

Information Supporting the Supplementary Estimates

Vote Energy

MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Minister for Climate Change Issues (M12),
Minister for Economic Development (M25), Minister of Energy and Resources (M28)

ADMINISTERING DEPARTMENT: Ministry of Economic Development

MINISTER RESPONSIBLE FOR MINISTRY OF ECONOMIC DEVELOPMENT: Minister for Economic
Development

Part 1 - Summary of the Vote

Part 1.3 - Trends in the Vote

Summary of Financial Activity

	2008/09				
	Estimates \$000	Supplementary Estimates			Total \$000
		Departmental Transactions \$000	Non- Departmental Transactions \$000	Total Transactions \$000	
Appropriations					
Output Expenses	191,040	4,100	213,325	217,425	408,465
Benefits and Other Unrequited Expenses	-	N/A	-	-	-
Borrowing Expenses	-	-	-	-	-
Other Expenses	22,028	-	12,762	12,762	34,790
Capital Expenditure	2,000	-	200	200	2,200
Intelligence and Security Department Expenses and Capital Expenditure	-	-	N/A	-	-
Total Appropriations	215,068	4,100	226,287	230,387	445,455
Crown Revenue and Capital Receipts					
Tax Revenue	42,808	N/A	-	-	42,808
Non-Tax Revenue	216,974	N/A	516,065	516,065	733,039
Capital Receipts	-	N/A	-	-	-
Total Crown Revenue and Capital Receipts	259,782	N/A	516,065	516,065	775,847

Part 2 - Details and Expected Performance for Output Expenses

Part 2.1 - Departmental Output Expenses

Administration of Gas, Electricity and Energy Efficiency Regulations and related Acts (M28)

Scope of Appropriation

This appropriation is limited to the purchase of advice on administration and associated policy work, Ministerial servicing and decision support for the Minister in relation to, and the administration of the regimes for: gas and electricity safety; energy efficiency and conservation; the supply, quality and measurement of gas and electricity; fuel quality monitoring; and information disclosure.

Expenses and Revenue

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	5,609	221	5,830
Revenue from Crown	895	-	895
Revenue from Other	4,785	221	5,006

Reasons for Change in Appropriation

This appropriation increased by \$221,000 due mainly to a cabinet policy decision for Energy Safety funding of \$147,000 and a fiscally neutral adjustment for an increased Petroleum or Engine Fuel Monitoring Levy of \$375,000, offset by a reduction in expenses relating to a proposed LPG levy of \$300,000.

Emissions Trading Implementation (M12)

Scope of Appropriation

This appropriation is limited to the implementation and administration of the New Zealand Emissions Trading Scheme.

Expenses and Revenue

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	4,984	1,400	6,384
Revenue from Crown	4,984	1,400	6,384
Revenue from Other	-	-	-

Reasons for Change in Appropriation

This appropriation increased by \$1.400 million as a result of an expense transfer from 2007/08 resulting from delays in implementing the emissions trading scheme.

Energy and Resource Information Services RDA (M28)*Scope of Appropriation*

Provision of information and technical advice on energy and resources, the management of the response to any international disruption in oil supplies, and the management of New Zealand's energy-related international relations.

Expenses and Revenue

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	1,227	525	1,752
Revenue from Crown	-	-	-
Revenue from Other	1,227	525	1,752

Reasons for Change in Appropriation

This appropriation increased by \$525,000 as a result of a fiscally neutral adjustment for the increased Petroleum or Engine Fuel Monitoring Levy.

Energy and Resource Information Services (M28)*Scope of Appropriation*

Provision of information and technical advice on energy and resources, the management of the response to any international disruption in oil supplies, and the management of New Zealand's energy-related international relations.

Expenses and Revenue

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	1,328	188	1,516
Revenue from Crown	1,302	170	1,472
Revenue from Other	26	18	44

Reasons for Change in Appropriation

This appropriation increased by \$188,000 mainly as a result of a one-off expense transfer of \$150,000 from 2007/08 for delays in the primary industry surveys and liquid fuels analysis projects. In addition to other small adjustments, an allocation of \$20,000 was made from the New Zealand Energy Strategy contingency fund to increase this appropriation during 2008/09.

Management of the Crown Mineral Estate (M28)

Scope of Appropriation

Allocation and management of Crown-owned petroleum, coal and mineral resources under the Crown Minerals Act 1991 and minerals programmes issued under the Act.

Expenses and Revenue

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	8,114	1,096	9,210
Revenue from Crown	2,908	-	2,908
Revenue from Other	5,216	1,096	6,312

Reasons for Change in Appropriation

This appropriation increased by \$1.096 million primarily as a result of a fiscally neutral adjustment to accommodate the increase in Petroleum, Minerals and Coal permit activity.

Policy Advice on Energy and Resource Issues (M28)

Scope of Appropriation

This appropriation is limited to the purchase of policy advice, ministerial servicing, and decision support for the Minister in relation to the operation of energy and resource markets (electricity, oil, gas, geothermal, coal, minerals and related natural resources) and energy efficiency and conservation issues, including Treaty of Waitangi issues in relation to natural resources in particular mineral and energy resources. It also includes purchase of ownership and purchase advice on Crown entities.

