

VOTE *Energy*

Energy

Overview

Appropriations sought in Vote Energy in 2006/07 total \$131.349 million and are to be applied as follows:

Departmental Appropriations

Appropriations for departmental output expenses in 2006/07 total \$20.384 million (15.5% of the Vote) purchasing services from the Ministry of Economic Development, including:

- \$4.479 million (3.4% of the Vote) for policy advice on the operation of energy and resource markets.
- \$6.106 million (4.6% of the Vote) for the management of the Crown mineral estate.
- \$6.443 million (4.9% of the Vote) for advice on, and the administration of, the gas and electrical safety, supply quality and measurement regimes; a petroleum quality monitoring regime, licensing of electrical workers and the administration of gas information disclosure regulations.
- \$1.556 million (1.2% of the Vote) for the development and implementation of a national unit register to enable the allocation and trading of climate change units under the Climate Change Response Act 2002.
- \$1.800 million (1.4% of the Vote) for the provision of information on energy and minerals sectors.

Non-Departmental Appropriations

Appropriations for non-departmental output expenses in 2006/07 total \$110.068 million (83.8% of the Vote) will be used as follows:

- \$49.043 million (37.4% of the Vote) for the Electricity Commission to undertake electricity governance functions.
- \$29.981 million (22.8% of the Vote) for the Electricity Commission to undertake tendering and to contract for reserve energy from the Whirinaki reserve electricity generation station as part of the security of supply functions.
- \$15.999 million (12.2% of the Vote) for the maintenance, operation and generating reserve for the Whirinaki Reserve Generation Plant.
- \$4.267 million (3.2% of the Vote) for the Commerce Commission to undertake electricity regulation through monitoring and price control of electricity lines businesses.
- \$9.778 million (7.4% of the Vote) for the Electricity Commission to undertake performance of electricity efficiency functions.
- \$1.000 million (0.8% of the Vote) to enable the Commerce Commission to administer the Commerce Act 1986, Part 5 control regime over gas pipeline services.

Appropriations sought for non-departmental other expenses total \$897,000 (0.7% of the Vote). These relate to the Crown contribution to, or membership of, various organisations associated with activities within Vote Energy, the payment of residual liabilities of the former Ministry of Energy (MOE), and the establishment of a litigation fund to ensure the Electricity Commission is able to participate in litigation effectively and without delay.

In addition, three multi-year appropriations totalling \$120.000 million over a 3 to 5 year term between 2004/05 to 2008/09 provide for non-operating and maintenance security of supply costs relating to the Whirinaki reserve generation station, purchase of demand side management and reserve energy production and the acquisition of seismic data in New Zealand's offshore petroleum basins.

Crown Revenue and Receipts

The Crown is forecast to collect \$159.555 million in 2006/07 with the major portion coming from petroleum licence/permit levies and royalties.

In addition \$89.246 million is forecast to be recovered through a levy on electricity industry participants under section 172ZC of the Electricity Act 1992 for the costs of operating the Electricity Commission.

More specific details of how the appropriations are to be applied appear in Parts B1, B2 and C of this Vote. Details of Crown revenue appear in Part F.

Terms and Definitions Used

GPS	Government Policy Statement
LPG	Liquefied Petroleum Gas
MED	Ministry of Economic Development
MYA	Multi-year Appropriation
RMA	Resource Management Act 1991
UNFCCC	United Nations Framework Convention on Climate Change

Footnotes

Note 1	Note that these totals do not include the impact of new policy initiatives funded through Multi-year Appropriations. Details for those can be found in Part B2.
Note 2	This Multi-year Appropriation was made in the Appropriation (2004/05 Supplementary Estimates) Act 2005. The appropriation is still in force and operates on a GST inclusive basis. The figures here include GST.

Minister Portfolio Table

28	Minister of Energy
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Energy

VOTE MINISTER: Minister of Energy

ADMINISTERING DEPARTMENT: Ministry of Economic Development

The Minister for Economic Development is the Responsible Minister for the Ministry of Economic Development

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

A priority for the Government is working to progress New Zealand's economic transformation to a high income, knowledge based market economy, which is both innovative and creative, and provides a unique quality of life to all New Zealanders.

Within the economic transformation agenda there are the following sub-themes:

- Growing globally competitive firms.
- World class infrastructure.
- Innovative and productive workplaces, underpinned by high standards in education, skills and research.
- An internationally competitive city - Auckland.
- Environmental sustainability.

