from its ongoing operation until June 2016 (using estimates for the out-years). I understand that an independent assessment of emissions attributed to the plant was undertaken to ensure the approach was as robust as possible and adhered to the National Carbon Offset Standard.

SA Water will continue to investigate options for achieving zero net greenhouse gas emissions for the ongoing operation of the ADP post 2016.

Since 2015, SA Water have not publicly reported progress or compliance relating to the legal condition of approval for the Adelaide Desalination Plant to be carbon neutral. There has never been any independent assurance of whether SA Water has or has not achieved carbon neutrality for the ADP.

It is understood that the electricity to power the operation has continued to be provided via an accredited renewable electricity contract. However, with the change to produce and consume more electricity on site, SA Water's partial compliance with the conditions of approval would be further compromised if the corporation sells the LGCs relating to electricity produced and consumed on site. It would simply no longer be able to claim that it is operating the Adelaide Desalination Plant with renewable electricity.

For SA Water to meet its legal obligation for the Adelaide Desalination Plant to be carbon neutral, it should commit to the federal Government's Climate Active accreditation scheme (which replaced the NCOS Carbon Neutral Program in 2019). Under this scheme, SA Water would not be permitted to sell LGCs to third parties for electricity produced and consumed on site and claimed towards achieving carbon neutrality. SA Water would still be able to sell excess electricity and excess LGCs.

Regardless of whether the State Government has established licence requirements to ensure SA meets its legal obligations, or that there have been no penalties or constraints applied to SA Water for not meeting its legal obligations, the legal requirement remains. SA Water through its Environmental Policy still maintains that "We are committed to compliance with all environmental legal requirements" and it should do so to be considered a fit and proper person to hold an electricity licence.

ESCOSA should seek clarification from SA Water about whether it is meeting its legal obligation for the Adelaide Desalination Plant to be carbon neutral, as part of determining its suitability to hold an electricity generation licence as prescribed in the Electricity Act 1996 in relation to this facility.

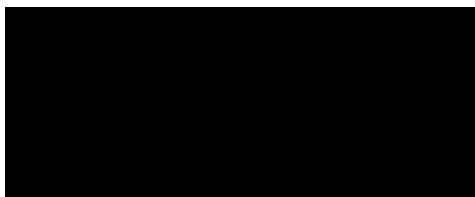
### **Recommendation**

It is recommended that SA Water re-commit the Adelaide Desalination Plant being carbon neutral and achieve this outcome under the federal Government's Climate Active Scheme. This would ensure that:

1. SA Water meets its legal obligations
2. Other electricity consumers are not subsidising SA Water's Zero Cost Electricity Future at this facility through paying for LGCs that SA Water should voluntarily surrender as part of achieving carbon neutrality.

This is not an excessive or unreasonable recommendation. It is simply what SA Water should have been doing for the past ten years in accordance with its legal obligations.

Yours sincerely



100% GreenPower customer