



Australian Government
Australian Renewable Energy Agency

ARENA

Australian Renewable Energy Agency's (ARENA's) 2015-16 Corporate Plan

Introduction

As the accountable authority of the Australian Renewable Energy Agency (ARENA), the ARENA Board presents the 2015-16 ARENA Corporate Plan, covering the period from 2015-16 to 2018-19 (inclusive), in accordance with section 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

This Corporate Plan complements and should be read alongside ARENA's General Funding Strategy (GFS) 2015-16 to 2017-18 and Investment Plan (IP). The GFS describes ARENA's investment principles and ARENA's overall approach to setting funding priorities, as required by the *Australian Renewable Energy Agency Act 2011*, and the IP sets out ARENA's priorities and other investment focus areas.

Greg Bourne

Board Chair

Australian Renewable Energy Agency

Purpose

ARENA has two overarching objectives, which are set out in the *Australian Renewable Energy Agency Act 2011* (ARENA Act). They are to:

- improve the competitiveness of renewable energy technologies
- increase the supply of renewable energy in Australia.

To achieve these objectives, ARENA's mission is to help catalyse the development and deployment of renewable energy. ARENA's vision is an Australian economy and society increasingly powered by competitive renewable energy.

ARENA takes a long-term view of its objectives, with the aim of having maximum impact from 2020 to 2040. While emerging renewable energy solution providers are the immediate beneficiaries of much of ARENA's activity, in the long term it is Australian energy users who will benefit from the availability of more competitive renewable energy.

As specified in the General Funding Strategy, ARENA's investment objectives are to:

- demonstrate renewable energy's role in addressing Australia's current energy issues and/or
- provide renewable energy technology options for the long term.

The investment objectives in the General Funding Strategy reflect the range of timeframes over which ARENA intends its investments to improve competitiveness. Turning research into commercial technologies, for example, may take decades (providing options for the long term) while demonstration activities may have a path to commercialisation that spans five to ten years (addressing current energy issues). Improvements in competitiveness, in turn, will contribute to increases in the supply of renewable energy in Australia in the long term.

To achieve its objectives, ARENA funds activities that are expected to advance renewable energy technologies towards commercial readiness, improve business models or reduce overall industry costs.

This reflects ARENA's functions as specified in the ARENA Act, which are to provide financial assistance to renewable energy technologies across the innovation chain from research and development to demonstration, deployment and commercialisation. ARENA also develops analysis and advice, sharing information and knowledge on renewable energy and related technologies. ARENA takes a portfolio approach to investments, supporting activities across the innovation chain as represented in Figure 1.

Environment

The supply of renewable energy in Australia over the long term will be affected by a number of factors including:

- the competitiveness of renewable energy compared to other energy sources, which in turn is influenced by technology maturity and commercial innovation
- the interaction of market demand with the cost of supply, including any policy settings placing a value on generating renewable energy certificates or reducing carbon emissions.

ARENA's focus is on funding activities that best contribute to the achievement of its intended outcomes: to encourage technology and commercial innovation to reduce the cost or increase the value of renewable energy, enhance skills and knowledge of renewable energy, and address barriers to renewable energy uptake.

These outcomes are also influenced by investor decisions, global developments, and other government programmes. Reflecting this, ARENA aims to complement other government programmes and initiatives to ensure its activities achieve maximum value in the market.

In particular, ARENA plays a complementary role to the Clean Energy Finance Corporation (CEFC) and Renewable Energy Target (RET) in advancing Australia's renewable energy potential.

ARENA provides the support needed to accelerate the development of promising technologies towards commercialisation. The CEFC provides finance to de-risk and demonstrate bankability, which helps to bring near-commercial and commercial projects to reality. And the RET drives the uptake of the cheapest mature renewable energy technologies.

Market demand and policy settings affect the achievement of ARENA's objectives (as defined in the ARENA Act). Because these factors influence the point at which new renewable energy supply will be most economically valuable in Australia, they affect the timeframe in which ARENA's investments are likely to have maximum impact. In turn this can affect the relative value of investments at different stages along the innovation chain.

To account for changes in these factors, ARENA reviews its Investment Plan from time to time against its investment portfolio, and market and policy developments to ensure it continues to invest in the most strategic activities.

This includes, for example, monitoring longer-term forecast energy demand and significant government policy developments, such as Australia's post-2020 greenhouse gas emissions target and commitments (which the Australian Government released in August 2015 in preparation for the UNFCCC Paris Conference in December 2015).