Access to reliable and affordable energy, within a world class infrastructure, is vital to New Zealand's economy and our way of life. Supply disruptions and constraints impact heavily on business confidence and erode New Zealand's reputation as an attractive place to invest and live.

The government has a number of roles in relation to the energy sector. These include:

- leading the process for moving New Zealand progressively towards a more sustainable energy future
- promoting effective and efficient energy markets for the best long-term interests of users
- ensuring social objectives are met, such as the requirement to provide low fixed charges for electricity and requirements for using energy safely, and
- ensuring that natural resources such as those in the Crown mineral estate are allocated and used efficiently.

Strategic Issues

The Energy portfolio covers both policy and operational functions:

- Policy advice on the regulatory regime for the supply of electricity, gas, and petroleum (including oversight of the enforcement regime for electricity provided by the Electricity Commission and the industry/government co-regulatory model - Gas Industry Company).

- Enforcement and service delivery for the Crown mineral estate (including oil and gas) and the safety of energy services.

Key goals for the sector are to:

- maintain a reliable and resilient supply of energy at fair and affordable prices, and
- limit the impact of the sector on the environment, both local and global.

Achieving these goals consistently through time is a significant challenge, given:

- rising energy demand (particularly in the transport sector) in line with strong economic growth, notwithstanding increasing government support for enhanced efficiency of energy use
- the Maui gas field, which has underpinned security and price levels in the gas and electricity sectors for many years, is declining
- the impact of climate change policies on the energy sector, which has created some uncertainty for potential investors in new generation, is likely to add to cost (eg, via a price on carbon) and complicates assessment of any role for coal in future power generation
- progressive tightening of electricity supply security margins, which will likely necessitate major new investment in both generation and transmission in the relatively near future
- the impact of the Resource Management Act, which can cause uncertainty over the time required and the cost of obtaining (or not) some forms of resource consent. This complicates energy planning (both for government and for commercial players), and
- volatile and rising international oil prices.

The government's Economic Transformation agenda includes a particular focus on Auckland electricity security infrastructure issues. The monitoring item on the Auckland transmission upgrade is to ensure that the current issues relating to electricity security are well-handled.

A comprehensive national energy strategy is currently being developed and will set out the government's expectations on long-term direction and leadership in energy.

The Ministry of Economic Development provides advice to the Government on the design, regulation and governance of electricity and gas markets, with a view to ensuring that energy is supplied reliably, securely, safely and at reasonable cost. The Ministry will work with the Electricity Commission to ensure that recently introduced electricity supply arrangements are working well and that the market is delivering competitive outcomes including sufficient investment to ensure security of supply. Additionally, work will continue with the gas sector, in particular with the Gas Industry Company to ensure delivery of the Government's gas objectives as set out in the Government Policy Statement on Gas, to improve the functioning of the market and ensure a smooth transition to the post-Maui environment. The Ministry will also be focusing on implementing the key elements of the new petroleum exploration strategy, including improved data on prospectivity, with the aim being to attract foreign companies with the resources to accelerate exploration in New Zealand.

The Ministry will ensure that New Zealand maintains adequate oil stocks in order to meet its international obligations. MED will also ensure that petroleum specification regulations support sustainability by enabling the adoption of a range of new fuels, and that petroleum prices are efficient.

Work will also continue to deliver the Government's *EnergySafe* outcomes, including progressing the Energy Safety Review Bill and associated regulations. The *EnergySafe* legislation will provide consumers with greater confidence that safety is being maintained and enhanced.

Appropriations Linkages to the Government's Outcomes

Departmental output expenses

The services to be purchased under Vote Energy will allow the Ministry of Economic Development and other agencies to deliver outputs that contribute to the Government's economic transformation agenda, to provide a world class infrastructure.

Given the wide range of the Ministry of Economic Development's activities, one of the main challenges has been to identify areas of work that the Ministry can do within this Vote to make the biggest contribution to improving growth in New Zealand. The Ministry has identified working with five strategic priorities areas aligned to key Government goals that are considered to be the most important areas for the Ministry to focus on over the next three to five years. These are: leading a whole of government approach to economic development; improving the international linkages that allow firms to benefit from trade, knowledge transfer and investment; fostering entrepreneurship and innovation in New Zealand firms; strengthening the growth focus in the regulatory environment for business; and improving the quality and reliability of key infrastructure services.

A sound and reliable energy infrastructure is critical to a thriving business environment and consumer welfare. A particular focus is ensuring that there is adequate investment to meet New Zealand's growing needs, balanced by the need for enhanced efficiency in energy use.

