

VOTE *Energy*

Terms and Definitions Used

APEC	Asia Pacific Economic Cooperation
NZES	New Zealand Energy Strategy

Footnotes

Note 1	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.
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Minister Portfolio Table

28	Minister of Energy
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Energy

ADMINISTERING DEPARTMENT: Ministry of Economic Development

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

Part B - Statement of Appropriations

Summary of Financial Activity

	2006/07	2006/07 Appropriations to be Used				Total \$000
	Main Estimates \$000	By the Department Administering the Vote		For Non-Departmental Transactions		
		Annual \$000	Other \$000	Annual \$000	Other \$000	
Appropriations						
Output Expenses	130,452	21,252	1,027	128,031	-	150,310
Benefits and Other Unrequited Expenses	-	N/A	N/A	-	-	-
Borrowing Expenses	-	N/A	N/A	-	-	-
Other Expenses	897	-	-	808	-	808
Capital Expenditure	-	N/A	N/A	225	-	225
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	N/A	N/A	-
Total Appropriations	131,349	21,252	1,027	129,064	-	151,343
Crown Revenue and Receipts						
Tax Revenue	57,500	N/A	N/A	N/A	N/A	48,700
Non-Tax Revenue	191,301	N/A	N/A	N/A	N/A	199,275
Capital Receipts	-	N/A	N/A	N/A	N/A	-
Total Crown Revenue and Receipts	248,801	N/A	N/A	N/A	N/A	247,975

Part B1 - Details of Appropriations

Appropriations	2006/07						Scope of and Reasons for Change in 2006/07 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Expenses (General)							
Administration of Gas and Electricity Regulations (M28)	6,443	-	(958)	-	5,485	-	- 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. Reason for Change: Refer to Part C1.
Management of the Crown Mineral Estate (M28)	6,106	-	2,098	-	8,204	-	- Allocation and management of Crown-owned petroleum, coal and mineral resources under the Crown Minerals Act 1991 and minerals programmes issued under the Act. Reason for Change: Marginal cost increases reflecting permitting activity.
Policy Advice on Energy and Resource Issues (M28)	4,479	-	465	-	4,944	-	- 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. Reason for Change: Implementation of the Biofuels Sales Obligation and fuel quality legislation (\$175,000); support for the Carbon sequestration project (\$100,000) and the draft NZES (\$100,000); and costs associated with the recruitment of the Electricity Commission Executive Chairperson (\$90,000).
Provision of Climate Change Unit Register and Information (M28)	1,556	-	(800)	-	756	-	- 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. Reason for Change: Refer to Part C1.
Total Departmental Output Expenses (General)	18,584	-	805	-	19,389	-	
Departmental Output Expenses (Restricted by Revenue)							

	2006/07						Scope of and Reasons for Change in 2006/07 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Appropriations							
Energy and Resource Information Services (M28)	773	1,027	1,090	-	1,863	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. Reason for Change: Meeting International Energy Agency obligations (\$540,000); the impact of the release of the draft NZES on the resources modelling work programme (\$400,000) and the hosting of the APEC Energy Working Group (\$150,000).
Total Departmental Output Expenses (Restricted by Revenue)	773	1,027	1,090	-	1,863	1,027	
Non-Departmental Output Expenses							
Control of Natural Gas Services (M28)	1,000	-	630	-	1,630	-	- For the costs of administering the Commerce Act 1986 Part 5 control regime over the gas pipeline services of Powerco and Vector. Reason for Change: Authorisation process has proved to be much more complex than originally anticipated, with significant additional consultation, analysis and information gathering required.
Enforcement of Electricity Sector Regulation (M28)	4,267	-	-	-	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.
Maintenance and Operation of Whirinaki (M28)	15,999	-	-	-	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.
Management of IEA Oil Stocks (M28)	-	-	18,000	-	18,000	-	- For the cost of managing and funding of International Energy Agency oil stocks. Reason for Change: Meeting International Energy Agency obligations.
Performance of Electricity Efficiency Functions (M28)	9,778	-	(667)	-	9,111	-	- To provide funding for the conduct of electricity efficiency research; and development and implementation of electricity efficiency programmes. Reason for Change: Transfer to 2007/08 for the Electricity Efficiency Commercial Buildings Pilot.
Performance of Electricity Governance Functions (M28)	49,043	-	-	-	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.

Appropriations	2006/07						Scope of and Reasons for Change in 2006/07 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Non-Departmental Output Expenses - cont'd							
Performance of Security of Supply Functions (M28)	29,981	-	-	-	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.
Total Non-Departmental Output Expenses	110,068	-	17,963	-	128,031	-	
Other Expenses to be Incurred by the Crown							
Electricity Commission Litigation Fund (M28)	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	-	- Payment of contributions towards the cost of energy-related research undertaken by the International Energy Agency.
International Energy Agency Subscription (M28)	115	-	-	-	115	-	- Payment of annual subscription for membership of the International Energy Agency.
Ministry of Energy Residual Liabilities (M28)	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)	-	-	-	- Commitments to the Crown's interest in petroleum prospecting and mining licences through petroleum joint ventures. Reason for Change: Fiscally neutral adjustment to support the baseline pressures elsewhere in the Vote.
Total Other Expenses to be Incurred by the Crown	897	-	(89)	-	808	-	

