Performance Information for Appropriations

Vote Energy

MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Minister Responsible for Climate Change Issues (M12), Minister for Economic Development (M25), Minister of Energy (M28)

ADMINISTERING DEPARTMENT: Ministry of Economic Development

MINISTER RESPONSIBLE FOR MINISTRY OF ECONOMIC DEVELOPMENT: Minister for Economic Development

Part 1 - Summary of the Vote

Part 1.1 - Overview of the Vote

The Minister of Energy is responsible for appropriations in the Vote for the 2008/09 financial year covering the following:

- a total of just over $29 million for policy advice on the operation and information disclosure of energy resource markets, management of the Crown mineral estate, administration of the gas, electrical safety and measurement and energy efficiency regimes, implementation of the New Zealand emissions trading scheme and associated emissions unit register, and provision of information on stock and flow levels of the energy and minerals sectors
- a total of just under $98 million for the Electricity Commission's work in regulating the electricity system, securing reserve energy supplies for New Zealand now and into the future, and promoting electricity efficiency
- a total of just over $39 million for the Energy Efficiency and Conservation Authority's work in promoting energy efficiency, including by providing grants and assistance
- a total of $65 million over five years for variable costs relating to maintaining a secure supply of energy for New Zealand; note that in the event of the Whirinaki power station operating, these costs are normally recovered from the sale of the resulting electricity
- a total of $16 million for the operating, maintenance and depreciation costs relating to the Whirinaki power station
- a total of $10 million to manage and fund New Zealand's oil stocks obligations with the International Energy Agency
- a total of just under $8 million for the Commerce Commission's work relating to enforcement services in the general market for energy
- a total of under $1 million for international membership fees and to meet Ministry of Energy residual liabilities, and
- a total of just under $8 million over four years for the deployment of marine energy devices.

Details of these appropriations are set out in Parts 2-6 below.

Part 1.2 - High-Level Objectives of the Vote

Objectives of the Vote

One of the Government's priorities 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.

Vote Energy provides the Government with strategic policy advice on energy issues, including the implementation of the New Zealand Energy Strategy (NZES) and the New Zealand Energy Efficiency and Conservation Strategy (NZEECS), energy security, electricity and gas markets, climate change and long-term energy scenarios. It also provides regulatory and operational services in relation to the Crown's mineral and petroleum resources, administration of emissions trading, energy efficiency, energy safety and energy information.

The Government goal that Vote Energy contributes most directly to is that of economic transformation, particularly world-class infrastructure.

Government Priorities and Outcomes - Links to Appropriations

Government Priorities - Themes/Sub-themes	Government Outcomes	Appropriations
Economic Transformation - World Class Infrastructure	An energy system that is reliable and resilient, environmentally responsible and is priced as fairly and efficiently as possible.	Administration of Gas, Electricity and Energy Efficiency Regulations and Related Acts Management of the Crown Mineral Estate Policy Advice on Energy and Resource Issues Energy and Resource Information Services - Restricted by Revenue Control of Natural Gas Services Electricity Governance and Market Operations Energy Efficiency and Conservation MCOA Enforcement of Electricity Sector Regulation Maintenance and Operation of Whirinaki Management of IEA Oil Stocks Reserve Energy and Emergency Measures - Availability Costs Reserve Energy and Emergency Measures - Variable Generating Reserve Electricity at Whirinaki Contestable Fund for Deployment of Marine Energy Devices Electricity Commission Litigation Fund International Energy Agency Contribution International Energy Agency Subscription Ministry of Energy Residual Liabilities
Economic Transformation - Environmental Sustainability	New Zealand to be a world-leading exponent of smart and innovative responses to environmental issues	Policy Advice on Energy and Resource Issues Provision of Climate Change Unit Register and Information Emissions Trading Implementation Energy Efficiency and Conservation Energy Efficiency and Renewable Energy Grants and Assistance Crown Energy Efficiency

Part 1.3 - Trends in the Vote

Summary of Financial Activity

	2003/04	2004/05	2005/06	2006/07	2007/08		2008/09			2009/10	2010/11	2011/12
	Actual $000	Actual $000	Actual $000	Actual $000	Budgeted $000	Estimated Actual $000	Departmental Transactions Budget $000	Non-Departmental Transactions Budget $000	Total Budget $000	Estimated $000	Estimated $000	Estimated $000
Appropriations												
Output Expenses	43,001	77,145	132,973	125,289	209,053	170,107	29,161	161,879	191,040	176,964	175,417	173,647
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	329	40,347	521	158	2,693	1,815	-	22,028	22,028	23,641	22,181	20,296
Capital Expenditure	169,682	367	111	-	-	-	-	2,000	2,000	2,000	2,000	2,000
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Total Appropriations	213,012	117,859	133,605	125,447	211,746	171,922	29,161	185,907	215,068	202,605	199,598	195,943
Crown Revenue and Receipts												
Tax Revenue	74,591	72,686	73,137	53,614	47,300	47,300	N/A	N/A	42,808	42,825	42,874	42,874
Non-Tax Revenue	63,608	108,259	166,327	179,183	226,974	215,266	N/A	N/A	216,974	214,037	217,427	219,427
Capital Receipts	8,300	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	146,499	180,945	239,464	232,797	274,274	262,566	N/A	N/A	259,782	256,862	260,301	262,301