In contributing to these areas under Vote Energy, the Ministry of Economic Development will provide policy advice in respect of energy and resource markets and environmental issues such as the Resource Management Act 1991 and climate change. The Ministry will also provide information on energy matters and administer the Crown's mineral estate.

The Ministry's strategic priorities describe the things it will put particular emphasis on in order to best promote growth. However the Ministry's work goes beyond the priorities to include a large number of activities that may make a less significant contribution to growth but are nevertheless important in maintaining an effective environment for business. The entirety of the Ministry's work, including work on the strategic priorities, is captured by the Ministry's Business Environment outcomes. The table below summarises the contribution that different outputs make to the Ministry's Business Environment outcomes.

Outcome	Contribution of Appropriations to Outcomes
<p>Securing Our Energy Future</p> <p>New Zealanders have reliable access to the energy they need, at reasonable and efficient cost, and with acceptable impact on the environment.</p>	<p>Taking the lead on development of the National Energy Strategy.</p> <p>Provision of information on the energy sector, including the performance of energy and resource markets and supply and demand scenarios.</p> <p>Policy advice on the administration of the gas and electricity safety, supply quality and measurement regimes; petroleum quality monitoring regime; electrical workers' licensing; and information disclosure regime for the gas industry.</p> <p>Policy advice on environmental regulation with significant economic and energy implications, eg, climate change, and the Resource Management Act 1991. This work is done in conjunction with the Ministry for the Environment.</p> <p>Monitor and advise the Government on effective governance and operation of the electricity and gas markets and the effective operation of the oil market.</p>
<p>Managing our natural resources - Government enables business to generate economic benefits sustainably from New Zealand's natural resources.</p>	<p>Administration of the Crown's mineral estate, including allocation and permitting issues and the promotion of opportunities for investment in exploration and prospecting, especially for oil and gas.</p> <p>Policy advice on Treaty of Waitangi issues relating to natural resources.</p>

Non-departmental output expenses

In addition, appropriations are sought in this Vote to purchase outputs from the:

- Commerce Commission for:
 - comparing the performance of electricity lines against thresholds
 - reviewing asset valuation methodologies
 - collecting and disclosing information and implementing controls as necessary in relation to electricity lines businesses and to Transpower
 - authorising the prices, revenue and services quality of any lines company placed under regulatory control by the Commission, and
 - administering control of gas pipeline services provided by Vector and Powerco.

These outputs contribute to the government's goals by ensuring as far as possible that network companies invest appropriately and share efficiency savings with consumers.

- Electricity Commission for:
 - governance and operation of New Zealand's electricity market
 - formulating and making recommendations concerning electricity governance recommendations and rules
 - administration, monitoring and enforcement of compliance with the electricity governance regulations and rules
 - recommending supply security needs
 - the implementation of programmes to promote the efficient use and conservation of electricity, and
 - giving effect to the Government Policy Statement on Electricity Governance.

The Commission's principal objective which supports the Government's goal, as set out in the Electricity Act, is to ensure that electricity is produced and delivered to all classes of consumers in an efficient, fair, reliable and environmentally sustainable manner. The Commission is also required to promote and facilitate the efficient use of electricity.

Part A2 - Trends in Vote

Classes of Outputs to be Supplied

Output trends from 2001/02 to 2005/06

Significant increases in 2003/04 reflect the establishment of the Electricity Commission part way through 2003/04 and its role in the performance of Electricity Governance Functions.

In addition funding was provided to support the implementation and coordination of a project to enhance the security of electricity supply, and for the maintenance, operation and generating reserve for the Whirinaki reserve electricity generation plant.

Expenditure for classes of outputs increased in 2004/05 mainly due to the full year impact of the Electricity Commission's operations and for the maintenance, operation and generating reserve for the Whirinaki reserve electricity generation plant.

Capital flows

In 2003/04 funding was provided for the Development of Reserve Electricity Generation Capacity at Whirinaki. In addition funding has been provided across 2003/04 and 2004/05 for establishing the Electricity Commission.

Crown revenue and receipts

Significant revenue fluctuations have occurred over this period primarily owing to variations in the levels of petroleum royalties and energy resource levies (related to changes in crude oil prices and fluctuation in demand for gas for power generation).

2001/02 was the first year when electricity lines businesses were levied to fund regulation activities.

The anticipated run-down in gas offtake from the Maui field will result in reduced Energy Resource Levies receipts and Royalties on condensate production (petroleum).