Expenses and Revenue

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	6,443	665	7,108
Revenue from Crown	6,337	581	6,918
Revenue from Other	106	84	190

Reasons for Change in Appropriation

This appropriation increased by \$665,000 due mainly to expense transfers from 2007/08 for delays in various policy advice work streams for \$650,000 and the NZAID programme for \$41,000 assisting the Tuvalu Electricity Corporation, partly offset by a reduction of \$69,000 to in turn offset costs of the Commerce Commission that could not be recovered by industry levy.

Provision of Climate Change Unit Register and Information (M28)

Scope of Appropriation

This appropriation is limited to services relating to the operation of a register to enable the allocation and trading of climate change units under the Climate Change Response Act 2002.

Expenses and Revenue

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	1,456	5	1,461
Revenue from Crown	1,456	-	1,456
Revenue from Other	-	5	5

Reasons for Change in Appropriation

This appropriation increased by \$5,000 as a result in forecast changes to the State Sector Retirement Savings Scheme.

Part 2.2 - Non-Departmental Output Expenses

Acquisition of Petroleum Exploration Data - Extension (M28)

Scope of Appropriation

To fund the acquisition of seismic data in New Zealand's offshore petroleum basins.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	5,724	5,724

Reasons for Change in Appropriation

A cabinet policy decision was made during 2008/09 to re-establish the above appropriation for \$3.574 million, the appropriation increased by a further \$2.150 million as a result of a fiscally neutral adjustment from the Management of Oil Stocks non-departmental output expense appropriation to assist with the acquisition of seismic data.

Control of Natural Gas Services (M28)

Scope of Appropriation

For development of input methodologies under Part 4 of the Commerce Act 1986 and the costs of administering the Commerce Act 1986 Part 5 control regime over the gas pipeline services of Powerco and Vector.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	503	1,684	2,187

Reasons for Change in Appropriation

This appropriation increased by \$1.684 million as a result of a fiscally neutral adjustment of \$1.450 million to complete authorisations of the gas distribution pipeline businesses of Powerco Ltd and Vector Limited, a cabinet paper for \$134,000 to fund the implementation of Part 4 of the Commerce Act 1986, and an expense transfer of \$100,000 from 2007/08 for delays in the work undertaken by the Commerce Commission in relation to the Commerce Act review.

Energy Efficiency and Conservation MCOA (M28)

Scope of Appropriation

Electricity Efficiency

This output class is limited to:

- conducting electricity efficiency research, and
- development and administration of programmes that provide incentives for cost-effective energy efficiency and conservation, aimed at changing market behaviours.

Energy Efficiency and Conservation

This output class is limited to operational and policy outputs in accordance with statutory functions under the Energy Efficiency and Conservation Act 2000 and the government's energy strategies.

Explanation for Use of Multi-Class Output Expense Appropriation

To combine similar output classes relating to energy efficiency.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	38,235	(160)	38,075
Energy Efficiency and Conservation	19,834	4,840	24,674
Electricity Efficiency	18,401	(5,000)	13,401

Reasons for Change in Appropriation

This appropriation has reduced by \$160,000 as follows:

- A reduction of \$5 million as a result of a decision by the Electricity Commission not to proceed with purchasing EnergyWise programmes from Energy Efficiency and Conservation Authority and reprioritising existing programmes. The EnergyWise programmes did not meet the Commission's funding criteria,

mostly offset by:

- Cabinet policy decisions totalling \$2.695 million made during 2008/09 on the Home Energy Rating Scheme, Allocation of the New Zealand Energy Strategy Contingency Fund and The Household Fund, and
- the correction in misclassification of \$2.145 million shown under the Energy Efficiency and Renewable Energy Grants and Assistance appropriation (note the compensating error in that appropriation).

Enforcement of Electricity Sector Regulation (M28)

Scope of Appropriation

For the provision of development of input methodologies under Part 4 and 4A of the Commerce Act 1986, the review of asset valuation methodologies, collecting and disclosing information, assessing performance against thresholds and implementing price controls as necessary in relation to electricity lines businesses and Transpower.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	7,117	(1,101)	6,016

Reasons for Change in Appropriation

This appropriation reduced by \$1.101 million as a result of an expense transfer of \$2.900 million to 2009/10 and 2010/11 under Vote Commerce (following a corresponding shift in the appropriations), offset partly by an expense transfer of \$1.200 million from 2007/08 for delays in work undertaken by the Commerce Commission including the Commerce Act review and a cabinet policy decision for \$599,000 to fund the implementation of Part 4 the Commerce Act 1986.