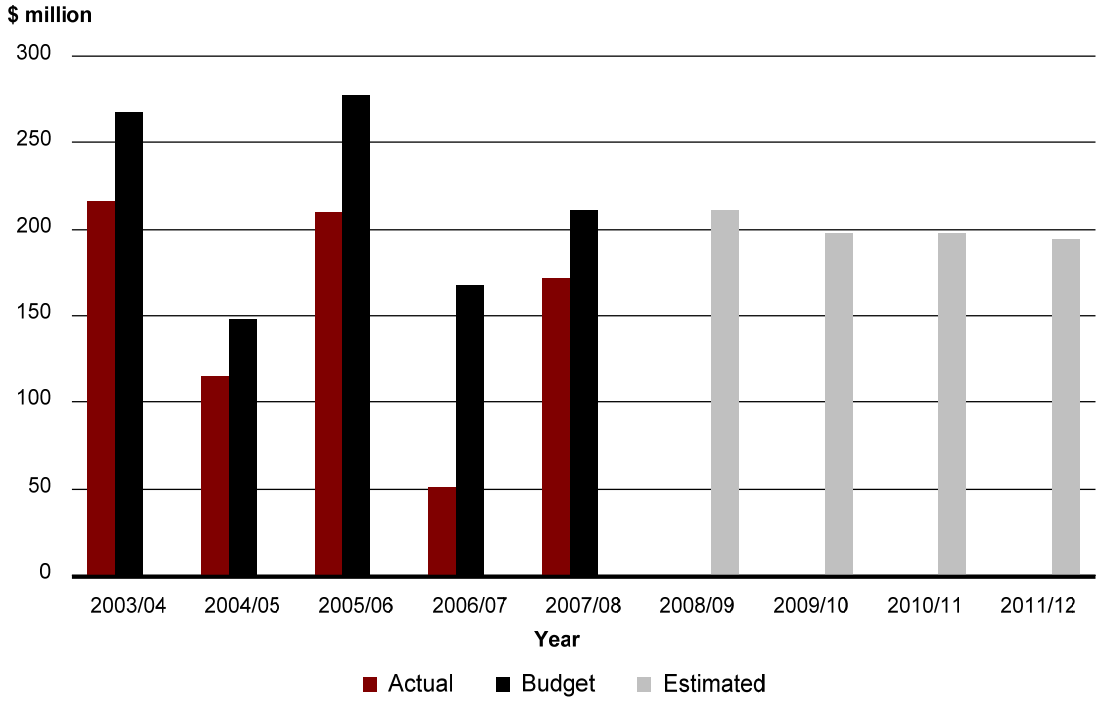
Budget Policy Initiatives

Policy Initiative	Appropriation	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
Administration of the New Zealand Emissions Trading Scheme	Emissions Trading Implementation Departmental Output Expense	3,312	4,984	4,772	5,347	5,347
Enforcement of Electricity Sector Regulation	Enforcement of Electricity Sector Regulation	-	3,950	743	-	-
Control of Natural Gas Pipelines	Control of Natural Gas Pipelines	-	203	3,001	1,600	1,600
Energy Efficiency - EnergyWise Homes project - interest-free loans	Energy Efficiency and Conservation MCOA	-	2,600	-	-	-
Business Energy Efficiency Programmes	Energy Efficiency and Conservation MCOA	-	255	225	225	225
EnergyWise Home Grants	Energy Efficiency and Conservation MCOA	-	150	150	150	150
Business Energy Efficiency Programmes	Energy Efficiency and Renewable Energy Grants and Assistance	-	2,295	2,025	2,025	2,025
EnergyWise Home Grants	Energy Efficiency and Renewable Energy Grants and Assistance	-	1,350	1,350	1,350	1,350
Extension of the Energy Products Programme, including Energy Star® endorsement	Energy Efficiency and Conservation MCOA	-	750	750	750	750
Enforcement and Compliance of Vehicle Fuel Economy Programme	Energy Efficiency and Conservation MCOA	-	250	250	250	250
Administration of the New Zealand Marine Energy Deployment Fund	Policy Advice on Energy and Resource Issues	150	115	115	115	-
Framework Design for Carbon Capture and Storage, and Membership of the International Partnership for the Hydrogen Economy	Policy Advice on Energy and Resource Issues	150	150	150	-	-
Hosting of the 2008 New Zealand Petroleum Conference	Management of the Crown Mineral Estate	720	-	-	-	-
Total Initiatives		4,332	17,052	13,531	11,812	11,697

Analysis of Significant Trends

Total Vote: All Appropriations

Figure 1 **-** Trends in total actual and estimated expenses and capital expenditure



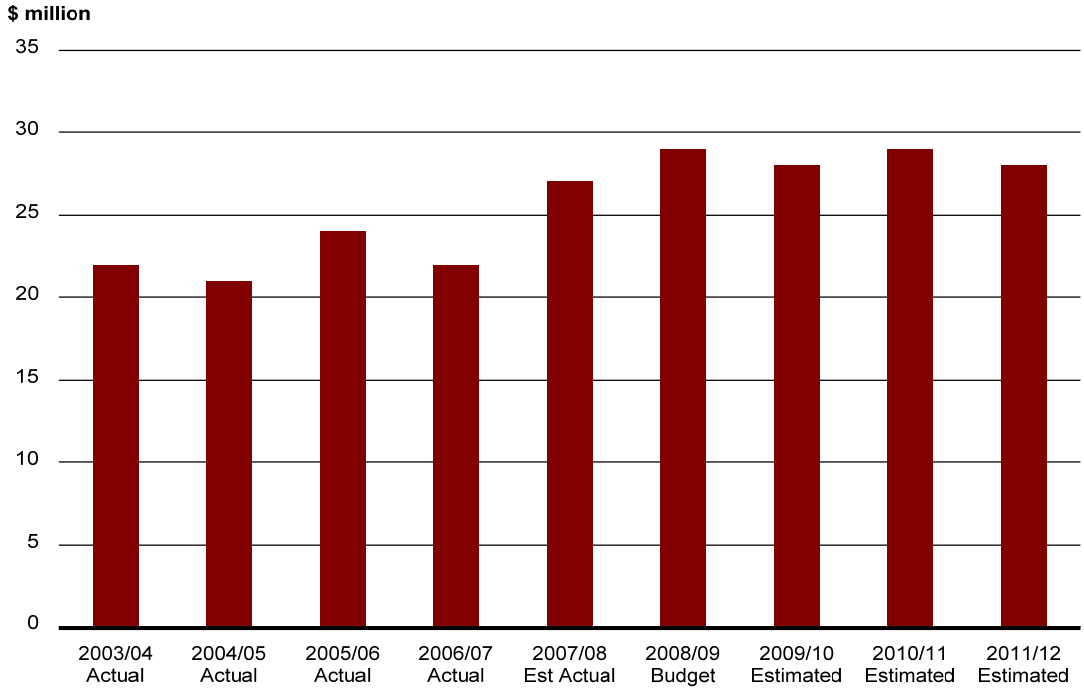
Source: Ministry of Economic Development

The movements in Vote Energy, which are detailed in the Summary of Financial Activity table above, are driven by departmental and non-departmental output expenses and non-departmental other expenses as outlined below.

Details of significant movements within each appropriation category are detailed below.

Departmental Output Expenses

Figure 2 **-** Trends in departmental output expenses

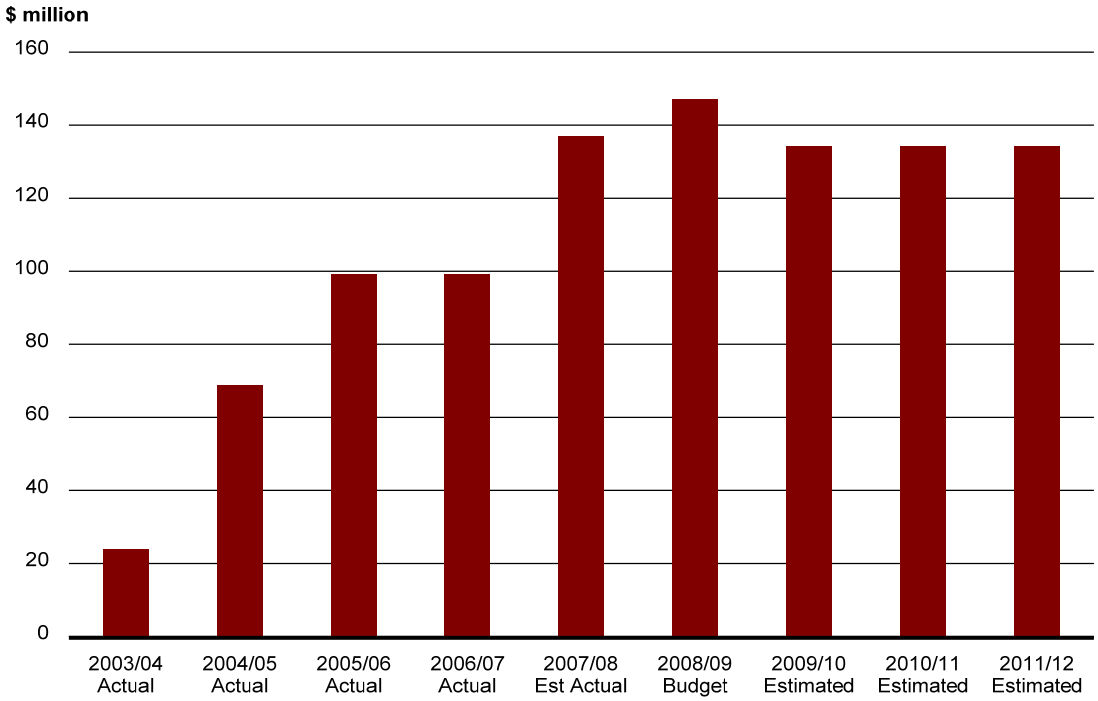


Source: Ministry of Economic Development

Expenditure increased in 2005/06 with a combination of an increase in electrical workers' licensing and petroleum, coal and minerals permit activity and management of the International Energy Agency (IEA) obligations relating to oil stocks. A reduction of $2 million from 2005/06 to 2006/07 largely reflects the departure of the Electrical Workers Licensing Group to the Department of Building and Housing in September 2006. In 2007/08 the increase reflects a marginal increase in funding associated with petroleum, coal and minerals permit activity. Additionally, new responsibilities for the Ministry of Economic Development were introduced during 2007/08 for the implementation and administration of the New Zealand Emissions Trading Scheme and register, with the phasing in of the scheme and associated costs reflected in a further increase in 2008/09.

