

# VOTE *Energy*

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## Terms and Definitions Used

**IEA** International Energy Agency

# 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 B - Statement of Appropriations

### Summary of Appropriations

|  | Appropriations to be Used                   |                |                                      |                | Total Appropriations<br>\$000 |
|--|---|----------------|--------------------------------------|----------------|-------------------------------|
|  | By the Department<br>Administering the Vote |                | For Non-Departmental<br>Transactions |                |                               |
| Types of Appropriation                             | Annual<br>\$000                             | Other<br>\$000 | Annual<br>\$000                      | Other<br>\$000 |                               |
| <b>Operating Flows</b>                             |   |                |                                      |                |                               |
| Classes of Outputs to be Supplied                  | 19,801                                      | 1,156          | 4,081                                | -              | 25,038                        |
| Benefits and Other Unrequited Expenses             | -   | -              | -                                    | -              | -                             |
| Borrowing Expenses                                 | -   | -              | -                                    | -              | -                             |
| Other Expenses                                     | -   | -              | 475                                  | -              | 475                           |
| <b>Capital Flows</b>                               |   |                |                                      |                |                               |
| Capital Contributions                              | -   | -              | -                                    | -              | -                             |
| Purchase or Development of Capital Assets          | -   | -              | -                                    | -              | -                             |
| Repayment of Debt                                  | -   | -              | -                                    | -              | -                             |
| <b>Total Appropriations for 2002/03</b>            | 19,801                                      | 1,156          | 4,556                                | -              | 25,513                        |
| <b>Total 2002/03 Main Estimates Appropriations</b> | 18,633                                      | 1,044          | 3,475                                | -              | 23,152                        |

## Part B1 - Details of Appropriations

| Appropriations   | 2002/03         |                |                         |                |                 |                | Purpose of and Reasons for Change in 2002/03 Appropriations  |
|--|-----------------|----------------|-------------------------|----------------|-----------------|----------------|--|
|  | Main Estimates  |                | Supplementary Estimates |                | Cumulative Vote |                |  |
|  | Annual<br>\$000 | Other<br>\$000 | Annual<br>\$000         | Other<br>\$000 | Annual<br>\$000 | Other<br>\$000 |  |
| <b>Departmental Output Classes<br/>(Mode B Gross)</b>                              |                 |                |                         |                |                 |                |  |
| D1 Policy Advice on Energy and Resource Issues                                     | 3,121           | -              | 537                     | -              | 3,658           | -              | Policy advice on the operation of energy and resources markets (electricity, oil, gas, coal, minerals and related natural resources) including Treaty of Waitangi Claims in relation to natural resources, in particular mineral and energy resources. The increase reflects a transfer of funding from Vote Communications to meet additional costs associated with policy work on future electricity and gas needs (\$135,000); and delivery of comprehensive advice to Ministers on issues associated with gas and electricity market developments (\$502,000); partially offset by a transfer of funding to Vote Prime Minister and Cabinet to fund the Climate Change project and implementation of climate change policy (-\$100,000). |
| D2 Management of the Crown Mineral Estate  | 5,947           | -              | (57)                    | -              | 5,890           | -              | Allocation and management of Crown-owned petroleum, coal and mineral resources under the Crown Minerals Act 1991 and minerals programmes issued under the Act. The decrease reflects a transfer of funding to D4 Energy and Resource Information Services for additional forecasting work on future electricity and gas needs.   |
| D3 Administration of Gas and Electricity Regulations                               | 9,266           | -              | -                       | -              | 9,266           | -              | Administration of regulations and promotion of health and safety in the electricity and gas sectors, and implementation of information disclosure regimes for the electricity and gas industries.  |
| <b>Total Appropriations for<br/>Departmental Output Classes<br/>(Mode B Gross)</b> | 18,334          | -              | 480                     | -              | 18,814          | -              |  |
| <b>Departmental Output Classes<br/>(Mode B Net)</b>                                |                 |                |                         |                |                 |                |  |

