

Information Supporting the Supplementary Estimates

Vote Energy

MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Minister for Climate Change Issues (M12),
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

	2009/10				
	Estimates \$000	Supplementary Estimates			Total \$000
		Departmental Transactions \$000	Non- Departmental Transactions \$000	Total Transactions \$000	
Appropriations					
Output Expenses	190,916	1,709	99,546	101,255	292,171
Benefits and Other Unrequited Expenses	-	N/A	-	-	-
Borrowing Expenses	-	-	-	-	-
Other Expenses	57,096	-	71,007	71,007	128,103
Capital Expenditure	2,000	-	30	30	2,030
Intelligence and Security Department Expenses and Capital Expenditure	-	-	N/A	-	-
Total Appropriations	250,012	1,709	170,583	172,292	422,304
Crown Revenue and Capital Receipts					
Tax Revenue	42,825	N/A	(5,000)	(5,000)	37,825
Non-Tax Revenue	211,107	N/A	427,900	427,900	639,007
Capital Receipts	-	N/A	2,000	2,000	2,000
Total Crown Revenue and Capital Receipts	253,932	N/A	424,900	424,900	678,832

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; and fuel quality monitoring.

Expenses and Revenue

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	5,405	(41)	5,364
Revenue from Crown	249	-	249
Revenue from Other	5,227	(41)	5,186

Reasons for Change in Appropriation

This appropriation decreased by \$41,000 due mainly to a reduction in the LPG activity baselines by \$350,000. This is offset by an increase of \$209,000 being transferred from 2008/09 for the compliance of New Zealand's Retail Fuel Supply with the Petroleum Products Specifications Amendment Regulations 2003, and a further transfer of \$100,000 from Policy Advice on Energy and Resource Issues for the Fuel Quality Monitoring Programme.

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

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	3,263	(200)	3,063
Revenue from Crown	3,263	(200)	3,063
Revenue from Other	-	-	-

Reasons for Change in Appropriation

This appropriation decreased by \$200,000 as a result of a contribution to the Funding the Outyears of the Identity Verification Service initiative via a Cabinet decision.

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

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	1,865	(100)	1,765
Revenue from Crown	-	-	-
Revenue from Other	1,865	(100)	1,765

Reasons for Change in Appropriation

This appropriation decreased by \$100,000 as a result of a transfer to the Administration of Gas, Electricity and Energy Efficiency Regulations and related Acts appropriation for the fuel quality monitoring programme.

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

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	9,137	250	9,387
Revenue from Crown	2,835	-	2,835
Revenue from Other	6,309	250	6,559

Reasons for Change in Appropriation

This appropriation increased by \$250,000 as a result of a fiscally neutral adjustment to assist with the initial costs in 2009/10 of hosting the New Zealand Petroleum Conference in September 2010.

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

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	5,863	1,800	7,663
Revenue from Crown	5,786	800	6,586
Revenue from Other	77	1,000	1,077

Reasons for Change in Appropriation

This appropriation increased by \$1.800 million due to funding for the establishment of the Electricity Authority for \$1 million, a transfer of \$500,000 from 2008/09 to fund the delay in the EECA Energy Spot TV campaign, and a transfer of \$300,000 from the Ministry for the Environment to reflect the transfer of residual activity relating to the EECA monitoring role.

Part 2.2 - Non-Departmental Output Expenses

Acquisition of Petroleum Exploration Data (M28)

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Acquisition of Petroleum Exploration Data (M28)	Original Appropriation	20,000
This appropriation is limited to the acquisition of seismic information relating to New Zealand's offshore petroleum basins.	Adjustments to 2008/09	-
	Adjustments for 2009/10	-
Commences: 1 July 2009	Adjusted Appropriation	20,000
Expires: 30 June 2014	Actual to 2008/09 Year End	-
	Estimated Actual for 2009/10	14,019
	Estimated Actual for 2010/11	5,981
	Estimated Appropriation Remaining	-

Reasons for Change in Appropriation

This appropriation increased by \$4 million in 2009/10 as a result of a technical adjustment to rephase and realign the multi-year fund; this amount was transferred from 2010/11 to 2009/10.

