



Cabinet

CAB Min (07) 12/1(56)

Minute of Decision

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Minister of Energy

Copies to:

Prime Minister
Deputy Prime Minister
Minister of Finance
Hon Jim Anderton
Associate Minister of Finance
(Hon Trevor Mallard)
Controller and Auditor-General

2007 Budget Package: Vote Energy

On 19 April 2007, Cabinet:

1. **approved** the Budget initiatives for the above Vote for inclusion in the 2007 Budget package, as listed in the summary below and detailed in the attached initiative documents;

Summary of initiatives included in the attached initiative documents:

Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)						
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13 & Outyears
4171	MED Baseline Pressures - policy advice, modelling capability, one-off pressures	0.740	1.530	1.270	1.210	1.005	1.005	1.005
4176	Continuation and Expansion of Electricity Efficiency Programme.	-	-	-	-	-	-	-
4177	MED Baseline Pressures - offsetting savings	(1.189)	(0.089)	(0.089)	(0.089)	(0.089)	(0.089)	(0.089)

4180	Extension of the Acquisition of Petroleum Exploration Data Programme.	(2.000)	1.778	-	-	-	-	-
4181	Reconfiguration of Multi-Year Appropriations for Whirinaki Power Station.	-	(30.601)	(1.444)	11.000	11.000	10.045	-
Total Operating		(2.449)	(27.382)	(0.263)	12.121	11.916	10.961	0.916

Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)						
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13 & Outyears
Total Capital		-	-	-	-	-	-	-

2. **agreed** to establish new appropriations where required to implement these initiatives, as described in the attached initiative documents;
3. **approved** the changes to appropriations and/or projected balances of net assets of the administering department (where applicable) to implement the initiatives, as set out in the attached initiative documents;
4. **approved** the additional recommendations (where applicable) to give effect to the initiatives, as set out in the attached initiative documents;
5. **agreed** that the proposed changes to appropriations and/or projected balances of net assets for 2006/07 above be included in the 2006/07 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
6. **authorised** the Minister of Finance and the Vote Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2006/07 Supplementary Estimates, the 2007/08 Estimates and the fiscal forecasts;
7. **noted** that all communications relating to the 2007 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office.

Secretary of the Cabinet

References: CAB (07) 135, CAB (07) 135A

Vote: Energy

Title: MED Baseline Pressures - policy advice, modelling capability, one-off pressures

Description: To provide effective policy advice on issues associated with gas and electricity market developments, and energy information and modelling necessary for monitoring and reporting energy sector activities.

Theme: Economic Transformation

Theme Objective: Improving security of energy supply and efficiency

Performance Information

Performance Text

The Ministry of Economic Development must deliver on the outputs in its Statement of Intent and the development of the New Zealand Energy Strategy and associated action plans, and integration with existing policy advice work in the energy resources area; hosting of the Asia-Pacific Economic Co-operation Energy Working Group forum in 2006/07 only; and strategic advice related to key roles in the enforcement area.

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Operating Balance Impact	0.740	1.530	1.270	1.210	1.005
Debt Impact	-	-	-	-	-
No Impact	-	-	0.200	0.200	0.200
Total	0.740	1.530	1.470	1.410	1.205

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Departmental Output Expenses (General):					
Policy Advice on Energy and Resource Issues (funded by Revenue Crown)	0.190	0.900	0.900	0.900	0.750
Departmental Output Expenses (Restricted by Revenue):					
Energy and Resource Information Services (funded by Revenue Other)	-	-	0.200	0.200	0.200
Energy and Resource Information Services (funded by Revenue Crown)	0.550	0.630	0.370	0.310	0.255
Total Operating	0.740	1.530	1.470	1.410	1.205
Total Capital	-	-	-	-	-

Additional Recommendations

Initiative No: 4171

agreed to delegate joint authority to the Ministers of Finance and Energy to transfer any lapsed unspent appropriation relating to policy advice on energy issues, and energy information and modelling work, from the 2006/07 to 2007/08 financial year only, with the final amount to be confirmed as part of the 2007 October Baseline Update;

noted this initiative is funded from offsetting savings as part of a cross Vote baseline pressures package agreed by MED Ministers to address fiscal risks within the Ministry of Economic Development, and the overall baseline pressures package has no net impact on the operating balance.

