



Australian Government  
Australian Renewable Energy Agency

ARENA

# Australian Renewable Energy Agency (ARENA)

Corporate Plan  
2016 - 17

## Introduction

As the accountable authority of the Australian Renewable Energy Agency (ARENA), the ARENA Board presents the 2016-17 ARENA Corporate Plan, covering the period from 2016-17 to 2019-20 (inclusive), in accordance with section 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

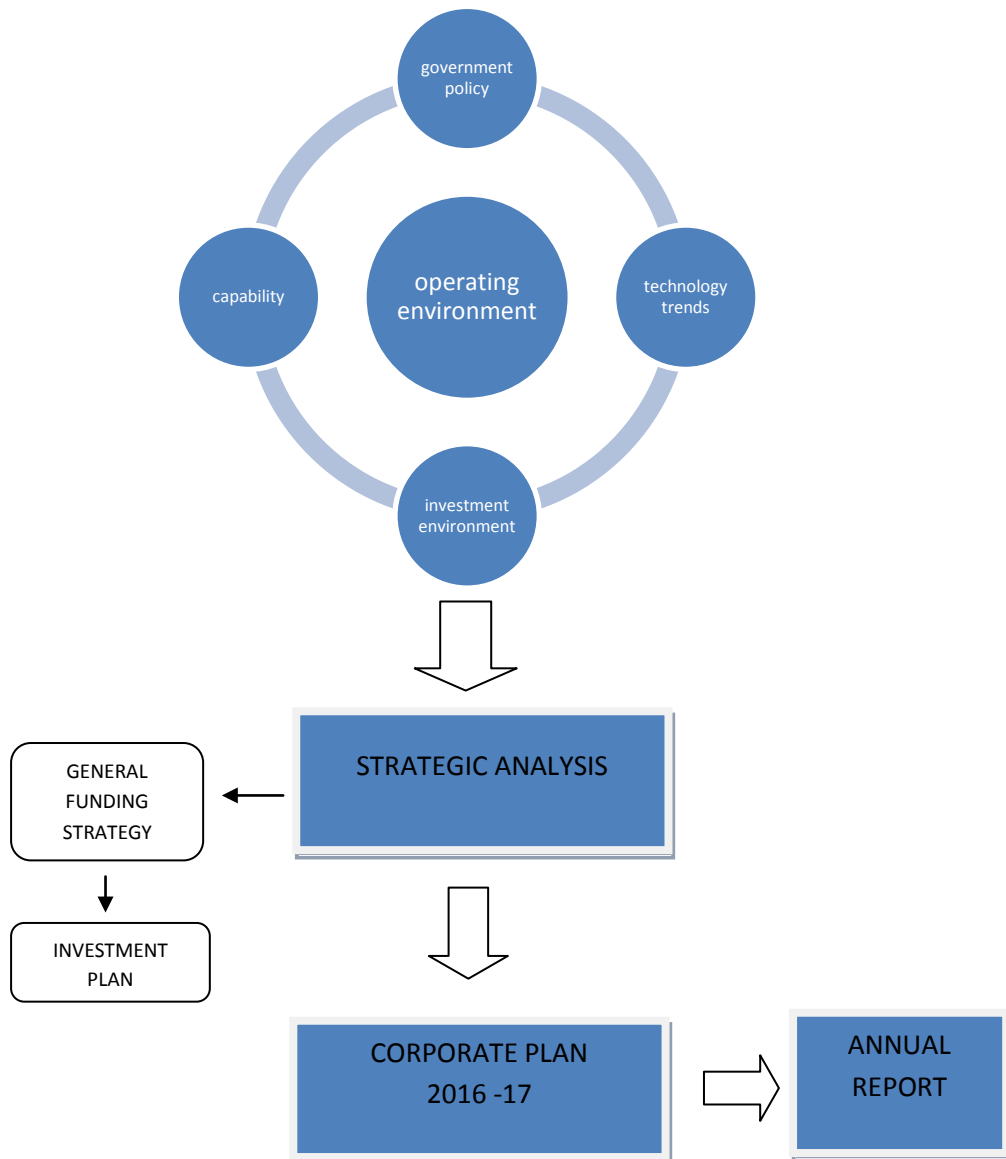
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Martijn Wilder AM

Board Chair

Australian Renewable Energy Agency

## ARENA'S CORPORATE PLAN IN CONTEXT



## Purpose

ARENA's purpose is to accelerate Australia's shift to a more sustainable, affordable and reliable energy future.