Non-Departmental Output Expenses

Figure 3 - Trends in non-departmental output expense

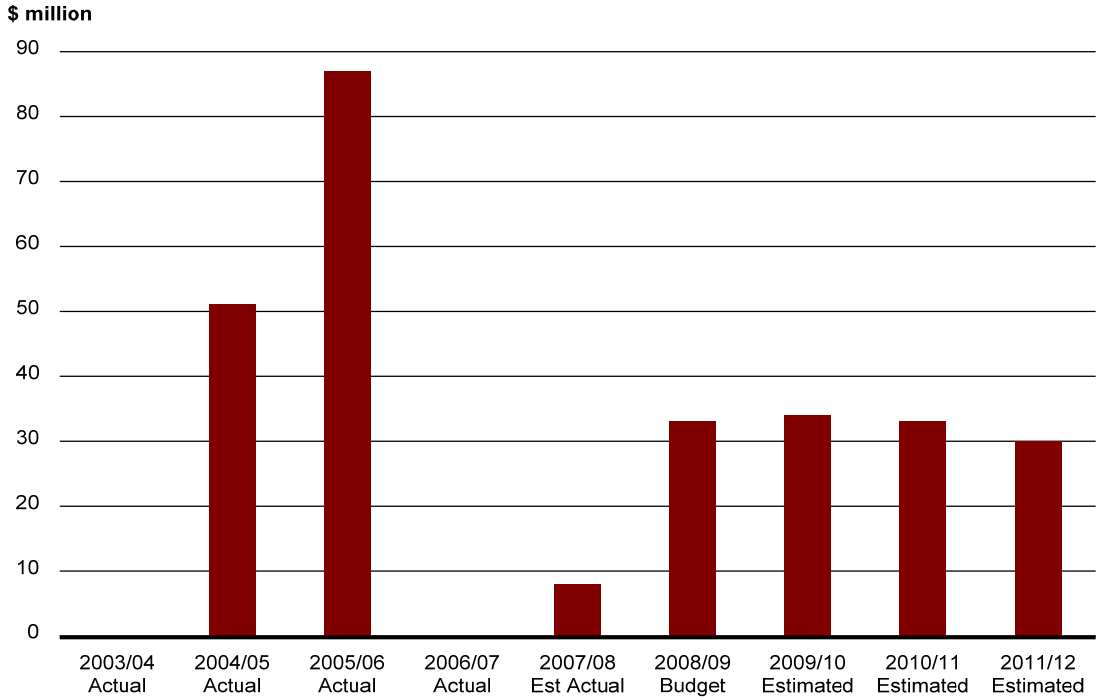


Source: Ministry of Economic Development

Expenditure increased from 2003/04 to 2004/05 by $45 million reflecting a rise in funding for Electricity Governance and Market Operations and the Whirinaki power station becoming operational. In 2005/06 costs increased by $30 million as the Whirinaki power station operated for a full year. In 2007/08 the Whirinaki power station has been required to operate for a more extended period of time than is usual; revenue generated from sales of electricity on the spot market offsets the increased costs. In addition, a marginal increase of $4 million in 2007/08 relates to fulfilling the IEA oil stocks obligations for a full year and the remaining increase of $3 million relates to acquisition of petroleum exploration data. Finally funding of activities for the Energy Efficiency and Conservation Authority (EECA) were transferred from Vote Climate Change and Energy Efficiency from 1 July 2008.

Non-Departmental Other Expenses

Figure 4 - Trends in non-departmental other expenses



Source: Ministry of Economic Development

The large movements between 2003/04 and 2005/06 relate mostly to the Crown's indemnity of Solid Energy New Zealand Ltd for rehabilitation liabilities arising from coal mining operations carried out by State Coal Mines prior to 1 April 1987. In 2006/07, a net present value adjustment was made to the liability carried as at 30 June 2006, resulting in the large reduction shown above.

In addition to those large movements, expenditure increased by $16 million from 2003/04 to 2005/06 reflecting the introduction of three multi-year appropriations under this Vote in 2004/05; Acquisition of Petroleum Exploration Data, which expired at the end of 2006/07 (this was converted into an annual appropriation in 2007/08), and two multi-year appropriations relating to the generation of reserve electricity at Whirinaki. The uneven profile of costs in later years largely reflects the varying levels of activity anticipated at Whirinaki and the introduction of a new multi-year appropriation in 2007/08 relating to the deployment of marine energy devices.

Part 1.4 - Reconciliation of Changes in Appropriation Structure

2007/08 Structure - Appropriations that have been Changed	2007/08 (Current) $000	Appropriations to which Expenses (or Capital Expenditure) have been Transferred	Amount Moved $000	2008/09 Structure - Appropriations affected by the Changes in Appropriation Structure	2007/08 (Restated) $000	2008/09 $000
Departmental Output Expenses						
Administration of Gas and Electricity Regulations	5,107	Transferred to Administration of Gas, Electricity and Energy Efficiency Regulations and Related Acts	5,107	Administration of Gas, Electricity and Energy Efficiency Regulations and Related Acts	5,107	5,609
Non-departmental Output Expenses						
Electricity Efficiency	13,074	Transferred to Energy Efficiency and Conservation MCOA - • Electricity Efficiency output class	13,074	Energy Efficiency and Conservation MCOA - • Electricity Efficiency output class	13,074	15,801

The change above reflects new responsibilities shifting from Vote Climate Change and Energy Efficiency to Vote Energy and monitoring responsibility for the Energy Efficiency and Conservation Authority (EECA) shifting from the Ministry for the Environment to the Ministry of Economic Development from 1 July 2008.

Explanations of the reasons for changing the appropriation structure are noted in the details of each appropriation in Parts 2-6.

Part 2 - Details and Expected Performance for Output Expenses

Part 2.1 - Departmental Output Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Objective: Deliver the Government's Energysafe outcomes through the management and enforcement of the Electricity Act 1992 and the Gas Act 1992, and support energy efficiency and renewable energy objectives.	Administration of Gas, Electricity and Energy Regulations and Related Acts
Objective: To implement and administer the New Zealand Emissions Trading Scheme.	Emissions Trading Implementation
Outcome: An efficient and effective Crown-owned minerals regime through the management, facilitation and enforcement of the Crown Minerals Act 1991 and the minerals programmes issued under this Act.	Management of the Crown Mineral Estate
Outcome: A reliable and resilient energy system delivering New Zealand sustainable, low emission energy services.	Policy Advice on Energy and Resource Issues
Outcome: To enable New Zealand to meet its obligations under the Kyoto Protocol.	Provision of Climate Change Unit Register and Information
Outcome: To inform sound technical advice in relation to the development of energy policy, including managing responses to any international disruption in oil supplies.	Energy and Resource Information Services - Restricted by Revenue

Administration of Gas, Electricity and Energy Efficiency Regulations and Related Acts (M28)

Scope of Appropriation

This appropriation is limited to the purchase of advice on administration and associated policy work, Ministerial servicing and decision support for the Minister in relation to, and the administration of the regimes for: gas and electricity safety; energy efficiency and conservation; the supply, quality and measurement of gas and electricity; fuel quality monitoring; and information disclosure.

Expenses and Revenue

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	-	-	5,609
Revenue from the Crown	-	-	895
Revenue from Others	-	-	4,785

Reasons for Change in Appropriation

With the shift in monitoring responsibility for the Energy Efficiency and Conservation Authority from the Ministry for the Environment to the Ministry of Economic Development from 1 July 2008, the title of the old appropriation "Administration of Gas and Electricity Regulations" was no longer relevant. Also its scope needed to be widened and this new appropriation was therefore created. The funding has moved accordingly to this appropriation.

Output Performance Measures and Standards

	2007/08		2008/09
Performance Measures	Budgeted Standard	Estimated Actual Standard	Budget Standard
Compliance with the Quality Standards for Policy Advice and Ministerial Servicing (refer Conditions on Use of Appropriation), as assessed by the Minister twice during the year.	No less than a 4 (met and sometimes exceeded my expectations).	Met	No less than a 4 (met and sometimes exceeded my expectations).
Replies to Ministerial correspondence and Parliamentary questions completed in required timeframes/standard: 100% of reports and oral advice to the Minister are delivered within the timeframes required by and agreed with the Minister. 100% of draft Ministerial correspondence is submitted to the Minister within 10 working days of receipt in the Ministry. Where only an interim reply is possible, a final reply shall be provided within the following timeframes: • 90% within 20 working days of the original receipt in the Ministry and • 100% within 30 working days of receipt in the Ministry.	100% within agreed timelines	Met	100% within agreed timelines
Gas and electricity networks and distribution systems and installations and appliances are compliant with legislation, regulations and standards.	N/A	N/A	Audits and investigations will be undertaken in accordance with work programme agreed with Minister
Administration of the petroleum monitoring programme will be undertaken in accordance with the requirements of the Petroleum Products Specifications Regulations 2002.	N/A	N/A	In accordance with work programme agreed by Minister
Gas information disclosures will be compliant in accordance with the Gas Information Disclosure Regulations 1993.	N/A	N/A	In accordance with work programme agreed by Minister