Generating Reserve Electricity At Whirinaki (M28)

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Generating Reserve Electricity At Whirinaki (M28) To cover Whirinaki Reserve Energy Plant security of supply costs, excluding those covered by the annual appropriation entitled Maintenance and Operation of Whirinaki. Predominantly expected to cover purchase of fuel against the event that the plant is required to generate reserve electricity. Commences: 1 July 2007 Expires: 30 June 2012	Original Appropriation	49,045
	Adjustments to 2007/08	9,956
	Adjustments for 2008/09	85,000
	Adjusted Appropriation	144,001
	Actual to 2007/08 Year End	30,269
	Estimated Actual for 2008/09	500
	Estimated Actual for 2009/10	9,607
	Estimated Appropriation Remaining	103,625

Reasons for Change in Appropriation

This appropriation increased by \$85 million as a result of a cabinet policy decision to increase funding as one of the appropriations relating to the security of electricity supply.

Maintenance and Operation of Whirinaki (M28)

Scope of Appropriation

Largely fixed operating and maintenance costs for Whirinaki power station including the Contact Operating and Maintenance contract, depreciation on the plant and obligations arising under the Reserve Generation Capacity Agreement.

Expenses

	2008/09		Total \$000
	Estimates \$000	Supplementary Estimates \$000	
Total Appropriation	16,000	50,950	66,950
Operating and Maintenance	3,200	950	4,150
Depreciation on Plant	12,700	-	12,700
Pass through of electricity spot sales revenue to the Electricity Commission	100	50,000	50,100

Reasons for Change in Appropriation

This appropriation increased by \$51 million as a result of a cabinet policy decision to increase funding in appropriations relating to the Security of Electricity supply, partly offset by a transfer of \$50,000 to the related capital expenditure appropriation to complete remedial work on the water treatment plant.

Management of IEA Oil Stocks (M28)

Scope of Appropriation

For the cost of managing and funding of oil stocks to meet International Energy Agency obligations.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	10,000	(4,300)	5,700

Reasons for Change in Appropriation

This appropriation decreased by \$4.300 million to accommodate a transfer of \$2.150 million to the appropriation for the acquisition of petroleum exploration data and the remaining \$2.150 million to be returned to the Crown as savings.

Reserve Energy and Emergency Measures - Variable (M28)

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Reserve Energy and Emergency Measures - Variable (M28)	Original Appropriation	5,000
To cover Electricity Commission costs relating to the 1) net variable operating costs of the Whirinaki Reserve Energy Plant when used to provide reserve energy, and 2) implementation of emergency measures.	Adjustments to 2007/08	1,000
	Adjustments for 2008/09	80,000
Commences: 1 July 2007	Adjusted Appropriation	86,000
	Actual to 2007/08 Year End	(3,448)
Expires: 30 June 2012	Estimated Actual for 2008/09	3,948
	Estimated Actual for 2009/10	1,000
	Estimated Appropriation Remaining	84,500

Reasons for Change in Appropriation

This appropriation increased by \$80 million as a result of a cabinet policy decision to increase funding as one of the appropriations relating to the security of electricity supply. Ultimately conditions became more favourable and the increase was not required to be drawn upon.

Part 5 - Details and Expected Results for Other Expenses

Part 5.2 - Non-Departmental Other Expenses

Energy Efficiency and Renewable Energy Grants and Assistance (M28)

Scope of Appropriation

This appropriation is limited to the Crown's contribution to fund improvements to the energy efficiency of New Zealand businesses and homes (with a particular focus on the homes of low income earners); and to develop the solar hot water industry.

Expenses

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	19,300	10,912	30,212

Reasons for Change in Appropriation

This appropriation increased by \$10.912 million as a result of expense transfers totalling \$7.357 million from 2007/08 following delays in the work around the Solar Water Heating and the EnergyWise Home Grants and Subsidies programmes as well as an accounting policy change. In addition there was a cabinet policy decision made increasing the appropriation by \$5.700 million for The Household Fund. These increases were partially offset by a reduction of \$2.145 million to correct an error in classification of funding. (Note - there is a compensating adjustment in the MCOA Energy Efficiency and Conservation appropriation).

Part 6 - Details and Expected Results for Capital Expenditure

Part 6.2 - Non-Departmental Capital Expenditure

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
<p>Impact: Competitive and secure energy supplies</p> <p>Outcome: Whirinaki is available to generate electricity appropriately and in a timely manner in accordance with the Reserve Generation Capacity Agreement between the Crown and the Electricity Commission.</p>	Development of Reserve Electricity Generation Capacity

Development of Reserve Electricity Generation Capacity (M28)

Scope of Appropriation

To provide funding for the purchase of a reserve electricity generation plant.

Capital Expenditure

	2008/09		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	200	200

Reasons for Change in Appropriation

This appropriation was re-established as a result of the cabinet policy decision to enable remedial work to be undertaken relating to the water treatment plant at Whirinaki Power Station.

Reporting Mechanisms

Appropriation	Reporting Mechanism
Development of Reserve Electricity Generation Capacity	Not specifically required, however will be incorporated into the section 32A report relating to Maintenance and Operation of Whirinaki

The above table indicates the mechanisms to be used for reporting actual results for each non-departmental capital expenditure appropriation.