The Agency's main objective as set out in the *Australian Renewable Energy Agency Act 2011* (ARENA Act) is to:

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

The Agency takes a long-term view of its objective, with the aim of having maximum impact from 2020 to 2040. Within this range, the Agency aims to both:

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

The Act enables ARENA to provide financial assistance to support renewable energy, as well as hybrid and other related technologies, such as energy storage. In March 2016 the Government announced its decision to establish the Clean Energy Innovation Fund to support the growth of innovative clean energy technologies and businesses, which are critical to Australia's clean energy transformation. The Innovation Fund will provide debt and/or equity finance for innovative clean energy projects which support renewables, energy efficiency and low emissions technologies. ARENA is working with the Clean Energy Finance Corporation (CEFC) to set up collaborative working arrangements for the Innovation Fund.

In the context of the Innovation Fund, ARENA's objective extends to improving the competitiveness, and increasing the supply, of clean energy technologies (including energy efficiency and low emissions technologies).

Businesses and researchers developing, testing or deploying innovative renewable energy solutions are the immediate beneficiaries of much of the Agency's activity. Key participants in the energy system, including regulators and policy makers, also benefit from the knowledge generated by ARENA funded projects. In the long term it is Australian energy users who will benefit from the availability of more competitive renewable energy.

## Operating Environment

ARENA is a statutory agency established under the ARENA Act, which sets out the Agency's objects and describes its functions. ARENA is subject to legislation, regulations and standards that apply to corporate Commonwealth entities.

ARENA's operating environment is influenced by domestic and global trends which are transforming the way in which energy is generated, distributed, stored, managed and regulated. In particular, the following factors shape ARENA's operating environment:

- 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 policies (or anticipated policies) placing a value on generating renewable energy certificates or reducing carbon emissions
- investor assessment of energy technologies and markets
- market rules and regulations, and
- other government programs.

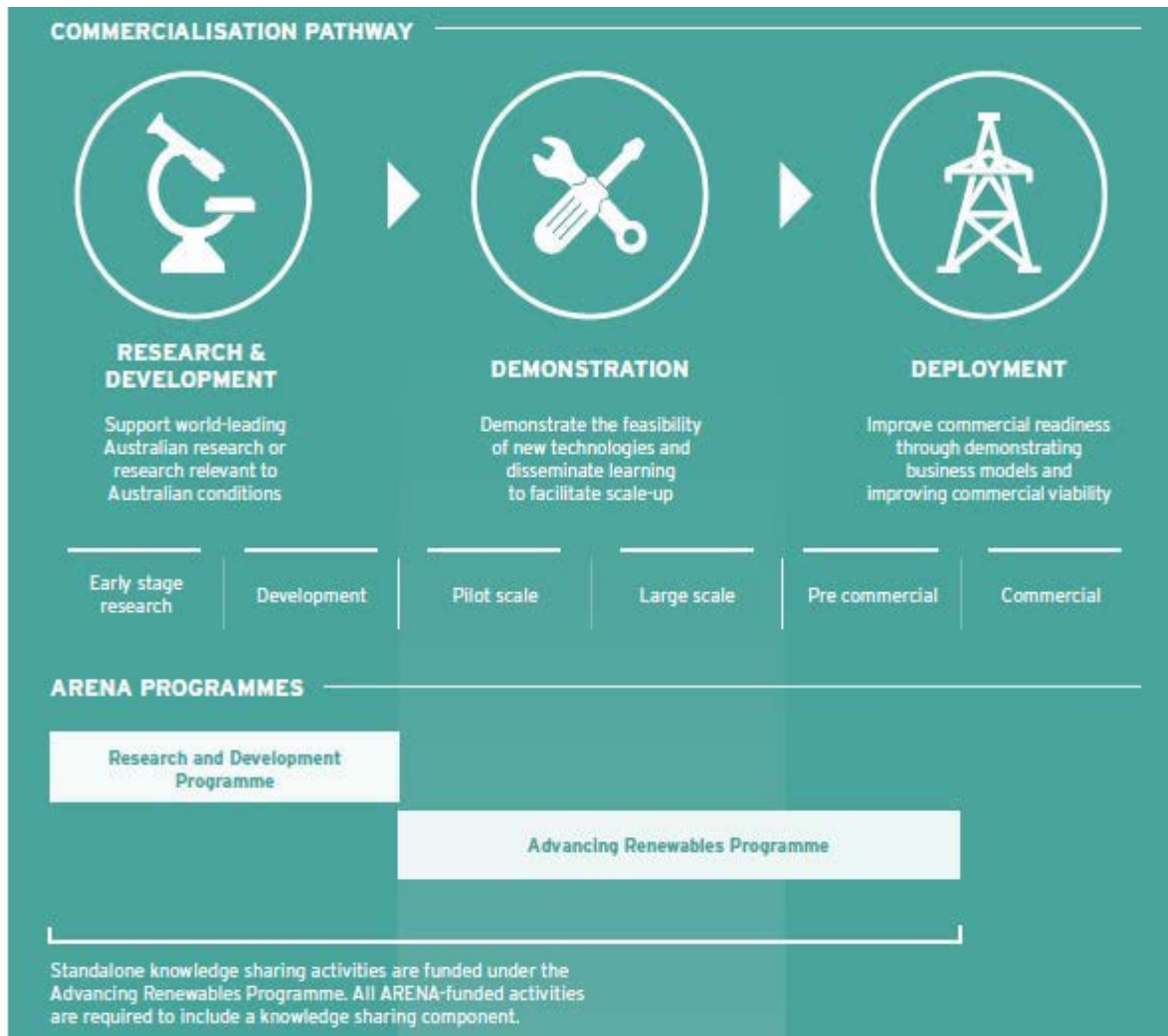
ARENA aims to complement other government programs and initiatives to ensure its activities achieve maximum value. In particular, ARENA plays a complementary role to the CEFC and the Renewable Energy Target (RET) in advancing Australia's renewable energy potential.

