

# VOTE *Energy*

---

## Terms and Definitions Used

IEA	International Energy Agency
MOE	Ministry of Energy
SSRSS	State Sector Retirement Savings Scheme

## Footnotes

Note 1	This is the value of expenditure that the Government currently expects it will have incurred against the appropriation by the time the appropriation expires at the end of June 2009.
Note 2	This is the value of expenditure that the Government currently expects it will have incurred against the appropriation by the time the appropriation expires at the end of June 2009.
Note 3	This is the value of expenditure that the Government currently expects it will have incurred against the appropriation by the time the appropriation expires at the end of June 2007.

# 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 \$000
	By the Department Administering the Vote		For Non-Departmental Transactions		
Types of Appropriation	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Operating Flows</b>					
Classes of Outputs to be Supplied	23,333	1,200	72,367	-	96,900
Benefits and Other Unrequited Expenses	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-
Other Expenses	-	-	45,938	-	45,938
<b>Capital Flows</b>					
Capital Contributions	-	-	530	-	530
Purchase or Development of Capital Assets	-	-	9,300	-	9,300
Repayment of Debt	-	-	-	-	-
<b>Total Appropriations for 2004/05</b>	<b>23,333</b>	<b>1,200</b>	<b>128,135</b>	<b>-</b>	<b>152,668</b>
<b>Total 2004/05 Main Estimates Appropriations</b>	<b>22,258</b>	<b>1,200</b>	<b>74,358</b>	<b>-</b>	<b>97,816</b>

## Part B1 - Details of Appropriations

	2004/05						Purpose of and Reasons for Change in 2004/05 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Departmental Output Classes (Mode B Gross)</b>							
Policy Advice on Energy and Resource Issues	4,633	-	588	-	5,221	-	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. See Part C below for an explanation of changes for this output class.
Management of the Crown Mineral Estate	5,947	-	1,294	-	7,241	-	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 increase represents additional funding for the facilitation of exploration activities (\$1,119,000); increased annual fees and associated increase in cost to support activity (\$190,000), and funding SSRSS contributions (\$24,000), partially offset by a technical adjustment for sub-leased space (-\$39,000).
Administration of Gas and Electricity Regulations	9,692	-	(411)	-	9,281	-	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. See Part C below for an explanation of changes for this output class.
Provision of Climate Change Unit Register and Information	480	-	300	-	780	-	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. The increase represents a transfer from 2003/04 reflecting timing of the development of business requirements for a NZ National Unit Register.

<b>Total Appropriations for Departmental Output Classes (Mode B Gross)</b>	20,752	-	1,771	-	22,523	-	
<b>Departmental Output Classes (Mode B Net)</b>							
Energy and Resource Information Services	1,506	1,200	(696)	-	810	1,200	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. The decrease represents a transfer to Vote Energy: Policy Advice to meet cost pressures (-\$540,000); a transfer to policy advice on climate change initiatives in Vote Climate Change and Energy Efficiency (-\$169,000); partially offset by SSRSS contributions (\$13,000).
<b>Total Appropriations for Departmental Output Classes (Mode B Net)</b>	1,506	1,200	(696)	-	810	1,200	
<b>Non-Departmental Output Classes</b>							
Performance of Security of Supply Functions	-	-	8,979	-	8,979	-	Provision of advice on Security of Supply, and developing a tender process and design options for potential conservation campaigns. Also, contracting for the availability of the Whirinaki energy plant for the generation of reserve energy as required.
Performance of Electricity Efficiency Functions	-	-	1,000	-	1,000	-	To implement the proposed electricity efficiency programme.
Maintenance and Operation of Whirinaki	-	-	4,023	-	4,023	-	For the operation and maintenance costs of Whirinaki reserve electricity generation station, previously included in the annual appropriation entitled Maintenance, Operation and Generating Reserve Electricity below for \$20.023 million.
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.