Acquisition of Petroleum Exploration Data - Extension (M28)

Scope of Appropriation

This appropriation is limited to the acquisition of seismic data in New Zealand's offshore petroleum basins.

Expenses

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	26	26

Reasons for Change in Appropriation

This appropriation increased by \$26,000 as a result of a transfer from 2008/09 to assist with the delay in work that was due for completion as at 30 June 2009.

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

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	37,121	3,200	40,321
Energy Efficiency and Conservation	26,121	3,200	29,321
Electricity Efficiency	11,000	-	11,000

Reasons for Change in Appropriation

This appropriation increased by \$3.200 million due to rephasing from later years of \$2.200 million to align with a Cabinet policy decision to assist with the Warm Up New Zealand: Heat Smart programme, and \$1 million transferred from the multi-year appropriation Contestable Fund for Deployment of Marine Energy Devices to assist with EECA's Energy Spot TV campaign encouraging efficient energy use.

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.	Original Appropriation	49,045
	Adjustments to 2008/09	94,956
	Adjustments for 2009/10	-
	Adjusted Appropriation	144,001
Commences: 1 July 2007 Expires: 30 June 2012	Actual to 2008/09 Year End	31,165
	Estimated Actual for 2009/10	2,247
	Estimated Actual for 2010/11	10,000
	Estimated Appropriation Remaining	100,589

Reasons for Change in Appropriation

This appropriation increased by \$84.184 million as a result of a technical adjustment to rephase and realign the multi-year fund.

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

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	17,000	6,000	23,000

Reasons for Change in Appropriation

This appropriation increased by \$6 million as a result of a fiscally neutral adjustment to enable the pass through of revenue from sales of electricity generated by Whirinaki on the spot sales market to the Electricity Commission.

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:	Adjustments to 2008/09	81,000
1. net variable operating costs of the Whirinaki Reserve Energy Plant when used to provide reserve energy, and	Adjustments for 2009/10	(83,448)
2. implementation of emergency measures.	Adjusted Appropriation	2,552
Commences: 1 July 2007	Actual to 2008/09 Year End	(2,565)
Expires: 30 June 2012	Estimated Actual for 2009/10	2,000
	Estimated Actual for 2010/11	1,000
	Estimated Appropriation Remaining	2,117

Reasons for Change in Appropriation

This appropriation increased by \$82.117 million as a result of a technical adjustment to rephase and realign the multi-year fund. It is not used unless a shortage occurs that the market does not address. The appropriation was previously increased in case it was needed for the 2008 winter. As this risk has passed the Electricity Commission considers that such a high appropriation is no longer warranted. It has therefore now been reduced by \$80 million.

Part 5 - Details and Expected Results for Other Expenses

Part 5.2 - Non-Departmental Other Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: To allow the payment of refund of levies or additional levies under the Energy Resource Levy Act 1976 as authorised by section 20 of that Act.	Refund of Energy Resources Levy PLA
Impact: Increased energy efficiency, energy conservation, and use of renewable energy resources to improve security of supply, productivity and health.	Warm Up New Zealand - MYA

Asset Impairment Writedown (M28)

Scope of Appropriation

This appropriation is limited to the recognition of impairment in the value of Crown owned assets.
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Expenses

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	38,659	38,659
Plant	-	28,999	28,999
Fuel Inventory	-	9,660	9,660

Reasons for Change in Appropriation

The impending sale of the Whirinaki plant and related fuel inventory is likely to occur at a price less than current written down values of each. A valuation has been undertaken for the purposes of establishing a provisional writedown value in order to more accurately reflect the fair value of the assets in the Crown's accounts as at 30 June 2010, since the plant and fuel can no longer be viewed on the basis of a "going concern". A full independent valuation and negotiation process will determine the final eventual sale price.

Biodiesel Grants (M28)

Scope of Appropriation

This appropriation is limited to the provision of grants to New Zealand biodiesel producers.

Expenses

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	9,000	(8,700)	300

Reasons for Change in Appropriation

This appropriation decreased by \$8.700 million as a result of low initial uptake and a return of savings to the Crown.