Conditions on Use of Appropriation

Reference	Conditions
Petroleum Fuels Monitoring Levy	The Petroleum Fuels Monitoring Levy is restricted to the purposes defined within the Energy (Fuels, Levies, and References) Act 1989.
Purpose	The objective for the advice is clearly stated, it answers sustainable economic development issues raised by the Minister and demonstrates a clear understanding of the desired outcome(s) of the Government and/or the Minister.
Problem definition	Any public policy problem, including the underlying causes, size and materiality of issues, is identified and supported by data or other evidence.
Context	There is a clear and logical statement of the issue or problem and why it necessitates Ministerial action.
Logic	The assumptions behind the advice and the logic of how options will resolve issues and achieve objectives are clear.
Accuracy	All material facts are present and accurate and based on reliable research or evaluation findings or other appropriate information. Known gaps that could significantly affect the conclusions are identified and the range of uncertainty stated.
Options	A range of options is presented that provides clearly differentiated choices and these are rigorously evaluated against the analytical framework. Costs, benefits, consequences and risks/opportunities of the options are assessed as part of the analysis. Where it is not appropriate to use a range of options the reasons are clearly stated.

Reference	Conditions
Recommendations	Recommendations are clear, logical and action oriented and can stand alone from the rest of the advice. They are sufficient to enable a decision to be made on the proposal or to move to the next decision/action point.
Consultation	Evidence of thorough and timely consultation with other government departments and interested parties is presented, and their views, including objections, incorporated as appropriate.
Practicality	Issues of implementation, technical feasibility, practicality and timing are considered and advice accurately identifies compliance, transitional, legal, machinery of government political, legislative, Treaty of Waitangi, or other issues or risks that require management.
Communication	Guidance is provided on how communications arising from decisions on the advice should be handled, including an assessment of key stakeholders who should be informed and how.
Presentation	Material is presented to suit the target audience and: • is concise and structured in a way which assists others to understand the aim of the advice, key features of the information, analysis and recommendations, and their key implications • uses appropriate language and style • uses empirical evidence • avoids clichés and technical jargon (or where the latter is not possible, it is used appropriately for a general audience) • is consistent with departmental and Cabinet Office presentation requirements.

Note - All aspects of the standards may not apply to specific pieces of policy advice, given considerations of urgency or the particular nature of the advice to be provided. For instance, the Ministry of Economic Development has a responsibility for leading a whole-of-government approach to the Government's economic transformation agenda, and at times will be required to provide second opinion advice on other departments' proposals often undertaken under tight time pressures.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
Expanded fuels quality monitoring program	2004/05	187	187	187	187	187
Advice on energy safety	2004/05	291	291	291	291	291
Arbitration service to settle disputes between tree and line owners under Electricity (Hazards From Trees) Regulations	2004/05	34	34	34	34	34

Emissions Trading Implementation (M12)

Scope of Appropriation

This appropriation is limited to the implementation and administration of the New Zealand Emissions Trading Scheme.

Expenses and Revenue

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	3,312	1,912	4,984
Revenue from the Crown	3,312	1,912	4,984

Reasons for Change in Appropriation

The funding reflects a delayed start and the phasing in of the scheme including detailed scoping, development and build of the New Zealand Emissions Trading Scheme (NZETS) Register.

Output Performance Measures and Standards

	2007/08		2008/09
Performance Measures	Budgeted Standard	Estimated Actual Standard	Budget Standard
The work programme, which will be delivered as agreed with the Minister and as detailed in the Ministry of Economic Development Output Plan, is expected to include preparation of the detailed business requirements specifications for development of the New Zealand Emissions Trading Scheme.	In accordance with work programme agreed by Minister	Met	In accordance with work programme agreed by Minister
The detailed business specifications will be prepared in accordance with the Ministry of Economic Development standards and practices for information technology projects, with delivery and reporting against agreed milestones.	N/A	N/A	In accordance with agreed milestones

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
Administration of the New Zealand Emissions Trading Scheme	2007/08	3,312	4,984	4,772	5,347	5,347

Energy and Resource Information Services RDA (M28)

Scope of Appropriation

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.

Expenses and Revenue

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	1,027	971	1,227
Revenue from Others	1,027	971	1,227

Output Performance Measures and Standards

	2007/08		2008/09
Performance Measures	Budgeted Standard	Estimated Actual Standard	Budget Standard
Ensure that New Zealand's obligations for reporting energy information to international organisations, including IEA, APEC and UNFCCC are met.	All international requirements are met	N/A	All international requirements are met
Ensure that all publications and information provided on projections of energy supply and demand and energy sector greenhouse gas emissions are reliable.	All publications are reviewed for completeness and accuracy before publication	Met	All publications are reviewed for completeness and accuracy before publication
Ensure New Zealand's international energy relationships are effectively managed.	In accordance with New Zealand's international requirements	N/A	In accordance with New Zealand's international requirements
Ensure New Zealand is in a position to respond to any international oil supply disruptions.	Implement Government decisions to ensure that New Zealand has ongoing access to adequate oil stock reserves	Met	In accordance with International Energy Agency requirements

Conditions on Use of Appropriation

Reference	Conditions
Revenue restriction	A small part of this appropriation is funded by way of sales of publications produced; if sales do not reach $30,000 expenditure is restricted accordingly.
Revenue restriction	Most of the revenue restriction applicable to this appropriation relates to petroleum fuels monitoring levies received, which may only be applied for purposes defined by s14 of the Energy (Fuels, Levies, and References) Act 1989.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
Capability support for modelling and reporting energy sector activities	2006/07	-	200	200	200	200

Energy and Resource Information Services (M28)

Scope of Appropriation

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.

Expenses and Revenue

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	1,646	1,496	1,328
Revenue from the Crown	1,621	1,471	1,302
Revenue from Others	25	25	26

Output Performance Measures and Standards

Refer to the appropriation above for performance measures and standards, which apply to both the revenue-dependant part of the appropriation and this part.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
Provision of security of supply for oil - meeting International Energy Agency obligations	2006/07	540	340	300	180	180
Implementation of the Biofuels Sales Obligation and fuel quality legislation	2006/07	400	150	150	150	150
Capability support for modelling and reporting energy sector activities	2006/07	630	370	310	255	255
Further development of the energy sector Greenhouse Gas inventory to meet New Zealand's international obligations under the Kyoto Protocol	2004/05	116	116	116	116	116

Management of the Crown Mineral Estate (M28)

Scope of Appropriation

Allocation and management of Crown-owned petroleum, coal and mineral resources under the Crown Minerals Act 1991 and minerals programmes issued under the Act.

Expenses and Revenue

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	10,231	10,204	8,114
Revenue from the Crown	2,908	2,908	2,908
Revenue from Others	7,008	6,981	5,216

Reasons for Change in Appropriation

The decrease in appropriation in 2008/09 reflects one-off funding for the biennial New Zealand Petroleum Conference in 2007/08 of $720,000 and increased permit activity in 2007/08 reflected in both revenue and expenses.