From 2003/04 electricity industry participants paid a levy under section 172ZC of the Electricity Act 1992 that will cover the full cost of performing the Electricity Commission's functions, powers and duties.

Appropriation Changes from 2006/07

The decrease in appropriations in 2006/07 mainly reflects the transfer of responsibility for the Electrical Workers Registration functions from the Ministry of Economic Development to the Department of Building and Housing, to take effect from 1 September 2006, and the need to use the Whirinaki reserve electricity generation station due to high electricity spot prices during 2005/06.

For further details of new initiatives agreed, refer to the "New Policy Initiatives by Appropriation" below.

Other expenses

The main change between 2004/05 and 2006/07 relates to the recognition of costs associated with a Crown indemnity to Solid Energy, for liabilities arising out of mining operations by State Coal Mines prior to 1 April 1987.

New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2005/06	2006/07	2007/08	2008/09	2009/10
To enable the Electricity Commission to complete a high priority Work Programme	Non-Departmental Output Expense - Performance of Electricity Governance Functions	-	2,320	2,320	2,320	-
To enable the Commerce Commission to undertake stage 2 of a post-breach inquiry in Transpower's pricing path	Non-Departmental Output Expense - Enforcement of Electricity Sector Regulation	250	1,100	150	-	-
To enable the Commerce Commission to progress the electricity lines regulation regime	Non-Departmental Output Expense - Enforcement of Electricity Sector Regulation	-	500	500	500	-
Total Initiatives (see Note 1)		250	3,920	2,970	2,820	-

Part B - Statement of Appropriations

Summary of Financial Activity

	2001/02	2002/03	2003/04	2004/05	2005/06		2006/07 Appropriations to be Used				2007/08	2008/09	2009/10	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
Appropriations														
Output Expenses	20,133	21,625	43,001	77,145	193,881	193,881	19,357	1,027	110,068	-	130,452	117,338	117,106	114,286
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	477	258	329	40,347	897	897	-	-	897	-	897	897	897	897
Capital Expenditure	-	-	169,682	367	2,250	2,025	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	20,610	21,883	213,012	117,859	197,028	196,803	19,357	1,027	110,965	-	131,349	118,235	118,003	115,183
Crown Revenue and Receipts														
Tax Revenue	111,089	93,912	74,591	72,686	63,500	63,500	N/A	N/A	N/A	N/A	57,500	51,400	46,400	64,400
Non-Tax Revenue	54,299	48,515	63,608	108,259	296,406	296,406	N/A	N/A	N/A	N/A	191,301	161,148	151,808	145,258
Capital Receipts	-	-	8,300	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	165,388	142,427	146,499	180,945	359,906	359,906	N/A	N/A	N/A	N/A	248,801	212,548	198,208	209,658

Part B1 - Details of Appropriations

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Expenses (General)							
Administration of Gas and Electricity Regulations (M28)	8,846	-	8,846	-	6,443	-	- Advice on the administration of the gas and electricity safety and associated policy work and administration of regimes on supply, quality and measurement for gas and electricity safety; petroleum quality monitoring; electrical worker licensing; and information disclosure for the gas industry.
Management of the Crown Mineral Estate (M28)	7,481	-	7,481	-	6,106	-	- Allocation and management of Crown-owned petroleum, coal and mineral resources under the Crown Minerals Act 1991 and minerals programmes issued under the Act.
Policy Advice on Energy and Resource Issues (M28)	4,246	-	4,246	-	4,479	-	- Policy advice on the operation of energy and resource markets (electricity, oil, gas, geothermal, coal, minerals and related natural resources) including Treaty of Waitangi issues in relation to natural resources in particular mineral and energy resources.
Provision of Climate Change Unit Register and Information (M28)	919	-	919	-	1,556	-	- Services relating to the implementation and operation of a register to enable the allocation and trading of climate change units under the Climate Change Response Act 2002.
Total Departmental Output Expenses (General)	21,492	-	21,492	-	18,584	-	
Departmental Output Expenses (Restricted by Revenue)							
Energy and Resource Information Services (M28)	1,325	1,746	1,325	1,746	773	1,027	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.
Total Departmental Output Expenses (Restricted by Revenue)	1,325	1,746	1,325	1,746	773	1,027	
Non-Departmental Output Expenses							
Control of Natural Gas Services (M28)	1,250	-	1,250	-	1,000	-	- For the costs of administering the Commerce Act 1986 Part 5 control regime over the gas pipeline services of Powerco and Vector.
Enforcement of Electricity Sector Regulation (M28)	2,917	-	2,917	-	4,267	-	- For the provision of 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.