Contestable Fund for Deployment of Marine Energy Devices (M28)

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Contestable Fund for Deployment of Marine Energy Devices (M28) Contestable fund for marine energy generation and associated administration costs. Commences: 1 July 2007	Original Appropriation	8,000
	Adjustments to 2008/09	(495)
	Adjustments for 2009/10	(1,000)
	Adjusted Appropriation	6,505
Expires: 30 June 2011	Actual to 2008/09 Year End	-
	Estimated Actual for 2009/10	114
	Estimated Actual for 2010/11	1,885
	Estimated Appropriation Remaining	4,506

Reasons for Change in Appropriation

This appropriation increased by \$2.735 million as a result of a \$3.735 million technical adjustment to rephrase and realign the multi-year appropriation. This is partially offset by a transfer of \$1 million to the Energy Efficiency and Conservation - MCOA for the EECA Energy Spot TV campaign.

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 and increased use of renewable energy.

Expenses

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	45,368	(7,768)	37,600

Reasons for Change in Appropriation

This appropriation decreased by \$7.768 million as a result of a transfer of the annual appropriation as at 31 December 2009, to the Warm Up New Zealand MYA.

International Energy Agency Contribution (M28)

Scope of Appropriation

Payment of contributions towards the cost of energy-related research undertaken by the International Energy Agency.

Expenses

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	50	(20)	30

Reasons for Change in Appropriation

This appropriation decreased by \$20,000 due to a transfer to the International Energy Agency Subscriptions appropriation.

International Energy Agency Subscription (M28)*Scope of Appropriation*

Payment of annual subscription for membership of the International Energy Agency.

Expenses

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	150	20	170

Reasons for Change in Appropriation

This appropriation increased by \$20,000 due to a transfer from the International Energy Agency Contribution appropriation to assist with the fiscal pressures within this appropriation.

Refund of Energy Resources Levy PLA (M28)*Scope of Appropriation*

This appropriation is limited to the refund of levies or additional levies under the Energy Resources Levy Act 1976 as authorised by section 20 of that Act.

Expenses

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	323	323

Reasons for Change in Appropriation

This one-off appropriation was established in 2009/10.

Warm Up New Zealand (M28)

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Warm Up New Zealand (M28) This appropriation is limited to grants towards insulation and clean heating devices to make New Zealand homes more energy efficient. Commences: 1 January 2010 Expires: 30 June 2013	Original Appropriation	244,950
	Adjustments to 2008/09	-
	Adjustments for 2009/10	-
	Adjusted Appropriation	244,950
	Actual to 2008/09 Year End	-
	Estimated Actual for 2009/10	45,758
	Estimated Actual for 2010/11	100,650
	Estimated Appropriation Remaining	98,542

Reasons for Change in Appropriation

This appropriation was established in 2009/10 as a result of a cabinet policy decision to enable grants towards insulation and installation of clean heating devices, to make New Zealand homes more energy efficient. It was largely offset by a transfer from the Energy Efficiency and Renewable Energy Grants and Assistance appropriation in 2009/10 and outyears, with the addition of \$24 million to be directed to Community Service Card Holders grant funding.

Expected Results

	2009/10		
	Estimates Standard	Supplementary Estimates Standard	Total Standard
Improved thermal efficiency of pre-2000 houses and improved health of occupiers through installation of insulation or clean heat devices.	At least 22,000 installations saving energy and generating health benefits in 2009/10	At least 22,000 installations saving energy and generating health benefits in 2009/10	At least 22,000 installations saving energy and generating health benefits in 2009/10

Reporting Mechanisms

Appropriation	Reporting Mechanism
Refund of Energy Resources Levy PLA	Annual Report - MED
Warm Up NZ MYA	Annual Report - EECA

The above table indicates the mechanisms to be used for reporting actual performance for each non-departmental other expenses appropriation.

Part 6 - Details and Expected Results for Capital Expenditure

Part 6.2 - Non-Departmental Capital Expenditure

Development of Reserve Electricity Generation Capacity (M28)

Scope of Appropriation

This capital expenditure appropriation is limited to the purchase of reserve electricity generation plant.

Capital Expenditure

	2009/10		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	-	30	30

Reasons for Change in Appropriation

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