## Part B1 - Details of Appropriations (continued)

	2004/05						Purpose of and Reasons for Change in 2004/05 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Non-Departmental Output Classes - cont'd</b>							
Regulatory Control Inquiry - Gas Pipeline Services	450	-	-	-	450	-	- For the provision of a gas pipeline inquiry under section 56 of the Commerce Act 1986.
Performance of Electricity Governance Functions	49,880	-	5,035	-	54,915	-	- For governance and monitoring of New Zealand's electricity market under the Electricity Governance Rules and Regulations. The increase represents additional funding for the revised work programme of the Electricity Commission (\$5.293 million), partially offset by a transfer to 2005/06 due to deferral of the Wind Generation Study (-\$258,000).
Maintenance, Operation and Generating Reserve Electricity	20,023	-	(20,023)	-	-	-	- For the operation and maintenance costs of Whirinaki. The decrease represents transfers of funding to Maintenance and Operation of Whirinaki Output Class (-\$4.023 million) and to a Multi Year Appropriation entitled Generating Reserve Electricity at Whirinaki (-\$16.000 million).
<b>Total Appropriations for Non-Departmental Output Classes</b>	73,353	-	(986)	-	72,367	-	
<b>Other Expenses to be Incurred by the Crown</b>							
Electricity Commission Litigation Fund	-	-	500	-	500	-	- To meet the cost of major litigation activity undertaken by the Electricity Commission arising from it carrying out its functions under the Electricity Act.
Settlement Expenses - Crown Minerals Amendment Act (No.2) 1997	-	-	220	-	220	-	- Additional costs to settle an existing contingent liability of the Crown.

Settlement Expenses - Crown Minerals Act 1991	-	-	45	-	45	-	Settlement expenses relating to disputes arising from the Crown Minerals Act 1991.
Refund of Electricity Industry Levies	-	-	58	-	58	-	To refund levies over-collected under the Electricity Line Owners (Commerce Commission Costs) Levy Regulations 2001.
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	-	44,640	-	44,850	-	Payment of residual liabilities of the former MOE and to meet urgent mine restoration and rehabilitation relating to the operations of the State Coal Mines prior to 1987. The increase reflects the recognition of the Crown's share of expected rehabilitation of former State Coal mines.
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	-	45,463	-	45,938	-	
<b>Capital Contributions to Other Persons or Organisations</b>							
Investment in Electricity Commission	530	-	-	-	530	-	To provide funding to the Electricity Commission to cover set up costs and provide initial working capital for the Commission.
<b>Total Appropriations for Capital Contributions to Other Persons or Organisations</b>	530	-	-	-	530	-	
<b>Purchase or Development of Capital Assets by the Crown</b>							
Development of Reserve Electricity Generation Capacity	-	-	7,100	-	7,100	-	A transfer from 2003/04 reflecting timing of the completion of the purchase of a reserve electricity generation plant.

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

	2004/05						Purpose of and Reasons for Change in 2004/05 Appropriations
	Main Estimates		Supplementary Estimates		Cumulative Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Purchase or Development of Capital Assets by the Crown - cont'd</b>							
GST and Customs Excise on Construction Costs	-	-	2,200	-	2,200	-	GST and customs excise on funding for the purchase of a reserve electricity generation plant. Increase represents a transfer of funding from the previous year.
<b>Total Appropriations for Purchase or Development of Capital Assets by the Crown</b>	-	-	9,300	-	9,300	-	
<b>Total Appropriations</b>	96,616	1,200	54,852	-	151,468	1,200	



## Part B2 - Details of Multi-Year Appropriations

Appropriations	Current Appropriation \$000	Description of Appropriations
<b>Non-Departmental Output Classes</b>		
<b>Security of Supply - Procurement Costs</b>		To cover the purchase of demand side management and reserve energy production.
Term	2004/05 to 2008/09	This is a multi year appropriation of \$16 million over the five years from 2004/05 to 2008/09.
Original Appropriation	-	Provider is the Electricity Commission.
Adjustments	16,000	
Total Appropriation	16,000	
Actual to date (February)	-	
Expected Actual to year end	-	
Remaining	16,000	
<b>Expected Outcome (see Note 1)</b>	<b>16,000</b>	
<b>Generating Reserve Electricity At Whirinaki</b>		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 be used to generate reserve electricity. This was previously an annual non-departmental appropriation titled Maintenance, Operation and Generating Reserve Electricity for \$20.023 million. The maintenance and operation costs are now included in the Maintenance and Operation of Whirinaki non-departmental output expense.
Term	2004/05 to 2008/09	
Original Appropriation	-	
Adjustments	16,000	
Total Appropriation	16,000	
Actual to date (February)	-	The remaining \$16 million is now a multi year appropriation over the five years from 2004/05 to 2008/09.
Expected Actual to year end	-	
Remaining	16,000	Providers are suppliers of diesel fuel and related items.
<b>Expected Outcome (see Note 2)</b>	<b>16,000</b>	
<b>Acquisition of Petroleum Exploration Data</b>		To fund the acquisition of seismic data in New Zealand's offshore petroleum basins.
Term	2004/05 to 2006/07	This is a multi year appropriation of \$15 million over the three years from 2004/05 to 2006/07.
Original Appropriation	-	
Adjustments	15,000	
Total Appropriation	15,000	
Actual to date (February)	132	
Expected Actual to year end	11,000	
Remaining	4,000	
<b>Expected Outcome (see Note 3)</b>	<b>15,000</b>	