	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Maintenance and Operation of Whirinaki (M28)	78,488	-	78,488	-	15,999	-	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.
Performance of Electricity Efficiency Functions (M28)	8,776	-	8,776	-	9,778	-	To provide funding for the conduct of electricity efficiency research; and development and implementation of electricity efficiency programmes.
Performance of Electricity Governance Functions (M28)	48,176	-	48,176	-	49,043	-	For governance and monitoring of New Zealand's electricity market under the Electricity Governance Rules and Regulations. Funds the general operations of the Electricity Commission, including the Board and Advisory Groups.
Performance of Security of Supply Functions (M28)	29,611	-	29,611	-	29,981	-	To ensure that reserve energy can be made available to meet an emergency situation by tendering for emergency options; and covering the availability (fixed) cost of Whirinaki in line with the contract with the Crown. This appropriation excludes reserve energy production (fuel for the Whirinaki plant) which is covered by the Multi-year Appropriation Security of Supply - Procurement Costs.
Regulatory Control Inquiry - Gas Pipeline Services (M28)	100	-	100	-	-	-	For the provision of a gas pipeline inquiry under section 56 of the Commerce Act 1986.
Total Non-Departmental Output Expenses	169,318	-	169,318	-	110,068	-	
Other Expenses to be Incurred by the Crown							
Electricity Commission Litigation Fund (M28)	444	-	444	-	444	-	Funding to ensure that the Electricity Commission is able to participate in litigation effectively and without delay.
International Energy Agency Contribution (M28)	50	-	50	-	50	-	Payment of contributions towards the cost of energy-related research undertaken by the International Energy Agency.
International Energy Agency Subscription (M28)	115	-	115	-	115	-	Payment of annual subscription for membership of the International Energy Agency.
Ministry of Energy Residual Liabilities (M28)	199	-	199	-	199	-	Payment of residual liabilities of the former Ministry of Energy and to meet urgent mine restoration and rehabilitation relating to the operations of the state coal mines prior to 1987.
Petroleum Joint Venture Development (M28)	89	-	89	-	89	-	Commitments to the Crown's interest in petroleum prospecting and mining licences through petroleum joint ventures.
Total Other Expenses to be Incurred by the Crown	897	-	897	-	897	-	

	2005/06				2006/07		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2006/07 Appropriations
Capital Expenditure							
Development of Reserve Electricity Generation Capacity (M28)	2,000	-	1,800	-	-	-	- To provide funding for the purchase of a reserve electricity generation plant.
GST and Customs Excise on Construction Costs (M28)	250	-	225	-	-	-	- GST and customs excise on funding for the purchase of a reserve electricity generation plant.
Total Capital Expenditure	2,250	-	2,025	-	-	-	
Total Appropriations	195,282	1,746	195,057	1,746	130,322	1,027	

Part B2 - Details of Multi-Year Appropriations

Appropriations	Current Appropriation \$000	Scope of Appropriations
Non-Departmental Output Expense		
Security of Supply - Procurement Costs (M28)		To implement emergency options if needed, including the purchase of demand side management and reserve energy production (fuel for the Whirinaki Plant).
Original Appropriation (see Note 2)	16,000	
Commences	1 July 2004	
Expires	30 June 2009	
Adjustments 2005/06	-	
Appropriation	16,000	
Estimated Actual to 2005/06 Year End	1,000	
Estimated Actual to 2006/07 Year End	2,000	
Generating Reserve Electricity at Whirinaki (M28)		To cover Whirinaki non-operating and maintenance security of supply costs; predominantly expected to cover fuel supply in the event that the plant is required to generate reserve electricity.
Original Appropriation (see Note 2)	16,000	Reason for Change: The adjustment is to provide for the extended running of the plant arising from high electricity spot market prices. Providers are suppliers of diesel fuel and related items.
Commences	1 July 2004	
Expires	30 June 2009	
Adjustments 2005/06	67,000	
Appropriation	83,000	
Estimated Actual to 2005/06 Year End	72,903	
Estimated Actual to 2006/07 Year End	82,903	
Acquisition of Petroleum Exploration Data (M28)		To fund the acquisition of seismic data in New Zealand's offshore petroleum basins.
Original Appropriation	15,000	Reason for Change: This program received \$6 million additional funding to extend the purchase of data.
Commences	1 October 2004	
Expires	30 June 2007	
Adjustments 2005/06	6,000	
Appropriation	21,000	
Estimated Actual to 2005/06 Year End	12,300	
Estimated Actual to 2006/07 Year End	21,000	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Policy Advice on Energy and Resource Issues

This appropriation provides policy advice on the effective operation of energy and resource markets (electricity, oil, gas, geothermal, coal, minerals and other natural resources).