Market dynamics and policy and regulatory settings will have a strong influence on the outcomes ARENA aims to achieve. 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 announced during the United Nations Framework Convention on Climate Change Paris Conference in December 2015.

## ARENA SUPPORTS RENEWABLE ENERGY ACROSS THE INNOVATION CHAIN



# Performance

## ARENA’s purpose and activities structure

PURPOSE	<b>To accelerate Australia’s shift to a more sustainable, affordable and reliable energy future.</b>		
ACTIVITIES	<b>Strategic investment</b>		<b>Strong project assessment, negotiation, delivery and knowledge sharing</b>
	Provide financial assistance to new projects in accordance with the principles and priorities outlined in the Agency’s General Funding Strategy and Investment Plan.	Jointly manage the Innovation Fund	Effectively manage projects in accordance with agreement terms to deliver intended outcomes, learn and improve.
PERFORMANCE MEASURES FOR 2016-17	Provide financial assistance to one or more new projects in each of the Agency’s priority areas, including: - conclusion and contracting of large-scale solar projects in accordance with ARENA’s \$100 million competitive round	Innovation Fund jointly managed in accordance with arrangements established between the Agency and the Clean Energy Finance Corporation	Significant project outcomes and lessons learned published
PERFORMANCE MEASURES FOR 2016-17 AND FUTURE YEARS	Provide financial assistance to one or more new projects in each of the Agency’s priority areas, including: - other research, development and demonstration projects in accordance with the Agency’s Investment Plan	Innovation Fund jointly managed in accordance with arrangements established between the Agency and the Clean Energy Finance Corporation	Significant project outcomes and lessons learned published

The following section describes how ARENA pursues its purpose and the contribution its activities make to achieving that purpose.

### STRATEGIC INVESTMENT

**Provide financial assistance to new projects in accordance with the principles and priorities outlined in the Agency’s General Funding Strategy and Investment Plan.**

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

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

ARENA balances these principles so that it can target financial assistance to areas of maximum impact, while allowing for a degree of diversity to cater for potentially significant advances in areas outside those of immediate focus.

The Agency's financial assistance goes primarily to activities that are expected to advance renewable energy technologies towards commercial readiness, improve business models or reduce overall industry costs. 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.

### **Jointly manage the Innovation Fund**

The Innovation Fund, which ARENA is jointly managing with the CEFC, will support emerging technologies make the leap from demonstration to commercial deployment.

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.

### **STRONG PROJECT ASSESSMENT, NEGOTIATION, DELIVERY AND KNOWLEDGE SHARING**

#### **Effectively manage projects in accordance with agreement terms to deliver intended outcomes, learn and improve.**

The projects which ARENA supports are predominantly first of a kind and there are inherent risks and additional costs in doing something for the first time. ARENA provides the minimum amount of financial assistance needed to see worthwhile projects go ahead.

ARENA's project assessment, negotiation and delivery approach is to strike an appropriate balance between the flexibility required by first of a kind projects and ensuring accountability in expenditure of public money.

ARENA has a rigorous assessment process which scrutinises each new proposal from a technical, financial, commercial and community perspective. The ARENA Advisory Panel provides expert advice to support the development and selection of projects for funding by ARENA. Additional expert advice is provided by technical and financial due diligence assessments from independent experts.