Vote: Energy

Title: Continuation and Expansion of Electricity Efficiency Programme.

Description: To continue and expand electricity efficiency programmes, to be delivered by the Electricity Commission, once initial funding runs out at the end of 2006/07. The initiative will be funded via a levy on electricity industry participants. No Crown funding is involved.

Theme: Economic Transformation

Theme Objective: Improving security of energy supply and efficiency

Performance Information

Performance Text

The Electricity Commission's performance will be measured in terms of effective management of programmes as delivered by third parties.

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	12.407	15.801	15.595	17.519
Total	-	12.407	15.801	15.595	17.519

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Non-Departmental Output Expenses:					
Electricity Efficiency	-	12.407	15.801	15.595	17.519
Total Operating	-	12.407	15.801	15.595	17.519
Total Capital	-	-	-	-	-

Additional Recommendation

noted the following changes to forecast revenue due to the continuation and expansion of the electricity efficiency programme:

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Non-Tax Revenue:					
Levy on Electricity Industry Participants	-	12.407	15.801	15.595	17.519
Total Operating	-	12.407	15.801	15.595	17.519
Total Capital	-	-	-	-	-

Vote: Energy

Title: Ministry of Economic Development (MED) Baseline Pressures - offsetting savings

Description: Savings to fund cross-Vote baseline pressures, as agreed by MED Ministers.

Theme: Economic Transformation

Theme Objective: Improving security of energy supply and efficiency

Performance Information

Performance Text

The Ministry of Economic Development must deliver on the outputs in its Statement of Intent and on 17 October 2006, Economic Transformation Ministers agreed that the Ministry of Economic Development provide MED Ministers with a view across Votes of pressures they face and options for reprioritisation and offsetting savings to fund these. These savings will help fund other priorities across MED Votes.

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Operating Balance Impact	(1.189)	(0.089)	(0.089)	(0.089)	(0.089)
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	(1.189)	(0.089)	(0.089)	(0.089)	(0.089)

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Departmental Output Expenses (General):					
Administration of Gas and Electricity Regulations (funded by Revenue Crown)	(0.400)	-	-	-	-
Provision of Climate Change Unit Register and Information (funded by Revenue Crown)	(0.700)	-	-	-	-
Other Expenses to be Incurred by the Crown:					
Petroleum Joint Venture Development	(0.089)	(0.089)	(0.089)	(0.089)	(0.089)
Total Operating	(1.189)	(0.089)	(0.089)	(0.089)	(0.089)
Total Capital	-	-	-	-	-

Additional Recommendation

noted that this initiative is part of a cross-Vote baseline pressures package agreed by MED Ministers to address fiscal risks within the MED, and the overall baseline pressures package has no net impact on the operating balance.

Vote: Energy

Title: Extension of the Acquisition of Petroleum Exploration Data Programme.

Description: To transfer forecast lapsed funds in the 2006/07 financial year to 2007/08, and, due to the expiry of the multi-year appropriation on 30 June 2007, convert the savings to an annual appropriation.

Theme: Economic Transformation

Theme Objective: Improving security of energy supply and efficiency

Performance Information

Performance Text

Current baseline funding for the multi-year appropriation is \$21 million (GST N/A) over the three year period 2004/05 to 2006/07. It is forecast that \$2 million will be unspent at 30 June 2007, due to unavailability of survey ships. The lapsed funding is to be converted to an annual appropriation and will purchase a seismic survey to be undertaken in one of New Zealand's offshore petroleum basins.

New Appropriation Approvals

Type	Period	Name	MCOA Output Class	Scope
Non-Departmental Output Expenses	Annual	Acquisition of Petroleum Exploration Data - Extension	N/A	To fund the acquisition of seismic data in New Zealand's offshore petroleum basins.