Outputs in this appropriation include:

- leading the development of a national energy strategy
- monitoring and advice to the Government on effective governance and operation of the electricity market (in particular, ensuring electricity industry arrangements and policy settings promote investment and retail competition)
- monitoring and advice to the Government on the effective operation of gas and oil markets, including fuel quality and implementation of regulations as required
- providing advice on the allocation and management of natural resources, particularly Crown-owned resources, and on Treaty of Waitangi claims in respect of natural resources
- contributing to policy advice on the development of a response to New Zealand's climate change obligations under the Kyoto Protocol, and
- contributing to the interdepartmental process relating to the development of the sustainable development programme of action for freshwater; monitoring and providing advice on policies and plans under the Resource Management Act (RMA) (in particular on their potential impact on significant energy developments, infrastructure and renewable energy sources).

Management of the Crown Mineral Estate

This appropriation provides services relating to the management of Crown owned minerals under the Crown Minerals Act 1991 and minerals programmes issued under this Act. The Crown owns all in-ground petroleum, gold and silver in New Zealand and approximately half of the coal and other mineral resources. It also has jurisdiction of the petroleum and minerals in New Zealand's exclusive economic zone and continental shelf.

Outputs provided in this appropriation include:

- maintenance of an efficient and effective management regime for the exploration of petroleum, mineral and coal resources and allocating and managing prospecting exploration and mining permits
- promotion of investment opportunities in exploration and development of petroleum and minerals
- policy and strategic advice on the Crown minerals sector
- management of the geoscience resource data library, and
- collection of royalties, levies and fees related to petroleum and minerals extraction and permits.

Administration of Gas and Electricity Regulations

This appropriation provides advice on the administration of gas and electricity safety and associated policy work and administration of regimes on supply, quality and measurement for gas and electricity safety; petroleum quality monitoring; electrical worker licensing; and information disclosure for the gas industry.

Outputs in this appropriation include:

- managing legislation, regulation, codes of practice and standards
- managing international relationships
- operating effective compliance, investigation, enforcement and communication programmes
- providing for advice on energy safety issues associated with the safe supply and use of gas and electricity
- administering a petroleum monitoring programme
- administering electrical workers' registration and licensing (responsibility for the Electrical Workers Registration functions transfers from MED to the Department of Building and Housing from 1 September 2006), and
- contributing to a good understanding of the energy sector performance by administering the gas information disclosure regulations.

Provision of Climate Change Unit Register and Information

This appropriation provides services relating to the development and implementation of a register to enable the allocation and trading of climate change units under the Climate Change Response Act 2002.

Outputs in this appropriation include:

- preparation of a business case and project budget for the Minister's approval
- development or definition of detailed user requirements, and
- input into the international registry administrators group co-ordinated by the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC).

Energy and Resource Information Services

This appropriation provides 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.

Outputs in this appropriation include:

- updating and publishing Energy Data files, the Energy Sector Greenhouse Gas Inventory Report, and the Energy Outlook
- updating and publishing crude oil, petrol and diesel prices
- managing New Zealand's response to any international disruption to oil supplies, including ensuring that New Zealand maintains access to sufficient oil stocks, and
- managing New Zealand's energy international relations.

Part C2 - Non-Departmental Output Expenses

Control of Natural Gas Services

Description

This appropriation covers the cost of purchasing services pursuant to the *Commerce (Control of Natural Gas Pipeline Services) Order 2005* and its amendment. The order requires the Commission to authorise or accept undertakings under Part 5 of the Commerce Act 1986 from 25 August 2005 to 1 September 2016 in relation to price, revenue and quality of the gas pipeline services provided by Vector and Powerco.

Quantity, quality, timeliness and cost

Performance Measures	2006/07 Performance Standards	2005/06 Performance Standards
Quantity		
Form of Control decisions	0	-
Final price, revenue and/or quality authorisations completed	0-1	-
Quality		
Successful challenges to the Commerce Commission's processes during the course of investigations/authorisations	Nil	-
Timeliness		
Average elapsed time for completion within stated standards for investigations/authorisations	100%	-

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	1,250	1,000

Provider

Commerce Commission.