Output Performance Measures and Standards

	2007/08		2008/09
Performance Measures	Budgeted Standard	Estimated Actual Standard	Budget Standard
Compliance with the Quality Standards for Policy Advice and Ministerial Servicing (refer Conditions on Use of Appropriation outlined under Policy Advice on Energy and Resources below), as assessed by the Minister twice during the year.	No less than a 4 (met and sometimes exceeded my expectations).	Met	No less than a 4 (met and sometimes exceeded my expectations).
Replies to Ministerial correspondence and Parliamentary questions completed in required timeframes/standard: 100% of reports and oral advice to the Minister are delivered within the timeframes required by and agreed with the Minister. 100% of draft Ministerial correspondence is submitted to the Minister within 10 working days of receipt in the Ministry. Where only an interim reply is possible, a final reply shall be provided within the following timeframes: • 90% within 20 working days of the original receipt in the Ministry and • 100% within 30 working days of receipt in the Ministry.	100% within agreed timelines	Met	100% within agreed timelines
Permit applications that have reached a point where they can be processed, will be processed within three months (60 working days) subject to the receipt of the Land and Minerals Status Report, completion of iwi consultation, and completion of all other permit holder obligations.	90% of new permit applications processed	90% of new permit applications processed	90% of new permit applications processed
Compliance audits of energy resource levy or royalty payers will be undertaken with any shortfalls pursued.	A minimum of 25 audits completed	25 Audits completed	A minimum of 25 Audits completed
Petroleum and mineral permits (including licences) will be monitored for compliance with work programme conditions to maintain the integrity of the allocation system by conducting on-site field inspections.	70 mineral/coal permits (mining/exploration and prospecting) inspected	70 mineral/coal permits (mining/exploration and prospecting) inspected	70 mineral/coal permits (mining/exploration and prospecting) inspected

Conditions on Use of Appropriation

Reference	Conditions
Quality Standards for Analysis and Advice	
Purpose	The objective for the advice is clearly stated; it answers related issues raised by the Minister and demonstrates a clear understanding of the desired outcome(s) of the Government and/or the Minister.
Problem definition	Any public policy problem, including the underlying causes, size and materiality of issues, is identified and supported by data or other evidence.
Context	There is a clear and logical statement of the issue or problem and why it necessitates Ministerial action.
Logic	The assumptions behind the advice and the logic of how options will resolve issues and achieve objectives are clear.
Accuracy	All material facts are present and accurate and based on reliable research or evaluation findings or other appropriate information. Known gaps that could significantly affect the conclusions are identified and the range of uncertainty stated.
Options	A range of options is presented that provides clearly differentiated choices and these are rigorously evaluated against the analytical framework. Costs, benefits, consequences and risks/opportunities of the options are assessed as part of the analysis. Where it is not appropriate to use a range of options the reasons are clearly stated.
Recommendations	Recommendations are clear, logical and action-oriented and can stand alone from the rest of the advice. They are sufficient to enable a decision to be made on the proposal or to move to the next decision/action point.
Consultation	Evidence of thorough and timely consultation with other Government departments and interested parties is presented, and their views, including objections, incorporated as appropriate.
Practicality	Issues of implementation, technical feasibility, practicality and timing are considered and advice accurately identifies compliance, transitional, legal, machinery of government political, legislative, Treaty of Waitangi, or other issues or risks that require management.
Communication	Guidance is provided on how communications arising from decisions on the advice should be handled, including an assessment of key stakeholders who should be informed and how.
Presentation	Material is presented to suit the target audience and: • is concise and structured in a way which assists others to understand the aim of the advice, key features of the information, analysis and recommendations, and their key implications • uses appropriate language and style • uses empirical evidence • avoids clichés and technical jargon (or where the latter is not possible, it is used appropriately for a general audience) • is consistent with departmental and Cabinet Office presentation requirements.

Note - All aspects of the standards may not apply to specific pieces of policy advice, given considerations of urgency or the particular nature of the advice to be provided. For instance, the Ministry has a responsibility for leading a whole-of-government approach to the Government's economic transformation agenda, and at times will be required to provide second opinion advice on other departments' proposals often undertaken under tight time pressures.

Memorandum Account

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Opening Balance at 1 July	224	224	(64)
Revenue	7,008	7,008	5,216
Expenses	7,323	7,296	5,206
Closing Balance at 30 June	(91)	(64)	(54)

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
Hosting of the 2008 New Zealand Petroleum Conference	2007/08	720	-	-	-	-
Review of third-party fees - driven by an increase in exploration activity and associated costs	2006/07	2,098	2,098	2,098	2,098	2,098
Promotion of new investment to support the facilitation of petroleum and mineral exploration activities	2004/05	724	724	724	724	724

Policy Advice on Energy and Resource Issues (M28)

Scope of Appropriation

This appropriation is limited to the purchase of policy advice, ministerial servicing, and decision support for the Minister in relation to the operation of energy and resource markets (electricity, oil, gas, geothermal, coal, minerals and related natural resources) and energy efficiency and conservation issues, including Treaty of Waitangi issues in relation to natural resources in particular mineral and energy resources. It also includes purchase of ownership and purchase advice on Crown entities.

Expenses and Revenue

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	6,027	5,687	6,443
Revenue from the Crown	5,922	5,582	6,337
Revenue from Others	105	105	106

Reasons for Change in Appropriation

The increase in appropriation in 2008/09 predominantly reflects the transfer in monitoring responsibility for the Energy Efficiency and Conservation Authority (EECA) from the Ministry for the Environment to the

Ministry of Economic Development from 1 July 2008 of $216,000 and transfer of funding from 2007/08 to 2008/09 from a delay in Biofuels Sales Obligation consumer awareness work programme led by EECA of $220,000.

Output Performance Measures and Standards

	2007/08		2008/09
Performance Measures	Budgeted Standard	Estimated Actual Standard	Budget Standard
Compliance with the Quality Standards for Policy Advice and Ministerial Servicing (refer Conditions on Use of Appropriation), as assessed by the Minister twice during the year.	No less than a 4 (met and sometimes exceeded my expectations).	Met	No less than a 4 (met and sometimes exceeded my expectations).
Policy advice that supports the Government in its role as 'purchaser' and/or 'owner' of a number of Crown entities and statutory boards, and complies with Quality Standards for Policy Advice and Ministerial Servicing (refer Conditions on Use of Appropriation) as assessed twice during the year. The advice covers appointments, roles and functions, and the financial and non-financial performance of the entities and bodies which are under the Minister of Energy's responsibility - Electricity Commission and Energy Efficiency and Conservation Authority.	Advice as required will be provided about Crown entities and other boards for which the Minister of Energy is the Responsible Minister.	100% within agreed timelines	100% within agreed timelines
Replies to Ministerial correspondence and Parliamentary questions completed in required timeframes/standard: 100% of reports and oral advice to the Minister are delivered within the timeframes required by and agreed with the Minister. 100% of draft Ministerial correspondence is submitted to the Minister within 10 working days of receipt in the Ministry. Where only an interim reply is possible, a final reply shall be provided within the following timeframes: • 90% within 20 working days of the original receipt in the Ministry and • 100% within 30 working days of receipt in the Ministry.	100% within agreed timelines	Met	100% within agreed timelines

Conditions on Use of Appropriation

Reference	Conditions
Quality Standards for Analysis and Advice	Refer Management of the Crown Mineral Estate above.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
A transfer within the Vote for administration of the New Zealand Marine Energy Deployment Fund	2007/08	150	115	115	115	-
Framework design for carbon capture and storage, and membership of the International Partnership for the Hydrogen Economy	2007/08	150	150	150	-	-
Implementation of the Biofuels Sales Obligation and fuel quality legislation	2006/07	900	900	1,000	1,000	300

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
Development of the New Zealand Energy Strategy and associated action plans	2006/07	900	900	900	750	750
To assess the opportunities and options for managing Geothermal Resources	2005/06	89	-	-	-	-

Provision of Climate Change Unit Register and Information (M28)

Scope of Appropriation

This appropriation is limited to services relating to the operation of a register to enable the allocation and trading of climate change units under the Climate Change Response Act 2002.

Expenses and Revenue

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	1,456	1,415	1,456
Revenue from the Crown	1,456	1,415	1,456

Output Performance Measures and Standards

	2007/08		2008/09
Performance Measures	Budgeted Standard	Estimated Actual Standard	Budget Standard
Allocation and trading of climate change units in accordance with the Climate Change Response Act 2002	Once fully implemented, the register will be available for public access 99% of time excluding scheduled outages and successfully reconciled with ITL	Met	Register available for public access 99% of time excluding scheduled outages and successfully reconciled with ITL

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
To further develop and implement the national unit register	2005/06	1,129	1,129	1,129	1,129	1,129

Part 2.2 - Non-Departmental Output Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Gas consumers are protected from excessive prices and poor services over the long-term and regulated industries are incentivised to invest appropriately for the future.	Control of Natural Gas Services
Outcome: Electricity is produced and delivered to all classes of consumers in an efficient, fair, reliable and environmentally sustainable manner.	Electricity Governance and Market Operations
Outcome: Electricity consumers are protected from excessive prices and poor services over the long-term and regulated industries are incentivised to invest appropriately for the future.	Enforcement of Electricity Sector Regulation
Outcome: Ensure security of electricity supply.	Maintenance and Operation of Whirinaki
Outcome: Ensure New Zealand has access to adequate oil stock reserves and meets its international obligations.	Management of IEA Oil Stocks
Outcome: Ensure New Zealand has reserve energy capacity.	Reserve Energy and Emergency Measures - Availability Costs
Objective: Contribute to and implement energy efficiency and renewable energy programmes and targets in the New Zealand Energy Efficiency and Conservation Strategy. Outcome: Efficient electricity use is promoted and facilitated.	Energy Efficiency and Conservation MCOA

Control of Natural Gas Services (M28)

Scope of Appropriation

For development of input methodologies under Part 4 of the Commerce Act 1986 and the costs of administering the Commerce Act 1986 Part 5 control regime over the gas pipeline services of Powerco and Vector.