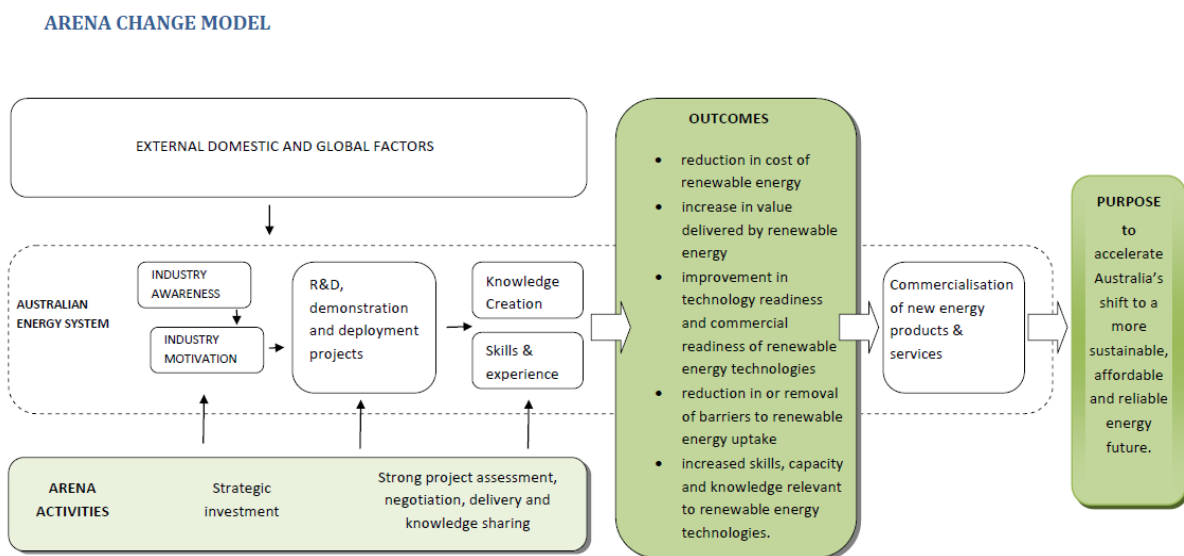
ARENA’s approach to negotiation of contracts ensures that each project has clearly defined outcomes and knowledge sharing obligations. Project activities and deliverables are structured to support successful project completion.

ARENA’s adaptive approach to project management aims to give project proponents the greatest chance of successfully delivering outputs and achieving outcomes. The aim is to quickly identify any emerging risks (to project delivery) and opportunities (for sharing knowledge) and act upon them.

Knowledge management and sharing form an integral element of each ARENA-funded project. As well as ensuring that knowledge generated by projects is shared as widely as possible, knowledge sharing plays an important role in risk management.

The knowledge generated and shared by ARENA supported projects also contributes to building the evidence base which informs regulation and broader policy developments.

The activities that ARENA undertakes are designed to secure outcomes which will contribute to the Agency achieving its purpose. The following diagram shows the relationship between ARENA’s purpose, activities and outcomes.



## Capability

### ARENA Board

At 30 June 2016, the ARENA Board comprised Mr Martijn Wilder AM (Chair), Dr Gordon de Brouwer PSM (ex-officio), Ms Maria Atkinson AM, Ms Susan Jeanes, Mr Jonathan Jutsen, Ms Meg McDonald and Dr Katherine Woodthorpe.

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

### Risk and Audit Committee

The Risk and Audit Committee provides independent advice to the Board on ARENA's financial reporting, performance reporting, system of risk oversight and management and system of internal control. The Committee also provides a forum for communication between the Board and the internal auditor (Synergy) as well as the external auditor (Australian National Audit Office).

### ARENA Chief Executive Officer and executive team

The ARENA CEO, Mr Ivor Frischknecht, is supported by an executive team, including a Chief Financial Officer and Chief Operating Officer. A current list of the Executive Leadership Team is available on the ARENA website at [arena.gov.au](http://arena.gov.au).

### ARENA Advisory Panel

The ARENA Advisory Panel (the Panel) provides advice to management to support the development and selection of activities for funding. The Panel's roles include assessing funding applications and providing expert specialist advice as required. A current list of on-going Panel members is available on the ARENA website.

### Staff

ARENA personnel include:

- the Chief Executive Officer and Chief Financial Officer
- staff made available to ARENA by the Secretary of the Department of Environment and Energy, under section 62 of the ARENA Act
- consultants and contractors under the ARENA Act.

### Culture

The ARENA culture emphasises a commercially-oriented, outcomes-oriented attitude when dealing with stakeholders. ARENA aims to be an agile agency that responds quickly to its stakeholders and changes in the operating environment. In order to serve stakeholders effectively, ARENA has offices in Sydney and Melbourne, in addition to Canberra.

## **Intended improvements to capability**

During the planning period ARENA intends to progressively implement its evaluation framework to 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's governance system is fit-for-purpose and effectively manages risk that encompasses all aspects of its operations 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 reviews risks (including workplace health and safety risks) to ensure that they reflect the current environment and that mitigation strategies are effective. These reviews focus on ensuring that controls and mitigation strategies 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 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 make changes to ARENA's mandate and funding profile. This includes giving ARENA an expanded remit to enable it to consider supporting a broader range of clean energy technology options, including energy efficiency. To become effective, these changes need to pass through the Australian Parliament. This Corporate Plan relates to ARENA's governance and operations prior to any such changes becoming effective.