Enforcement of Electricity Sector Regulation

This appropriation covers the cost of purchasing services for:

- assessments of compliance with performance thresholds and the conduct of inquiries into large electricity lines businesses (including Transpower) identified as likely to be in breach of the thresholds, which may result in declarations of control
- the conduct of adjudication services namely authorisation of price, revenue and/or quality of the services of large electricity lines businesses the Commerce Commission has declared to be under regulatory control, and

- the disclosure of reliable and timely information about the operation and performance of each lines business, and the summary and analysis of that information.

The Minister of Energy will also purchase services for the conduct of litigation activity arising from the above, and for the provision of information to businesses and consumers promoting greater understanding of the parties' statutory rights and obligations under Part 4A of the Commerce Act.

Quantity, quality, timeliness and cost

Performance Measures	2006/07 Performance Standards	2005/06 Performance Standards
Quantity		
Complete Review of Information Disclosure Requirements	June 2007	June 2006
Assessments of performance threshold compliance statements	29	29
Post Breach Inquiries resolved	2-5	2-5
Price, revenue and quality authorisations completed	0-2	0-1
Appeals filed against/reviews of Commission decisions	0-2	0-1
Summary of information disclosed by large electricity lines businesses	0-1	0-1
Quality		
Successful challenges to the Commerce Commission's processes during the course of investigations/authorisations	Nil	Nil
Timeliness		
Average elapsed time for completion within stated standards for investigations/authorisations	100%	100%

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	2,917	4,267

Provider

Commerce Commission.

Performance of Electricity Governance Functions

Description

This appropriation covers the cost of purchasing services from the Electricity Commission for:

- formulating and making recommendations concerning electricity governance regulations and rules in accordance with the Electricity Act

- administering, monitoring compliance with, investigating, enforcing, and applying penalties or other remedies for contraventions of electricity governance regulations and rules
- establishing, overseeing and facilitating the operation of markets for industry participants and consumers
- undertaking forecasting and modelling of future electricity supply and demand
- managing emergency conservation campaigns to avoid material risk of supply shortages
- approving one or more complaints resolution systems for the purpose of section 158G of the Electricity Act 1992
- development of the framework for grid investment and consideration of grid investment proposals
- developing best practice methodologies and other standards and model agreements for use by industry participants
- giving effect to GPS objectives and outcomes, and
- providing advice to the Minister on matters concerning the electricity industry.

Quantity, quality, timeliness and cost

Performance Measures	2006/07 Performance Standards
<p>Deliver the programme of work as documented in the Output Agreement. Programme work streams and key projects include:</p> <p>Transmission</p> <p>Complete the transmission pricing methodology</p> <p>Publish the 2007 statement of opportunities</p> <p>Progress/approve grid investment proposals on timelines agreed with Board</p>	<p>Quality</p> <p>100% of generic quality measures (as specified in the Output Agreement) for Ministerial advice will be met</p> <p>100% of generic quality measures (as specified in the Output Agreement) for project deliverables will be met</p> <p>Timeliness</p> <p>100% of Ministerial briefing reports, oral advice, Ministerials, and Parliamentary Questions are delivered within the agreed timeframes</p> <p>80% of the project deliverables will be completed within the agreed timeframes</p>
<p>Market Governance</p> <p>Assess or investigate notified breaches of electricity governance rules and regulations</p>	
<p>Common Quality</p> <p>Initiate the frequency management project</p> <p>Complete the intermittent generation (wind) projects</p>	
<p>Retail</p> <p>Approve one or more consumer complaints schemes</p> <p>Progress implementation of the global reconciliation system</p>	
<p>Wholesale</p> <p>Initiate a market design programme</p>	
<p>Modelling</p> <p>Publish an updated centralised dataset</p>	
<p>Security of Supply Governance</p> <p>Complete a review of reserve energy policy</p>	

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	48,176	49,043

Provider

Electricity Commission.

*Performance of Electricity Efficiency Functions***Description**

This appropriation covers the cost of purchasing services from the Electricity Commission for conducting research into electricity efficiency, and promoting and facilitating the efficient use and conservation of electricity (including funding programmes that provide incentives for cost-effective energy efficiency and conservation).