Expenses

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	2,181	2,181	503
Control of gas pipelines	1,931	1,931	300
Review of Parts 4 and 4A Commerce Act including development of input methodologies	250	250	203

Reasons for Change in Appropriation

The decrease in appropriation in 2008/09 relates to the cost decrease once final control authorisation is in place; the process of authorisation has been unexpectedly protracted.

Output Performance Measures and Standards

	2007/08		2008/09
Performance Measures	Budgeted Standard	Estimated Actual Standard	Budget Standard
Quantity			
Gas			
Determinations, including provisional and final authorisations of the prices and quality of the regulated gas pipeline services in order to constrain excess profits and to incentivise efficiency in regulated gas pipeline businesses over time.	2-5	0	2-4
Compliance with terms of authorisations - includes administrative resolutions and litigation (previously: Assessments of compliance statements with terms of Authorisations/Undertakings).	0-2	2	0-3
Contribute to the development of the regulatory framework through the production of guidelines for businesses and stakeholders, provision of information to inform government policy and law reform processes, and international cooperation.	1-3	0	1-3
Public information and education to promote compliance by increasing the awareness businesses, shareholders and consumers have of their statutory rights and obligations under Part 5 of the Commerce Act.	3-15	8	3-13
Input methodologies (Gas)			
Establish high-level principles and guidelines to underpin decisions regarding input methodologies.	0	0	1-8
Determinations of binding input methodologies for the suppliers of regulated gas distribution services in order to enhance regulatory transparency and certainty.	N/A	N/A	0
Contribute to the development and maintenance of the regulatory framework through the production of guidelines for businesses and stakeholders, review of industry codes, provision of information to inform government policy and law reform processes and international cooperation.	N/A	N/A	0
Public information and education to promote understanding of the Commission's role and to promote compliance by increasing the awareness businesses, shareholders and consumers have of their statutory rights and obligations under Part 4 of the Commerce Act.	N/A	N/A	5-23
Quality			
Judgments making adverse comments about the Commission's conduct or processes, successful legal challenges of the Commission's processes during course of investigations, determinations or undertakings.	Nil	Nil	Nil
Timeliness			
Final Authorisations determined within an average agreed time.	N/A	N/A	24 months

Conditions on Use of Appropriation

Reference	Conditions
Options - authorisations	Final authorisations may include undertakings accepted by the Commission. Compliance with authorisations may result in a range of different outcomes: administrative resolutions, litigation, or a decision to take no further action. The Commission will determine the optimal outcome of any specific action based on the nature or seriousness of the breach.
International Cooperation	The Commission cooperates with international authorities to promote and support best practice regulation.
Linkage with other Votes (Input Methodologies)	Input methodologies for airports appear under Vote Commerce and input methodologies for Electricity appear under Vote Energy (electricity) in 2008/09. The input methodologies work programme for these three sectors is aligned and runs concurrently. Many of the principles that will be developed through this programme will apply to two or more of the regulated sectors.
Input methodologies - principles and guidelines	Input methodologies have both industry-specific and generic components. As such, the development of principles and guidelines has been included in Vote Commerce (airports) and Vote Energy (gas and electricity).
Timeliness and statutory timeframes	The Commission uses average working days as a means to record its performance on timeliness. These are "stretch" targets designed for the medium to long-term strategy to improve the timeliness and efficiency of its service delivery. The Commission is unlikely to achieve them in the shorter term.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
Control of Natural Gas Services	2008/09	-	203	3,001	1,600	1,600

Electricity Governance and Market Operations (M28)

Scope of Appropriation

Funds the Electricity Commission’s major functions as the regulator for the electricity system. It also covers core electricity system and market operation functions, carried out under service provider contracts.

Expenses

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	49,043	49,043	49,043

Output Performance Measures and Standards

	2007/08		2008/09
Performance Measures	Budgeted Standard	Estimated Actual Standard	Budget Standard
Quantity/Quality			
Contracts for the six service providers are in place, monitored and enforced (if necessary) for the operation of the electricity system, wholesale market and retail market.	6	6	6
Monitor and enforce compliance with the Electricity Governance Regulations 2003 and Electricity Governance Rules 2003, and Electricity Governance (Connection of Distributed Generation) Regulations 2007.	No successful legal challenges to Commission investigation decisions or Rulings Panel decisions.	N/A	No successful legal challenges to Commission investigation decisions or Rulings Panel decisions.
Consultation papers, reports to the Minister, investigation reports, and published information (as specified in the work-programme in the SOI) meet the Commission's quality standard as documented in the SOI.	All reports/ published information meet quality standard.	N/A	All reports/ published information meet quality standard.
Consultation papers, reports to the Minister, investigation reports, and published information (as specified in the work-programme in the SOI) meet the Commission's timeliness standard as documented in the SOI.	Fewer than 1 in 5 fail to meet timeliness standard.	N/A	Fewer than 1 in 5 fail to meet timeliness standard.
Grid investment decisions made in accordance with published timetables which may be varied by agreement with Transpower, or by Commissions stipulation.	No successful legal challenges of the Commissions decisions or processes and no decisions fail to meet published timetable.	N/A	No successful legal challenges of the Commissions decisions or processes and no decisions fail to meet published timetable.
Use reasonable endeavours to ensure security of supply without assuming any demand reduction from emergency conservation campaigns, while minimising distortions to the ordinary operation of the electricity market.	Security standard is met in accordance with the GPS.	N/A	Security standard is met in accordance with the GPS.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
To meet high priority projects in the Electricity Commission's work programme	2006/07	2,320	2,320	-	-	-
To meet costs of the revised Electricity Commission work programme	2004/05	2,385	2,385	2,385	2,385	2,385
To enable the Electricity Commission to carry out a range of functions, powers and duties to give effect to the Government's Policy Statement	2004/05	44,338	44,338	44,338	44,338	44,338

Energy Efficiency and Conservation MCOA (M28)

Scope of Appropriation

Energy Efficiency and Conservation

This output class is limited to operational and policy outputs in accordance with statutory functions under the Energy Efficiency and Conservation Act 2000 and the government's energy strategies.

Electricity Efficiency

This output class is limited to:

- conducting electricity efficiency research, and
- development and administration of programmes that provide incentives for cost-effective energy efficiency and conservation, aimed at changing market behaviours.

Explanation for Use of Multi-Class Output Expense Appropriation

To combine similar output classes relating to energy efficiency.

Expenses

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	-	-	38,235
Energy Efficiency and Conservation	-	-	19,834
Electricity Efficiency	-	-	18,401

Reasons for Change in Appropriation

This appropriation has been established to recognise the transfer of monitoring responsibility for the Energy Efficiency and Conservation Authority from the Ministry for the Environment to the Ministry of Economic Development from 1 July 2008, and incorporates the Electricity Efficiency appropriation.

