Australian Government

Australian Renewable Energy Agency

Response to Question on Notice

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Audit report No. 1 (2012–13) – Administration of REDP
Questions on Notice: RET

GENERAL COMMENTS
Nil response

SPECIFIC QUESTIONS ON NOTICE

> **Question** #1
> Could you provide us with a brief progress update on the development of each of the six projects funded under the REDP? Are any of the projects generating electricity yet? When is each project expected to be fully operational?

Response

Current status of REDP projects
None of the projects are generating electricity yet.

Kogan Creek Solar Boost (CS Energy): This project is performing well. Bulk earth works are now complete and supporting towers for the first three solar steam generators have been erected and over 250 reflectors (mirrors) have been installed. The Dalby factory commenced fully automated construction of reflectors in June 2012. Construction of the first three solar steam generators will be completed by November 2012.
• The project is due to be fully operational in mid-2013.

King Island Renewable Energy Integration Project (Hydro Tasmania): This project is progressing well and has recently successfully installed and commissioned the Diesel Uninterruptable Power Supply unit.
• The project is due to be fully operational in late 2013

Geodynamics Cooper Basin 25MW 'Hot Rocks' Geothermal Demonstration:
Geodynamics successfully completed drilling of its 4.2 kilometre deep Habanero 4 well in September 2012. Challenges with the reverse cementing of the final section of the well have been overcome and the company is preparing to commence a 'fraccing' process to enhance the reservoir.

- The project is due to be fully operational by mid-2015.

Whyalla 'Big Dish' Solar Thermal project (SolarOasis): The funding deed for this project was executed on 8 March 2012. SolarOasis is undertaking activities required to implement the project.

- The project is due to be fully operational by the end of 2016.

Paralana 30MW 'Hot Rocks' Geothermal Demonstration (MNGI/Petratherm): This project is contingent on the company securing the funding needed to complete its precursor drilling program.

19MW Portland Wave Power Demonstration (Victorian Wave Partners (VWP)):
The company has recently signed an agreement with Lockheed Martin to provide engineering and project management support as a new project participant following the withdrawal of Leighton Contractors from the project.

- The project is in the process of renegotiating its funding agreement, including project timing, with the Australian Renewable Energy Agency.

Question #2
The ANAO's recommendation calls for additional guidance to be provided in the department's grants administration manual, and a reinforcing to staff of the importance of documenting assessments against eligibility and merit criteria. While noting the short amount of time since the report's release, what progress has been made on the ANAO's recommendation to date? What future work does the department plan to undertake, and when will it be completed?

Response
RET is in the process of revising its grants administration manual and will ensure that the additional guidance recommended by the ANAO is incorporated into the new procedures. This is due to be completed by January 2013. Meanwhile, the findings of the audit report have been promulgated to program managers through the Department's Program Management and Delivery Committee.

In addition, since the implementation of REDP in 2009-10, RET has significantly strengthened its program management arrangements through:

- Establishment and promulgation of the Grants Administration Procedural Rule and Grants Administration Manual.
  - Both the Grants Administration Procedural Rule and Grants Administration Manual were approved by Executive Board in February 2011.
  - The purpose the Grants Administration Manual is to:

- o Provide detailed procedures for the standard grants process;
  - o Describing the principles underpinning program management and administration as prescribed in the Commonwealth Grant Guidelines; and
  - o Assist officers to develop, manage, administer and evaluate programs.
- Establishment of the Program Management & Delivery Committee (PMDC).
  - − The PMDC was formed in September 2010.
  - − The purpose of the PMDC is to ensure a high quality of program development, delivery and risk management across all grant programs in the Department, and provide a forum for discussion of best practice approaches and common problems.
  - − The PMDC considers new programs, project reporting processes and program evaluations and provide formal, consolidated reporting of results to the Executive Board.
  - − PMDC meets monthly.
  - − All grant programs provide status reports on a monthly basis.
- Establishment of genesis files.
  - − Requirements for each program set out in the Grants Administration Manual.
  - − Each Program must have a genesis file which contains all key documents related to the planning and implementation of programs.
  - − Status of genesis files is regularly reported to PMDC.
- Establishment of a program evaluation timeline.
  - − All programs have scheduled mid-point evaluations and final evaluations.
  - − Outcomes of evaluations are discussed by PMDC.
  - − Timetable for evaluations is monitored by PMDC.
- Internal Audit program now includes a rolling program of Grant Administration Reviews.
  - − Intention is that all grant programs will be reviewed by Internal Audit during their life cycle.
  - − Focus is on compliance with Commonwealth and RET policy.
- Established the RET Grants Network.
  - − Internal RET network of RET program managers responsible for managing grant programs.
  - − Used to disseminate and discuss program management issues, best practice etc.
- RET has joined the Program Management Community of Practice Forum.
  - − The Program Management Community of Practice Forum in an inter-departmental forum that meets quarterly.
  - − The objective of the Forum is to create a 'round-table' where issues regarding program delivery can be addressed among peers, and innovative ideas can be shared in order to gain a more consistent better practice approach to program delivery within the Government.
- Establishment of the Risk Framework.
  - − Risk management Framework was established in May 2010.
  - − Audit and Risk Committee (ARC) has responsibilities covering risk management.
  - − Additional resourcing was allocated to the Internal Audit team to promote risk management in RET (resourcing no longer in place).