|  |       |       |       |     |       |       |   |
|--|-------|-------|-------|-----|-------|-------|---|
| D4 Energy and Resource Information Services                              | 299   | 1,044 | 688   | 112 | 987   | 1,156 | Provision of information on energy and minerals sectors; monitoring and statistical analysis of energy markets; and the provision of energy supply and demand forecasts. Also includes inter-governmental liaison and the servicing of New Zealand membership of international organisations, particularly the International Energy Agency (IEA). The increase reflects transfers of funding from Vote Communications (\$68,000) and D2 Management of the Crown Mineral Estate (\$57,000), for additional forecasting work on future electricity and gas needs; delivery of comprehensive advice to Ministers on issues associated with gas and electricity market developments (\$450,000); and modelling of electricity security of supply (\$225,000). |
| <b>Total Appropriations for Departmental Output Classes (Mode B Net)</b> | 299   | 1,044 | 688   | 112 | 987   | 1,156 |   |
| <b>Non-Departmental Output Classes</b>                                   |       |       |       |     |       |       |   |
| O1 Enforcement of Electricity Sector Regulation                          | 3,000 | -     | -     | -   | 3,000 | -     | For the provision of monitoring electricity prices, reviewing asset valuation methodologies and re-calibrating asset values, collecting and disclosing information and implementing price controls as necessary in relation to electricity lines businesses and to Transpower.  |
| O2 Regulatory Control Inquiry - Gas Pipeline Services                    | -     | -     | 281   | -   | 281   | -     | For the provision of a gas pipeline inquiry under section 56 of the Commerce Act 1986.  |
| O3 Blenheim Wells  | -     | -     | 800   | -   | 800   | -     | Funding to plug the Blenheim - 1 well and the Blenheim Reclamation well.  |
| <b>Total Appropriations for Non-Departmental Output Classes</b>          | 3,000 | -     | 1,081 | -   | 4,081 | -     |   |
| <b>Other Expenses to be Incurred by the Crown</b>                        |       |       |       |     |       |       |   |
| International Energy Agency Contribution                                 | 50    | -     | -     | -   | 50    | -     | Payment of contributions towards the cost of energy-related research undertaken by the IEA.   |
| International Energy Agency Subscription                                 | 115   | -     | -     | -   | 115   | -     | Payment of annual subscription for membership of the IEA.   |
| Ministry of Energy Residual Liabilities                                  | 210   | -     | -     | -   | 210   | -     | 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.   |

### Part B1 - Details of Appropriations (continued)

|  | 2002/03         |                |                         |                |                 |                | Purpose of and Reasons for Change in 2002/03 Appropriations  |
|--|-----------------|----------------|-------------------------|----------------|-----------------|----------------|--|
|  | Main Estimates  |                | Supplementary Estimates |                | Cumulative Vote |                |  |
|  | Annual<br>\$000 | Other<br>\$000 | Annual<br>\$000         | Other<br>\$000 | Annual<br>\$000 | Other<br>\$000 |  |
| <b>Other Expenses to be Incurred by the Crown – cont'd</b>                 |                 |                |                         |                |                 |                |  |
| Petroleum Joint Venture Development  | 100             | -              | -                       | -              | 100             | -              | Commitments to the Crown's interest in petroleum prospecting and mining licences through petroleum joint ventures. |
| <b>Total Appropriations for Other Expenses to be Incurred by the Crown</b> | 475             | -              | -                       | -              | 475             | -              |  |
| <b>Total Appropriations</b>  | 22,108          | 1,044          | 2,249                   | 112            | 24,357          | 1,156          |  |

## Part C - Explanation of Appropriations for Output Classes

### Part C2 - Non-Departmental Output Classes

#### *Output Class O2 Regulatory Control Inquiry - Gas Pipeline Services*

The Minister of Energy will purchase services for the conduct of an inquiry into gas transmission and distribution services and provision of a report on whether to place the services under regulatory control.