Output Performance Measures and Standards

	2007/08		2008/09
Performance Measures	Budgeted Standard	Estimated Actual Standard	Budget Standard
Energy Efficiency and Conservation Authority			
Launch and administer a voluntary home energy rating scheme	N/A	N/A	1
Introduce product classes for minimum energy performance standards	N/A	N/A	2
Increase consumer awareness of the Energy Star brand from 23% to 28%	N/A	N/A	28%
Administer the Marine Energy contestable fund	N/A	N/A	$2m

Performance Measures	2007/08 Budgeted Standard	2007/08 Estimated Actual Standard	2008/09 Budget Standard
Energy Efficiency and Conservation Authority - cont'd			
Complete energy management diagnostic sessions and action plans for improvement in energy management at large energy companies	N/A	N/A	24
Work with at least two companies to identify an additional 0.2PJ pa of bioenergy potential	N/A	N/A	2
Introduce and administer a mandatory, point of sale fuel consumption labelling scheme for new and used vehicles	N/A	N/A	1
Electricity Commission			
Maintain the electricity efficiency potentials model	N/A	N/A	Model maintained to ensure currency and continued use.
Manage programmes for electricity efficiency in the following areas: • Compressed air systems • Industrial motors • National efficient lighting strategy • Commercial buildings • Energywise home loan schemes Project reports will meet the Electricity Commission's quality standard (as specified in the SOI)	N/A	N/A	Project reports meet the Commission's quality standard and GPS work programme projects achieve the GPS performance standard

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
Energy Efficiency - EnergyWise Homes project - interest-free loans	2008/09	-	2,600	-	-	-
Extension of the Energy Products Programme, including Energy Star® Endorsement	2008/09	-	750	750	750	750
Enforcement and Compliance of Vehicle Fuel Economy Programme	2008/09	-	250	250	250	250
Business Energy Efficiency Programmes	2008/09	-	255	225	225	225
EnergyWise Home Grants	2008/09	-	150	150	150	150
Interest-free Loans for Residential Energy Efficiency and Heating	2007/08	300	500	700	800	800
Continuation and expansion of electricity efficiency programmes	2006/07	12,407	15,801	15,595	17,519	17,519
Electricity demand-side participation - commercial/industrial end users	2005/06	356	356	356	356	356
Energy Efficient Products Programme	2005/06	222	222	222	-	-
Bio-energy	2003/04	222	222	-	-	-
Improving the Energy Efficiency of Homes	2003/04	329	329	-	-	-
Solar Water Heating	2003/04	178	178	-	-	-

Enforcement of Electricity Sector Regulation (M28)

Scope of Appropriation

For the provision of development of input methodologies under Part 4 and 4A of the Commerce Act 1986, 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.

Expenses

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	5,578	4,974	7,117
Electricity sector regulation	4,167	3,563	3,167
Transpower post-breach inquiry	661	661	-
Review of Parts 4 and 4A Commerce Act including development of input methodologies	750	750	3,950

Reasons for Change in Appropriation

The change in appropriation reflects the phasing of activities between the two fiscal years. Also, the following items will not be repeated in 2008/09:

- One-off funding for work relating to Transpower $661,000.
- Expense transfer from 2006/07 to 2007/08 relating to delays in general electricity sector regulation enforcement work $1 million.

Output Performance Measures and Standards

	2007/08		2008/09
Performance Measures	Budgeted Standard	Estimated Actual Standard	Budget Standard
Quantity			
Resetting thresholds in order to constrain excess profits and to incentivise efficiency in regulated electricity lines businesses over time.	0	0	0-3
Assessment of compliance with performance thresholds.	29	29	N/A
Conduct inquiries into large electricity lines businesses that are identified as likely to be in breach of the thresholds.	1-11	2	37-59
Authorisations relating to the price, revenue and/or quality of the services of regulated electricity lines businesses in order to constrain excess profits and to incentivise efficiency in regulated electricity lines businesses over time.	N/A	N/A	0-5
Increasing transparency of the activities of regulated electricity firms through the disclosure of annual financial and performance information by way of published reports on the Commission's website.	N/A	N/A	1-3

	2007/08		2008/09
Performance Measures	Budgeted Standard	Estimated Actual Standard	Budget Standard
Contribute to the development and maintenance of the regulatory framework through the production of guidelines for businesses and stakeholders, provision of information to inform Government policy and law reform processes, and international cooperation.	3-6	6	2-6
Public Information and education activities to promote compliance by increasing the level of awareness of businesses, shareholders and consumers as to their statutory rights and obligations under Part 4A of the Commerce Act.	26-46	30	27-48
Input Methodologies			
Establish high-level principles and guidelines to underpin decisions regarding input methodologies.	0	0	1-8
Public Information and education activities to promote compliance by increasing the level of awareness of businesses, shareholders and consumers as to their statutory rights and obligations under Part 4A of the Commerce Act.	N/A	N/A	5-23
Quality			
Judgments making adverse comments about the Commission's conduct or processes, successful legal challenges of the Commission's processes during course of investigations or determinations.	Nil	Nil	Nil
Successful legal challenges of the Commission's processes during course of post breach inquiries/determinations/authorisations.	Nil	Nil	Nil
Timeliness			
Reset decisions in place before 1 April 2009	0	0	Achieve
Determinations to control are completed within an agreed average time from notification of the decision to declare control.	N/A	N/A	9 months

Conditions on Use of Appropriation

Reference	Conditions
Options - Threshold inquiries	Threshold inquiries can result in a range of different outcomes: administrative resolutions (settlements), litigation, or a decision to take no further action. The Commission will determine the optimal outcome of any specific action based on the nature or seriousness of the breach.
International Cooperation	The Commission cooperates with international authorities to promote and support best practice in regulation.
Linkage with other Votes (Input Methodologies)	Input methodologies for airports appear under Vote Commerce and input methodologies for electricity appear under Vote Energy (gas) in 2008/09. The input methodologies work programme for these three sectors is aligned and runs concurrently. Many of the principles that will be developed through this programme will apply to two or more of the regulated sectors.
Input methodology principles	Input methodologies have both industry-specific and generic components. As such, the development of principles and guidelines has been included in Vote Commerce (airports) and Vote Energy (gas and electricity).
Timeliness and statutory timeframes	The Commission uses average working days as a means to record its performance on timeliness. These are ''stretch" targets designed for the medium to long-term strategy to improve the timeliness and efficiency of its service delivery. The Commission is unlikely to achieve them in the shorter term.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
Enforcement of Electricity Sector Regulation	2008/09	-	3,950	743	-	-
To progress the regulation of the electricity industry at the necessary speed	2006/07	500	500	-	-	-
To enable the Commerce Commission to undertake stage 2 of a post-breach inquiry into Transpower's pricing path	2005/06	150	-	-	-	-

Generating Reserve Electricity at Whirinaki (M28)

Scope of Appropriation and Expenses

Title, Scope and Period of Appropriations	Appropriation	$000
Generating Reserve Electricity At Whirinaki (M28) To cover Whirinaki Reserve Energy Plant security of supply costs, excluding those covered by the annual appropriation entitled Maintenance and Operation of Whirinaki. Predominantly expected to cover purchase of fuel against the event that the plant is required to generate reserve electricity. Commences: 1 July 2007 Expires: 30 June 2012	Original Appropriation	49,045
	Adjustments to 2006/07	-
	Adjustments for 2007/08	9,956
	Adjusted Appropriation	59,001
	Actual to 2006/07 Year End	-
	Estimated Actual for 2007/08	6,394
	Estimated Actual for 2008/09	10,000
	Estimated Appropriation Remaining	42,607

Reasons for Change in Appropriation

The increase in this appropriation relates to a confirmed expense transfer from 2006/07 to 2007/08 of $9.956 million of remaining funding from a related expired multi-year appropriation processed during the October Baseline Update.

Maintenance and Operation of Whirinaki (M28)

Scope of Appropriation

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.

Expenses

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	33,500	33,000	16,000
Operating and maintenance	3,200	2,900	3,200
Depreciation on plant	12,700	12,900	12,700
Pass through of electricity spot sales revenue to the Electricity Commission	17,600	17,200	100

Reasons for Change in Appropriation

Fluctuations will occur in the pass through of spot sales revenue depending on how often the plant is required to be operated; there are trigger events usually relating to the price of electricity on the spot sales market, which in turn are affected by weather conditions and other events. As a result fuel costs are also impacted; refer to the multi-year appropriation entitled Generating Reserve Electricity at Whirinaki.

Output Performance Measures and Standards

	2007/08		2008/09
Performance Measures	Budgeted Standard	Estimated Actual Standard	Budget Standard
Whirinaki is available to generate electricity in accordance with the Reserve Generation Capacity Agreement between the Crown and the Electricity Commission.	In accordance with contractual arrangements	Met	In accordance with contractual arrangements

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
Depreciation on the reserve generation facility at Whirinaki	2005/06	12,727	12,727	12,727	12,727	12,727
Ongoing operation and maintenance costs of the reserve generation facility at Whirinaki	2004/05	3,273	3,273	3,273	3,273	3,273

Management of IEA Oil Stocks (M28)

Scope of Appropriation

For the cost of managing and funding of oil stocks to meet International Energy Agency obligations.