- Risk Management Plans were reported quarterly to Executive Board (from 2012-13 this will be half-yearly to the ARC).
- Established a RET Program Management framework (PM RET).
- Established a RET Legal Services Panel in 2009.
    - RET has capacity (and does) engage probity advisors from the Legal Services Panel for the implementation of larger programs.

Question #3

At the time of the audit, the Department was in the process of developing KPIs for the REDP. Has this work now been completed? If so, could you outline for the Committee the KPIs that have been developed and how you are going to ensure that the data collection, monitoring and reporting system is robust?

Response

RET's Program Management and Delivery Committee has approved KPIs for the REDP. The KPIs are divided into two sections. The first section is devoted to *operational KPIs* which relate to program design and implementation and the second section details *objectives focused KPIs* which specify the program's objectives and outcomes.

In addition to the program KPIs, this template also sets out the information or data to be collected in order to measure performance against these KPIs, who is responsible for providing the information and the frequency and method of data collection required. Compliance for the REDP projects will be monitored by ARENA.

The KPIs were developed in consultation with the RET Procurement team, BPPM Pty Ltd (consulting firm) and are consistent with the ANAO's recommendations for best practice in the development and implementation of KPIs.

Operational KPIs (General)
- Decision approved (program initiation)
- Government approval of guidelines and release of information guide
- Confirm expert appointments and meet legislative requirements
- Receive applications and close the round
- Announce successful projects
- Execute contract(s)
- Implement Program Compliance Plan that monitors funding agreement performance
- Compile Program Finalisation Report from all PFRs within three months of final acquittal
- Accept Benefits Realisation Report
- Accept Program Evaluation Report

Objectives based KPIs (specific to REDP)
- One or more of the technologies supported by REDP successfully demonstrated at scale for power generation (reduced technology risk).
- One or more of the technologies supported by REDP successfully moved to commercialisation phase of the innovation chain.
- A range of prospective renewable energy technologies for power generation supported.

- National and international standing of Australian renewable energy technologies and the renewable energy industry increased.
- Private sector investment leveraged at a ratio of at least 1:2 (REDP:Other)

Question #4
Noting the critical findings in the audit report around probity arrangements and the assessment of applications, have you received any complaints about the REDP process or outcomes from organisations who missed out on funding?

Response
No, the Department has not received any complaints about the REDP process or outcomes from organisations who missed out on funding.

Question #5
The Department states in its response to the audit report that no REC member had a material conflict of interest. What evidence do you have to support this statement? What sort of assessment was made of the materiality of REC members' associations with entities? Why was there no documentation of this assessment?

Response
All members of the Renewable Energy Committee (REC) signed confidentiality agreements and submitted conflict of interest returns against all projects. It was decided by the Acting Program Manager and the REC Chair that none of the potential conflicts identified were material.

The first item discussed at every REC meeting was previously-disclosed and new potential conflicts. In all cases, REC members agreed that the conflicts were minor and that they would prefer the potentially conflicted person to stay in the room and partake in the discussion. Members accepted that, in their deliberations they could make judgements on the comments of potentially conflicted members given that they had knowledge of the potential conflict.

The confidentiality agreements and conflict of interest declarations that were completed by REC members have been maintained on departmental files and were reviewed by the ANAO during the course of the audit. These conflict of interest declarations show that no REC members had an actual or perceived conflict of interest that was material. No REC members had conflicts of interest with applicants that would benefit them, either personally or financially, if the applicant had been successful in obtaining REDP funding.

As noted in the Department's response to the audit report, the acceleration of REDP's implementation meant that grant applications, assessments and decision-making had to be completed within a compressed timeframe. RET accepts that some of documentation and record-keeping should have been better handled. This includes the assessment by the Acting Program Manager and the REC Chair that none of the potential conflicts identified were material. This assessment was not documented but any potential conflicts of interest were transparent and widely understood by participants.

The REC and the Department maintain that due process was followed.

Question #6
Did any of the potential conflict of interest associations declared by members of the REC relate to entities involved in projects that have received funding? If so, what assurance can you offer that REC member with potential conflicts were not involved in the decision-making for applications relating to those projects?

Response
One potential conflict of interest association declared by a member of the REC related to an entity involved in a project that was awarded funding. This was a small shareholding in an ASX listed company. The project funded by REDP is a relatively minor activity in its overall portfolio of activities. As noted in the response to question #5 above, all potential conflicts, including this one, were disclosed to and considered by the REC as part of its deliberations on the applications.

Question #7
According to the audit report, the REDP program was accelerated in December 2008 to 'stimulate the economy during the global financial crisis and to create low-pollution jobs for the future'. Given the challenges of meeting this compressed timeframe, as identified in the audit report, how successful has the REDP been in achieving these outcomes?

Response
The REDP was accelerated during the global financial crisis but the program was not formally part of the Government's stimulus package. Accordingly these outcomes were not part of the REDP's objectives.

Question #8
As the audit report notes, the Department of Resources, Energy and Tourism was a relatively new department during the REDP's implementation. What support did RET receive from its 'parent' departments in relation to managing grant programs?

Response
No direct support was provided by other departments in the implementation of the REDP. There was some knowledge transfer with staff who moved into RET as a result of the 2007 Machinery of Government changes who made use of AusIndustry templates and procedures.