Fig 1

Advancing renewables along the path to commercialisation

COMMERCIALISATION PATHWAY



RESEARCH & DEVELOPMENT

Support world-leading Australian research or research relevant to Australian conditions



DEMONSTRATION

Demonstrate the feasibility of new technologies and disseminate learning to facilitate scale-up



DEPLOYMENT

Improve commercial readiness through demonstrating business models and improving commercial viability

Early stage research

Development

Pilot scale

Large scale

Pre commercial

Commercial

ARENA PROGRAMMES

Research and Development Programme

Advancing Renewables Programme

Standalone knowledge sharing activities are funded under the Advancing Renewables Programme. All ARENA-funded activities are required to include a knowledge sharing component.

ARENA'S RELATIONSHIP WITH OTHER RELEVANT ACTIVITIES

ARENA

ARENA-CEFC
Co-Investment projects

CEFC

RET

The guiding principles for ARENA funding assistance are set out in the General Funding Strategy. They help guide strategic investments in the context of inherent uncertainty in research and development, and changes in the investment environment. The guiding principles for ARENA's investment approach are to be:

- responsive and agile
- commercially focused
- technology neutral
- targeted
- diverse.

ARENA uses the GFS Guiding Principles to identify investment focus areas and assesses all proposals for best fit with the investment focus areas to determine which will be financially supported.

Performance

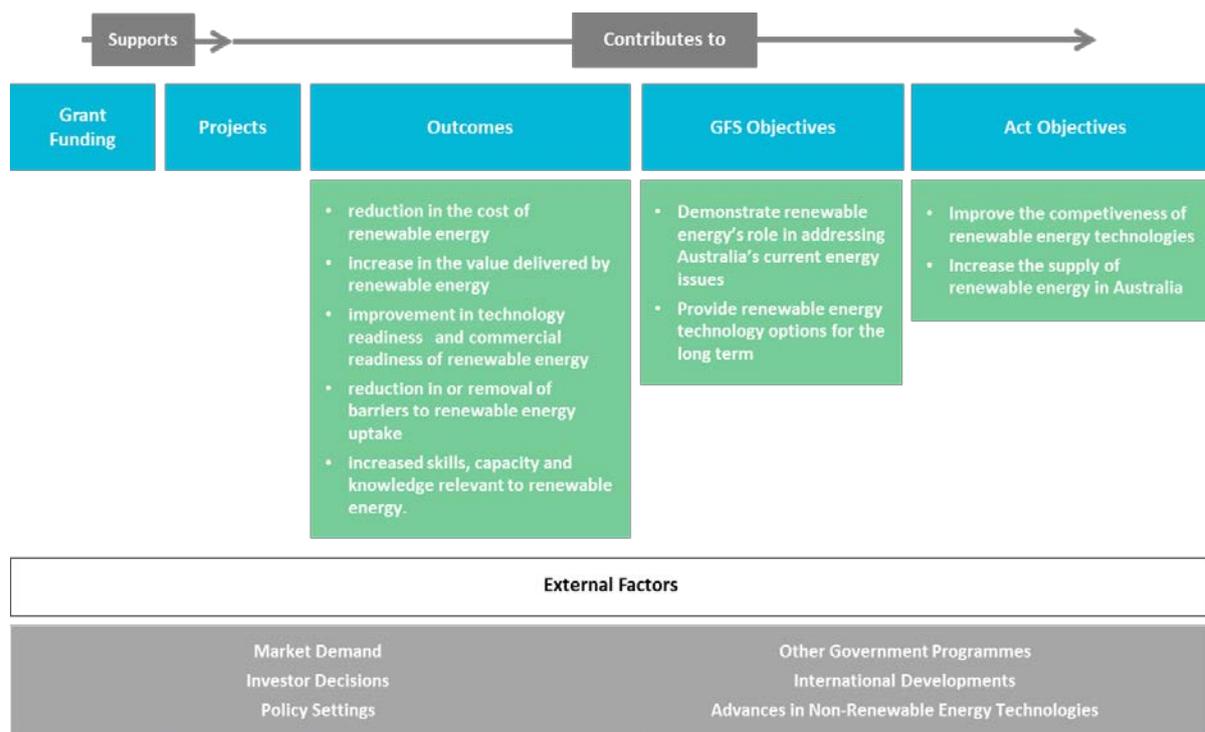
ARENA's purposes, against which its long-term performance should be measured, are the overarching objectives specified in the ARENA Act as well as the investment objectives as specified in the General Funding Strategy.

To support its objectives, ARENA-funded activities are expected to contribute to one or more of the following outcomes:

- reduction in the cost of renewable energy
- increase in the value delivered by renewable energy
- improvement in technology readiness and commercial readiness of renewable energy technologies
- reduction in or removal of barriers to renewable energy uptake
- increased skills, capacity and knowledge relevant to renewable energy technologies.