#### **Quantity, quality, timeliness and cost**

Where appropriate, comparative targets for the previous year are shown in parentheses.

| Performance Measures   | Performance Standards |         |
|--|-----------------------|---------|
|  | 2003/04               | 2002/03 |
| <b><u>Quantity</u></b>   |                       |         |
| Regulatory Control Report completed  | N/A until 2004/05     | (N/A)   |
| <b><u>Quality</u></b>  |                       |         |
| Successful challenges to the Commission's processes during the course of the inquiry | Nil                   | (N/A)   |

#### Cost

|                |  |           |
|----------------|--|-----------|
| <b>2002/03</b> | Total output class to be provided within (GST inclusive) | \$281,000 |
| <b>2001/02</b> | No appropriation was sought in 2001/02                   | Nil       |

#### **Provider**

Commerce Commission.

#### *Output Class O3 Blenheim Wells*

The Associate Minister of Energy will purchase services for the remedial work done on the Blenheim-1 well and the Blenheim Reclamation well located in New Plymouth.

#### **Quantity, quality, timeliness and cost**

Completion of the work will be in accordance with the agreed work programme outlined in the contract.

**Cost**

|                |  |           |
|----------------|--|-----------|
| <b>2002/03</b> | Total output class to be provided within (GST inclusive) | \$800,000 |
| <b>2001/02</b> | No appropriation was sought in 2001/02                   | Nil       |

**Provider**

Tasman Oil Tools Limited.



## Part F - Crown Revenue and Receipts

### Part F1 - Current and Capital Revenue and Receipts

|   | 2002/03        |                         |                | Explanation of 2002/03 Crown Revenue  |
|---|----------------|-------------------------|----------------|---|
|   | Main Estimates | Supplementary Estimates | Total Budgeted |   |
|   | \$000          | \$000                   | \$000          |   |
| <b>Current Revenue</b>                  |                |                         |                |   |
| Tax Revenue                             |                |                         |                |   |
| Energy Resource Levies - Coal           | 5,700          | 400                     | 6,100          | Levy payable on opencast coal. The increase reflects a forecast change in Solid Energy production estimates at the Stockton colliery.   |
| Energy Resource Levies - Gas            | 95,000         | (6,500)                 | 88,500         | Levy payable on natural gas produced on discoveries made prior to 1 January 1986. The decrease reflects lower forecast gas volumes from the Methanex methanol plant and power generators due to maintenance on the Maui platform. |
| Total Tax Revenue                       | 100,700        | (6,100)                 | 94,600         |   |
| Non-Tax Revenue                         |                |                         |                |   |
| Levy on Electricity Line Businesses     | 2,667          | -                       | 2,667          | Levy payable associated with the Commerce Commission regulation activities.   |
| Ironsands Royalties                     | 54             | (4)                     | 50             | Royalties obtained from irons and operations licensed by the Crown. The decrease reflects a forecast reduction of production at NZ Steel.   |
| Residual Ministry of Energy Commitments | 100            | -                       | 100            | Proceeds from property rentals previously owned by State Coal.  |
| Royalties - Coal                        | 1,300          | 300                     | 1,600          | Royalties obtained from coal mining operations licensed by the Crown. The increase reflects a forecast increase in production at the Stockton colliery.   |
| Royalties - Minerals                    | 800            | 500                     | 1,300          | Royalties obtained from mineral mining operations licensed by the Crown. The increase reflects a forecast increase in production from the mining permit at GRD.   |

### Part F1 - Current and Capital Revenue and Receipts (continued)

|   | 2002/03                 |                                     |                         | Explanation of 2002/03 Crown Revenue   |
|---|-------------------------|-------------------------------------|-------------------------|--|
|   | Main Estimates<br>\$000 | Supplementary<br>Estimates<br>\$000 | Total Budgeted<br>\$000 |  |
| <b>Current Revenue – cont'd</b>         |                         |                                     |                         |  |
| Royalties - Petroleum                   | 33,000                  | 9,000                               | 42,000                  | Royalties obtained from petroleum mining operations licensed by the Crown. The increase reflects a forecast increase in gasoline sales, higher condensate production and crude oil refining. |
| Total Non-Tax Revenue                   | 37,921                  | 9,796                               | 47,717                  |  |
| <b>Total Current Revenue</b>            | 138,621                 | 3,696                               | 142,317                 |  |
| <b>Total Crown Revenue and Receipts</b> | 138,621                 | 3,696                               | 142,317                 |  |