Quantity, quality, timeliness and cost

Performance Measures	2006/07 Performance Standards
<p>Complete research programme to investigate electricity efficiency proposals</p> <p>Deliver the electricity efficiency programme of work as documented in the Output Agreement. Key projects include:</p> <ul style="list-style-type: none"> • implement the national CFL (lightbulbs) programme • continue pilot programmes for the industrial, commercial and residential sectors • develop a proposed long term electricity efficiency programme 	<p>Electricity Efficiencies Potentials Study completed by November 2006</p> <p>Quality</p> <p>100% of generic quality measures (as specified in the Output Agreement) for Ministerial advice will be met</p> <p>100% of generic quality measures (as specified in the Output Agreement) for project deliverables will be met</p> <p>Timeliness</p> <p>100% of Ministerial briefing reports, oral advice, Ministerials, and Parliamentary Questions are delivered within the agreed timeframes</p> <p>80% of project deliverables will be completed within the agreed timeframes</p>

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	8,776	9,778

Provider

Electricity Commission.

*Performance of Security of Supply Functions***Description**

This appropriation covers the cost of purchasing services from the Electricity Commission for tendering for reserve energy generation and emergency options.

In addition it covers the cost of purchasing services from the Electricity Commission for contracting for the availability of the Whirinaki energy plant for the generation of reserve energy as required.

Quantity, quality, timeliness and cost

Performance Measures	2006/07 Performance Standards
Conduct tendering of reserve generation and emergency options as required	<p>Quality</p> <p>100% of generic quality measures (as specified in the Output Agreement) for project deliverables will be met</p> <p>Timeliness</p> <p>80% of project deliverables will be completed within the agreed timeframes</p>
The Whirinaki reserve energy plant is available for generation as required for maintaining electricity supply to the market	Plant availability is delivered in accordance with the Whirinaki Reserve Generation Capacity Agreement

Further information including performance measures will be included in the Electricity Commission’s Statement of Intent 2006-09.

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	29,611	29,981

Provider

Electricity Commission.

Maintenance and Operation of Whirinaki

Description

This appropriation covers the cost of purchasing services associated with the maintenance and operation of the Whirinaki Reserve generating plant to ensure that it is available to generate electricity when called upon including obligations arising under the Reserve Generation Capacity Agreement between the Crown and the Electricity Commission.

Quantity, quality, timeliness and cost

Performance will be provided in accordance with the Operations and Maintenance Agreements established with providers.

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	78,488	15,999

Provider

Contact Energy and other providers.

Part E - Explanation of Capital Flows

Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

	Balance Date	Estimated Net Worth 2006 \$000	Forecast Net Worth 2007 \$000
Crown Entities:			
Electricity Commission	30 June	1,400	1,400

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2005/06		2006/07	Description of 2006/07 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Tax Revenue				
Energy Resource Levies - Coal	8,500	8,500	8,500	Levy payable on opencast coal.
Energy Resource Levies - Gas	55,000	55,000	49,000	Levy payable on natural gas produced on discoveries made prior to 1 January 1986.
Total Tax Revenue	63,500	63,500	57,500	
Non-Tax Revenue				
Control of Natural Gas Services	1,250	1,250	1,000	Levies recovering costs relating to the Commerce Act 1986 Part 5 control regime over the gas pipeline services of Powerco and Vector.
Ironsands Royalties	61	61	62	Royalties obtained from ironsand operations licensed by the Crown.
Levy on Electricity Industry Participants	86,498	86,498	89,246	Recovery of the costs of the Electricity Commission through a levy on electricity industry participants under section 172ZC of the Electricity Act 1992.
Levy on Electricity Line Businesses	2,917	2,917	4,267	Levy payable associated with the Commerce Commission regulation activities.
Residual Ministry of Energy Commitments	80	80	80	Proceeds from property rentals previously owned by State Coal.
Royalties - Coal	1,900	1,900	1,890	Royalties obtained from coal mining operations licensed by the Crown.
Royalties - Minerals	1,600	1,600	1,600	Royalties obtained from mineral mining operations licensed by the Crown.
Royalties - Petroleum	61,000	61,000	54,500	Royalties obtained from petroleum mining operations licensed by the Crown.
Whirinaki Availability	25,000	25,000	25,000	Payments by the Electricity Commission in return for the exclusive access to and right to give instructions to operate the Whirinaki reserve generation electricity station, calculated to cover the Crown's original investment in and holding costs of the plant over the course of its life.
Whirinaki Electricity Generation	56,100	56,100	9,656	Spot market sales of electricity generated from the operation of the Whirinaki reserve generation station.
Whirinaki Operating and Maintenance Recoveries	60,000	60,000	4,000	Payments by the Electricity Commission to cover fixed and variable operating and maintenance costs in relation to the Whirinaki reserve generation electricity station.
Total Non-Tax Revenue	296,406	296,406	191,301	
Total Crown Revenue and Receipts	359,906	359,906	248,801	