Consistent with the scope of ARENA's functions, some of these outcomes can best be delivered through work on technologies and solutions related to renewable energy, rather than renewable energy generation technologies themselves.

The relationship between ARENA's objectives, activities and outcomes is reflected in the following diagram.



Performance against ARENA's objectives is influenced by:

- the wide range of external factors influencing renewable energy technology development, competitiveness and supply
- the diverse stages of renewable energy technology research, development and deployment, and therefore the diversity of related activities funded by ARENA.

Reflecting this, ARENA's performance measures for 2015-16 are mostly qualitative measures linked to the systems and capabilities necessary to ensure ARENA-funded activities contribute to one or more of ARENA's intended outcomes.

ARENA's annual report includes examples of how funded projects contribute to its objectives and intended outcomes.

ARENA is developing an evaluation framework to ensure its programmes are delivering outcomes as intended and processes are continually improving. This will be used to revise and improve ARENA's performance measures in future years. Evaluations will inform performance reports over the planning period.

To achieve ARENA's purposes, ARENA needs to have in place systems and capabilities across the investment and project lifecycle, grouped into:

- 1) **Strategic investment**
- 2) **Strong project assessment, negotiation and delivery**
- 3) **Effective knowledge sharing**

The table below sets out performance measures for these systems and capabilities for 2015-16.

What	How	Performance Measure
Strategic investment	Provide financial assistance to projects that rank highly on our merit criteria, including new commitments in each of our priority areas.	Number of new project commitments (including breakdown by priority areas), and confirmation that all funded projects rank highly on our merit criteria, drawing on advice from independent expert assessors.
	Annually review (and update if required) a General Funding Strategy and Investment Plan outlining the principles and priority areas for new ARENA investments.	Yes / no
	All new ARENA-funded activities have a statement of desired outcomes, with a defined link to ARENA's objectives and programme outcomes.	Yes/no
Strong project assessment, negotiation and delivery	Maintain robust technical and commercial capabilities and procedures, including access to ARENA's Advisory Panel, experts, commercial specialists, and due diligence procedures.	Qualitative report on ARENA capability and procedures, incorporating advice from internal audit and other independent sources.
	Effectively manage programmes and funding agreements in accordance with agreement terms and to deliver intended outcomes.	Report on project management approach and significant outcomes, including project completions and any terminations.
	Efficient, fair, clear and targeted interactions with stakeholders.	Stakeholder survey and post-completion surveys on dealing with ARENA.
	Continuous learning and improvement by evaluating programmes and major projects.	Report on outcomes from major projects, and overall programme outcomes drawing on evaluations.
Effective knowledge sharing	Ensure funded activities contribute to knowledge about renewable energy.	Yes / no Every newly contracted project during 2015/16 includes knowledge-sharing outcomes as relevant to the project and its desired outcomes.
	Procure, publish and communicate analysis to inform investment priorities and help to lower risks associated with renewable energy.	Qualitative report on major knowledge-sharing products produced and events/activities held during 2015-16

Reflecting the funding profile under the ARENA Act, and taking into account an appropriate level of project diversity in line with ARENA’s investment principles, ARENA’s targets for the number of projects supported across the planning period are:

	2015-16	2016-17	2017-18	2018-19
Number of projects supported to improve uptake of renewable energy	213	218	198	167

The changing profile reflects the completion of existing projects, offset by the approval of new ones within the available funding. The slight decline in project numbers also reflects the mix of project types in which ARENA has invested in since its establishment. This includes a reduced proportion of very small projects compared to the portfolio of projects ARENA inherited from its predecessors.

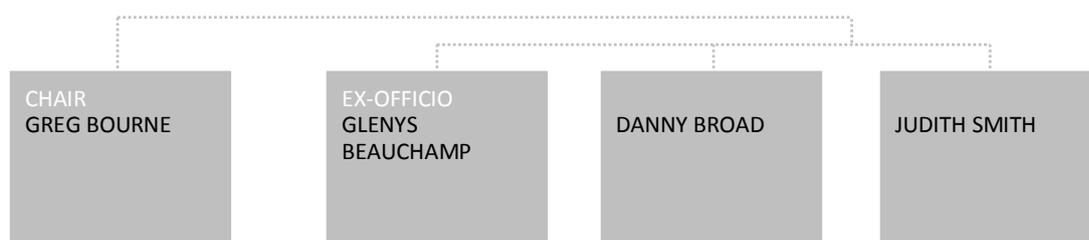
Future year performance measures for ARENA projects and programmes will be refined as ARENA’s evaluation framework is further developed and extended.