	2006/07						Scope of and Reasons for Change in 2006/07 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Appropriations							
Capital Expenditure							
Development of Reserve Electricity Generation Capacity (M28)	-	-	200	-	200	-	- To provide funding for the purchase of a reserve electricity generation plant. Reason for Change: Completion of fuel tank refurbishment at the Whirinaki Reserve Electricity Generation Station.
GST and Customs Excise on Construction Costs (M28)	-	-	25	-	25	-	- GST and customs excise on funding for the purchase of a reserve electricity generation plant. Reason for Change: Completion of fuel tank refurbishment at the Whirinaki Reserve Electricity Generation Station.
Total Capital Expenditure	-	-	225	-	225	-	
Total Appropriations	130,322	1,027	19,994	-	150,316	1,027	

Part B2 - Details of Multi-Year Appropriations

Appropriations	Current Appropriation \$000	Scope of Appropriations
Non-Departmental Output Expenses		
Acquisition of Petroleum Exploration Data (M28)		To fund the acquisition of seismic data in New Zealand's offshore petroleum basins.
Original Appropriation	15,000	
Commences	1 October 2004	
Expires	30 June 2007	
Adjustments 2006/07	(2,000)	
Appropriation	19,000	
Actual to 2005/06 Year End	12,967	
Estimated Actual to 2006/07 Year End	19,000	
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	16,000	Reason for Change: The Appropriation (2006/07 Supplementary Estimates) Bill provides for this appropriation to be revoked with effect from the close of 30 June 2007. It is being replaced by a 2007 - 2012 appropriation of the same name.
Commences	1 July 2004	
Expires	30 June 2009	
Adjustments 2006/07	(40,712)	
Appropriation	42,191	
Actual to 2005/06 Year End	3,102	
Estimated Actual to 2006/07 Year End	13,102	
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	16,000	Reason for Change: The Appropriation (2006/07 Supplementary Estimates) Bill provides for this appropriation to be revoked with effect from the close of 30 June 2007. It is being replaced by a 2007 - 2012 appropriation entitled Reserve Energy and Emergency Measures - Variable.
Commences	1 July 2004	
Expires	30 June 2009	
Adjustments 2006/07	(13,333)	
Appropriation	2,667	
Actual to 2005/06 Year End	-	
Estimated Actual to 2006/07 Year End	1,000	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Administration of Gas and Electricity Regulations

The change in appropriations reflects a delay in the passage of LPG levy legislation enabling additional funding of energy safety activities, due to the changing priorities of the legislative programme (-\$430,000); a fiscally neutral transfer of the output levy balance for the washup transfer of the Electrical Workers Licencing Group to the Department of Building and Housing (-\$128,000); and support for the MED Baselines Pressures package addressing fiscal risks within MED (-\$400,000).

Provision of Climate Change Unit Register and Information

Delays by the United Nations Framework Convention on Climate Change (UNFCCC) in implementing the Independent Transaction Log (ITL) has meant associated delays in the development work of the Climate Change Unit Register.

The decrease reflects a fiscally neutral transfer to Policy Advice on Energy and Resource Issues for the Carbon sequestration project (-\$100,000) and support for the MED Baselines Pressures package addressing fiscal risks within MED (-\$700,000).

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07			Description of 2006/07 Crown Revenue
	Main Estimates \$000	Supplementary Estimates \$000	Total Budgeted \$000	
Tax Revenue				
Energy Resource Levies - Coal	8,500	200	8,700	Levy payable on opencast coal. Reason for Change: Increase due to Crown Revenue annual revised forecasts.
Energy Resource Levies - Gas	49,000	(9,000)	40,000	Levy payable on natural gas produced on discoveries made prior to 1 January 1986. Reason for Change: Decrease due to Crown Revenue annual revised forecasts.
Total Tax Revenue	57,500	(8,800)	48,700	
Non-Tax Revenue				
Control of Natural Gas Services	1,000	630	1,630	Levies recovering costs relating to the Commerce Act 1986 Part 5 control regime over the gas pipeline services of Powerco and Vector.
Ironsands Royalties	62	1	63	Royalties obtained from ironsand operations licensed by the Crown.
Levy on Electricity Industry Participants	89,246	(667)	88,579	Recovery of the costs of the Electricity Commission through a levy on electricity industry participants under section 172ZC of the Electricity Act 1992. Reason for Change: To reflect a transfer of expenses funded from the levy from 2006/07 to 2007/08.
Levy on Electricity Line Businesses	4,267	-	4,267	Levy payable associated with the Commerce Commission regulation activities.
Residual Ministry of Energy Commitments	80	-	80	Proceeds from property rentals previously owned by State Coal.
Royalties - Coal	1,890	110	2,000	Royalties obtained from coal mining operations licensed by the Crown. Reason for Change: Increase due to Crown Revenue annual revised forecasts.
Royalties - Minerals	1,600	400	2,000	Royalties obtained from mineral mining operations licensed by the Crown. Reason for Change: Increase due to Crown Revenue annual revised forecasts.
Royalties - Petroleum	54,500	7,500	62,000	Royalties obtained from petroleum mining operations licensed by the Crown. Reason for Change: Increase due to Crown Revenue annual revised forecasts.

	2006/07			Description of 2006/07 Crown Revenue
	Main Estimates \$000	Supplementary Estimates \$000	Total Budgeted \$000	
Whirinaki Availability	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	9,656	-	9,656	Spot market sales of electricity generated from the operation of the Whirinaki reserve generation station.
Whirinaki Operating and Maintenance Recoveries	4,000	-	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	191,301	7,974	199,275	
Total Crown Revenue and Receipts	248,801	(826)	247,975	