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Operating Balance Impact	(2.000)	1.778	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	(2.000)	1.778	-	-	-

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Non-Departmental Output Expenses:					
Acquisition of Petroleum Exploration Data	(2.000)	-	-	-	-
Acquisition of Petroleum Exploration Data - Extension	-	1.778	-	-	-
Total Operating	(2.000)	1.778	-	-	-
Total Capital	-	-	-	-	-

Additional Recommendations

Initiative No: 4180

noted that the variance in values above is due to the removal of the GST component, and that the transfer is in effect fiscally neutral;

agreed to delegate authority to the Ministers of Energy and Finance to approve a further late "in principle" expense transfer from 2006/07 to 2007/08 as may be requested for any additional unspent funding from the multi-year appropriation - "Acquisition of Petroleum Exploration Data" - to the new annual appropriation - "Acquisition of Petroleum Exploration Data - Extension", with no impact on the operating balance.

Vote: Energy

Title: Reconfiguration of Multi-Year Appropriations for Whirinaki Power Station.

Description: Disestablish two GST-inclusive Whirinaki-related multi-year appropriations and re-establish them as GST-exclusive, plus set new end dates.

Theme: Economic Transformation

Theme Objective: Improving security of energy supply and efficiency

Performance Information

Performance Text

These multi-year appropriations cover the non-operating and maintenance costs of running the Whirinaki reserve electricity generation plant and possible demand-side restraint initiatives if a dry year event or similar trigger occurs. This includes purchasing diesel fuel to cover the cost of approximately three months' continuous generation in terms of the replacement of fuel used and within an appropriate lead time.

New Appropriation Approvals

Type	Period	Name	MCOA Output Class	Scope
Non-Departmental Output Expenses (MYA)	Other Start: 01-Jul-2007 Finish: 30-Jun-2012 Amount (\$m): 5.000	Reserve Energy and Emergency Measures - Variable	N/A	To cover 1) the net variable operating costs of the Whirinaki Reserve Energy Plant when used to provide reserve energy, and 2) implementation of emergency measures.
Non-Departmental Output Expenses (MYA)	Other Start: 01-Jul-2007 Finish: 30-Jun-2012 Amount (\$m): 49.045	Generating Reserve Electricity at Whirinaki	N/A	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.

Indicative Spending Profile

	\$m - increase/(decrease)						
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13 & Outyears
Operating Balance Impact	-	(30.601)	(1.444)	11.000	11.000	10.045	-
Debt Impact	-	-	-	-	-	-	-
No Impact	-	-	-	-	-	-	-
Total	-	(30.601)	(1.444)	11.000	11.000	10.045	-

	\$m - increase/(decrease)						
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13 & Outyears
Non-Departmental Output Expenses:							
Generating Reserve Electricity at Whirinaki	-	10.000	10.000	10.000	10.000	9.045	-
Generating Reserve Electricity At Whirinaki	-	(40.712)	-	-	-	-	-
Reserve Energy and Emergency Measures - Variable	-	1.000	1.000	1.000	1.000	1.000	-
Security of Supply - Procurement Costs	-	(0.889)	(12.444)	-	-	-	-
Total Operating	-	(30.601)	(1.444)	11.000	11.000	10.045	-
Total Capital	-	-		-	-	-	-

Additional Recommendations

agreed to delegate authority to the Ministers of Energy and Finance to approve a further late "in principle" expense transfer as may be requested from 2006/07 to 2007/08 from the two existing multi-year appropriations - "Generating Reserve Electricity At Whirinaki" and "Security of Supply - Procurement Costs" - in relation to any remaining funds, and transferring to the two new multi-year appropriations - "Reserve Energy and Emergency Measures - Variable" and "Generating Reserve Electricity at Whirinaki", with no impact on the operating balance;

agreed to disestablish the above two existing multi-year appropriations as at 30 June 2007, after the final expense transfers (if requested) have been confirmed.