## Part C - Explanation of Changes to 2004/05 Appropriations for Particular Output Classes

### Part C1 - Departmental Output Classes

#### *Policy Advice on Energy and Resource Issues*

The increase represents a transfer from Vote Energy: Energy and Resource Information Services to meet costs pressures (\$540,000); a transfer from Vote Energy: Administration of Gas and Electricity Regulations to meet costs pressures (\$56,000); a transfer from 2003/04 reflecting delays in the Bioprospecting project (\$28,000); and SSRSS contributions (\$17,000); partially offset by a technical adjustment for sub-leased space (-\$53,000).

#### *Administration of Gas and Electricity Regulations*

The decrease represents a transfer to Vote Communications: Policy Advice - Communications to meet costs pressures (-\$90,000); a transfer to Vote Energy: Policy Advice to meet costs pressures (-\$56,000); delays in LPG levy legislation (-\$137,000); delays in the Energy Safety Review Bill (-\$28,000); a delay in Energy Safety Service website maintenance project to 2005/06 (-72,000); and a technical adjustment for sub-leased space (-\$50,000); partially offset by SSRSS contributions (\$22,000).

## Part C2 - Non-Departmental Output Expenses

### *Performance of Security of Supply Functions*

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.

### *Performance of Electricity Efficiency Functions*

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

## Part F - Crown Revenue and Receipts

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

	2004/05			Explanation of 2004/05 Crown Revenue
	Main Estimates	Supplementary Estimates	Total Budgeted	
	\$000	\$000	\$000	
<b>Current Revenue</b>				
Tax Revenue				
Energy Resource Levies - Coal	7,400	1,100	8,500	Levy payable on opencast coal. The increase reflects revised forecasts of coal stockpiles.
Energy Resource Levies - Gas	70,000	(4,000)	66,000	Levy payable on natural gas produced on discoveries made prior to 1 January 1986. The decrease reflects revised forecasts in leviable gas production and gas takeoff reductions.
Total Tax Revenue	77,400	(2,900)	74,500	
Non-Tax Revenue				
Levy on Electricity Line Businesses	2,667	-	2,667	Levy payable associated with the Commerce Commission regulation activities.
Ironsands Royalties	52	8	60	Royalties obtained from ironsand operations licensed by the Crown.
Residual Ministry of Energy Commitments	80	-	80	Proceeds from property rentals previously owned by State Coal.
Royalties - Coal	2,000	200	2,200	Royalties obtained from coal mining operations licensed by the Crown.
Royalties - Minerals	1,800	(100)	1,700	Royalties obtained from mineral mining operations licensed by the Crown.
Royalties - Petroleum	28,750	19,250	48,000	Royalties obtained from petroleum mining operations licensed by the Crown. The increase reflects revised forecast from production schedules provided by the Exploration and Production Companies and the effect of the high crude oil prices.

Levy on Electricity Industry Participants	47,914	10,213	58,127	Recovery of the costs of the Electricity Commission through a levy on electricity industry participants under section 172ZC of the Electricity Act 1992. The increase reflects recovery of costs associated with the additional responsibilities of the Electricity Commission.
Total Non-Tax Revenue	83,263	29,571	112,834	
<b>Total Current Revenue</b>	<b>160,663</b>	<b>26,671</b>	<b>187,334</b>	
<b>Total Crown Revenue and Receipts</b>	<b>160,663</b>	<b>26,671</b>	<b>187,334</b>	

