

Administration of the Renewable Energy Demonstration Program

Audit Report No.1 2012–13

Opening Statement by Auditor-General

JCPAA Review 19 September 2012

1. The objective of this audit was to assess the effectiveness of the Department of Resources, Energy and Tourism's (RET's) administration of the Renewable Energy Demonstration Program (REDP), including progress towards achieving the program's objectives.
2. The audit focussed on: the implementation of REDP; the assessment of applications; the negotiation of the funding agreements for approved projects; and the process the department had in place to monitor the progress of the projects.
3. REDP, with announced funding of \$435 million, was designed to accelerate the commercialisation and deployment of new renewable energy technologies through large-scale renewable energy demonstration projects for power generation.
4. The Minister for Resources and Energy launched REDP on 20 February 2009 as a merit-based competitive grants program, with a proposed funding range of \$50 million to \$100 million for individual projects. A ministerially-appointed committee, the Renewable Energy Committee, was established to undertake the assessment of eligible applications and make recommendations to the Minister.
5. The Renewable Energy Committee, and subsequently the interim Australian Centre for Renewable Energy (ACRE) board, supported by the department, completed their assessments and unanimously agreed to recommend to the Minister six projects for

REDP funding. The Minister approved the six (four non-solar and two solar) recommended projects, with a total value of \$329.4 million, and deeds of agreement have been authorised and executed. These projects are expected to produce up to 141 megawatts of power from renewable technologies and attract a further \$796.9 million in additional private sector investment. The projects are in a relatively early stage of development and, on the basis of current plans, are anticipated to be completed in 2015–16.

6. REDP was the first major program to be implemented by RET as a new department. The program was also accelerated by the Government during the global financial crisis, which meant that grant applications, assessments and decisions had to be completed within a condensed timeframe, adding to the program's implementation risks.
7. While recognising the challenging environment these circumstances created, the department did not manage key aspects of the program's implementation well, departing from generally accepted practices for sound grant administration that had only been recently reinforced by the release of the Commonwealth Grant Guidelines.
8. In particular there were weaknesses in the following aspects of RET's administration:
  - Program planning—the department did not complete an implementation plan for REDP, nor did it assess the risks facing the program until October 2009, some eight months after the launch of the program;
  - Probity arrangements—departmental records did not indicate the consideration of the conflict of interest declarations by several Renewable Energy Committee members of associations with entities, nor the involvement of these members in

discussing individual applications for which they had declared a potential conflict. In addition, the department's probity officer did not observe the committee's assessment deliberations, nor perform the oversight tasks outlined in the probity plan; and

- Assessment of applications—the assessment process administered by the department fell short of the transparent and accountable decision-making processes for grants expected by government, with insufficient documentation retained by the department to evidence key aspects of the process.

9. The report did, however, note that RET has progressively strengthened its governance arrangements and guidance surrounding the administration of grant programs. This additional governance oversight and enhanced guidance better positions the department to effectively manage grant programs. Notwithstanding these developments, the ANAO concluded that there was scope for the department to enhance existing materials through greater coverage of the requirements relating to the documentation of merit assessment processes. The ANAO has made one recommendation directed to this end.

10. I and the audit team will be happy to answer any questions the Committee may have.