Capability

ARENA Board

At 30 July 2015, the ARENA Board comprised Mr Greg Bourne (Chair), Ms Glenys Beauchamp (ex-officio), Mr Danny Broad and Ms Judith Smith.

Meetings and the operation of the Board are conducted in accordance with the requirements of the legislation applicable to ARENA.



ARENA Chief Executive Officer and management team

At 30 July 2015, the ARENA CEO was Mr Ivor Frischknecht. The CEO is supported by an executive team, including a Chief Financial Officer (CFO).



ARENA Advisory Panel

The ARENA Advisory Panel provides advice to support the development and selection of activities for funding. The panel's roles include assessing programme funding applications and providing expert specialist advice as required. A current list of advisory panel members is available on the ARENA website arena.gov.au.

Staff

ARENA staff include:

- The Chief Executive Officer and Chief Financial Officer
- Staff made available to ARENA by the Secretary of the Department of Industry and Science, under section 62 of the ARENA Act
- Specialist consultants as provided for in section 63 of the ARENA Act.

Culture

The ARENA culture emphasises a commercially-oriented, outcomes-oriented and flexible attitude when dealing with stakeholders. ARENA aims to be an agile agency that responds quickly to its stakeholders and changes in the operating environment.

Operating environment

ARENA operates in a complex and challenging environment involving a wide range of stakeholders and is subject to legislation, regulations and standards applicable to corporate Commonwealth entities.

In 2015-16, ARENA's operating environment will include:

- the Board, CEO, CFO and financial assistance initiatives administered under the ARENA Act and the PGPA Act

- Department of Industry and Science resources provided to ARENA and subject to the Public Service Act 1999 and the PGPA Act.

ARENA operates in compliance with a Board-approved governance framework that sets out the application of the differing requirements under these various Acts.

Service level agreement

The Department of Industry and Science provides corporate support for ARENA's day-to-day operations. This relationship is currently managed by a service level agreement, which sets out the arrangements for the provision of services to ARENA.

Intended improvements to capability

ARENA intends to improve its capability for evaluation in 2015-16 by establishing a whole-of-ARENA evaluation framework. This will be rolled out progressively through the planning period to evaluate and inform reporting on our performance against outcomes, as well as to inform improvements to processes.

ARENA has established systems to ensure funded activities contribute to public knowledge about renewable energy and related technologies and issues. As ARENA-funded projects are maturing and knowledge becomes available from projects, ARENA intends to increase its capability to manage and disseminate knowledge from projects over the planning period.

Risk oversight and management

ARENA is committed to ensuring we have an appropriate governance system that is fit-for-purpose and effectively manages risk that encompasses all aspects of its operations.

ARENA will, over the planning period, continue to plan, report and adapt our risk and internal control approaches in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and other relevant requirements.

ARENA's risk management strategy establishes and structures processes to ensure the rigorous identification and management of risks across ARENA, and to maximise opportunities for attainment of business objectives.

On a rolling basis ARENA will comprehensively review risks (including workplace health and safety risks) to ensure that they reflect the current environment and mitigation strategies are effective. These reviews focus on ensuring that controls commensurate with the level of risk are in place and effective, and that the risk is acceptable.

Outcomes of operational reviews are considered by the ARENA executive and contribute to the development of a strategic risk profile. A risk report, comprising of the ARENA risk profile and details of changes in the preceding period, is provided to the Risk and Audit Committee and the Board semi-annually. Workplace health and safety risks are actively monitored by the ARENA executive and the Board.

In addition, ARENA will, over the planning period continue to maintain its internal control framework which includes:

- policies and procedures that support compliance with legislative and policy requirements
- a positive compliance and management environment supported by an effective schedule of delegations
- an effective internal audit function that seeks to appropriately balance performance and compliance audits
- an effective risk management framework, including fraud control, risk management plans, security and business continuity management and disaster recovery
- compliance with Australian Public Service values and Code of Conduct
- monitoring controls through effective planning and reviews at all levels of the organisation, and ongoing budget management
- accountability mechanisms, including reports, reviews and individual performance management arrangements.

NOTE: The Australian Government has announced its intention to repeal the *Australian Renewable Energy Agency Act 2011* and move management of existing projects into the Department of Industry and Science. The ARENA Repeal Bill was referred to Parliament in June 2014, and at June 2015 remained subject to decision by the Senate. This Corporate Plan relates to ARENA's governance and operations until this eventuates.