Expenses

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	22,000	9,358	10,000

Reasons for Change in Appropriation

Phased according to the calculated level of New Zealand requirements for purchase of the right to access additional oil stocks in an emergency situation; impacted by calculations of New Zealand's own oil reserves, including estimates of when new supplies would be coming on stream from Tui and Maari oilfields.

Output Performance Measures and Standards

	2007/08		2008/09
Performance Measures	Budgeted Standard	Estimated Actual Standard	Budget Standard
New Zealand has access to adequate oil stock reserves and meets its International Energy Agency obligations.	New Zealand has 90 day oil stock reserves	Met	New Zealand has 90 day oil stock reserves

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
Provision of security of supply for oil - meeting International Energy Agency obligations	2006/07	22,000	10,000	3,000	3,000	3,000

Reserve Energy and Emergency Measures - Variable (M28)

Scope of Appropriation and Expenses

Title, Scope and Period of Appropriations	Appropriation	$000
Reserve Energy and Emergency Measures - Variable (M28) To cover Electricity Commission costs relating to the 1) net variable operating costs of the Whirinaki Reserve Energy Plant when used to provide reserve energy, and 2) implementation of emergency measures. Commences: 1 July 2007 Expires: 30 June 2012	Original Appropriation	5,000
	Adjustments to 2006/07	-
	Adjustments for 2007/08	1,000
	Adjusted Appropriation	6,000
	Actual to 2006/07 Year End	-
	Estimated Actual for 2007/08	-
	Estimated Actual for 2008/09	1,000
	Estimated Appropriation Remaining	5,000

Reasons for Change in Appropriation

The increase in this appropriation relates to a confirmed expense transfer from 2006/07 to 2007/08 of $1 million of remaining funding from a related expired multi-year appropriation processed during the October Baseline Update.

Reserve Energy and Emergency Measures - Availability Costs (M28)

Scope of Appropriation

Funds the cost of having reserve electricity capacity and capability available, including:

1. tendering for reserve energy and emergency options, and

2. ensuring availability of reserve energy capacity.

Does not include cost of supply of reserve energy (fuel) or implementation of emergency measures.

Expenses

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	29,981	26,645	29,981
Tendering and emergency options	648	-	648
Reserve energy capacity and capability	29,333	26,645	29,333

Output Performance Measures and Standards

	2007/08		2008/09
Performance Measures	Budgeted Standard	Estimated Actual Standard	Budget Standard
Quantity			
Undertake routine testing of the Whirinaki power station in accordance with the reserve generation capacity agreement.	Whirinaki reserve energy plant availability is delivered in accordance with the contract.	Met	Whirinaki reserve energy plant availability is delivered in accordance with the contract.
Conduct tendering of reserve energy generation and emergency options for demand reduction.	Conduct tendering of reserve energy generation and emergency options in accordance with best practice procurement processes.	Met	Conduct tendering of reserve energy generation and emergency options in accordance with best practice procurement processes.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
Tendering and emergency options	2004/05	648	648	648	648	648
To enable the Electricity Commission to contract for reserve energy from Whirinaki	2004/05	29,333	29,333	29,333	29,333	29,333

Summary of Service Providers

Provider	2007/08 Budgeted $000	2007/08 Estimated Actual $000	2008/09 Budget $000	Reporting Mechanism	Expiry of Funding Commitment
Crown entities					
Commerce Commission Enforcement of Electricity Sector Regulation	5,578	4,974	7,117	Provider's annual report	ongoing
Control of Natural Services	2,181	2,181	503	Provider's annual report	ongoing
Electricity Commission Electricity Governance and Market Operations	49,043	49,043	49,043	Provider's annual report	ongoing
Maintenance and Operation of Whirinaki (part)	100	17,200	100	Provider's annual report	ongoing
Reserve Energy and Emergency Measures - Availability Costs	29,981	26,645	29,981	Provider's annual report	ongoing
Electricity Efficiency	13,074	9,152	-	Provider's annual report	Transferred below
Energy Efficiency and Conservation (part)	-	-	18,401	Provider's annual report	ongoing
Energy Efficiency and Conservation Authority Energy Efficiency and Conservation (part)	-	-	19,834	Provider's annual report	ongoing
Energy Efficiency and Renewable Energy Grants and Assistance	-	-	19,300	Provider's annual report	ongoing
Crown Energy Efficiency	-	-	2,000	Provider's annual report	ongoing
Non-government organisations					
Contact Energy and others Maintenance and Operation of Whirinaki (part)	3,200	2,900	3,200	Section 32A report	ongoing
Seismic survey providers (to be contracted) Acquisition of Petroleum Exploration Data - Extension	2,934	2,934	-	Section 32A report	30 June 2008
With no specific reporting requirements					
Management of IEA Oil Stocks	22,000	9,358	10,000	Not required	ongoing
Maintenance and Operation of Whirinaki (part - depreciation only)	12,700	12,900	12,700	Not required	ongoing
Total for 2008/09	140,791	137,287	172,179		

The above table summarises funding to be allocated through Vote Energy to non-departmental providers, along with an indication of the mechanism to be used for reporting actual performance and (where determined) the length of the funding commitment.

Part 5 - Details and Expected Results for Other Expenses

Part 5.2 - Non-Departmental Other Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Objective: Assist with the deployment of marine generation devices in New Zealand to generate energy from a renewable low emissions source	Contestable Fund for Deployment of Marine Energy Devices
Outcome: To ensure that the Electricity Commission is able to participate in litigation effectively and without delay	Electricity Commission Litigation Fund
Outcome: To ensure NZ has access to international energy-related research undertaken by the IEA	International Energy Agency Contribution
Outcome: New Zealand is represented at international energy fora	International Energy Agency Subscription
Outcome: To meet urgent mine restoration and rehabilitation relating to the operations of the state coal mines prior to 1987	Ministry of Energy Residual Liabilities
Objectives: Warm, dry, healthy homes, improved air quality and reduced energy costs; and more energy efficient and competitive businesses using more renewable energy and emitting less carbon dioxide	Energy Efficiency and Renewable Energy Grants and Assistance

Contestable Fund for Deployment of Marine Energy Devices (M25)

Scope of Appropriation and Expenses

Title, Scope and Period of Appropriations	Appropriation	$000
Contestable Fund for Deployment of Marine Energy Devices (M25) Contestable fund for marine energy generation and associated administration costs. Commences: 1 July 2007 Expires: 30 June 2011	Original Appropriation	8,000
	Adjustments to 2006/07	-
	Adjustments for 2007/08	(495)
	Adjusted Appropriation	7,505
	Actual to 2006/07 Year End	-
	Estimated Actual for 2007/08	1,000
	Estimated Actual for 2008/09	1,885
	Estimated Appropriation Remaining	4,620

Reasons for Change in Appropriation

The decrease in this appropriation of $495,000 in 2007/08 was for Energy Efficiency and Conservation Authority implementation and administration costs spread across four years and associated with operating the Fund.

Expected Results

	2007/08		2008/09
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assist with the deployment of marine generation devices in New Zealand to generate energy from a renewable low emissions source.	N/A	N/A	Complete initial application round

Electricity Commission Litigation Fund (M28)

Scope of Appropriation

Funding to ensure that the Electricity Commission is able to participate in litigation effectively and without delay.

Expenses

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	444	444	444

Expected Results

	2007/08		2008/09
	Budgeted Standard	Estimated Actual Standard	Budget Standard
The Electricity Commissions decisions made in accordance with the Electricity Governance Rules are robust	No successful challenges	No successful challenges	No successful challenges

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
To establish the Electricity Commission Litigation Fund	2004/05	444	444	444	444	444

Energy Efficiency and Renewable Energy Grants and Assistance (M28)

Scope of Appropriation

This appropriation is limited to the Crown's contribution to fund improvements to the energy efficiency of New Zealand businesses and homes (with a particular focus on the homes of low income earners); and to develop the solar hot water industry.

Expenses

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	-	-	19,300

Reasons for Change in Appropriation

With the shift in monitoring responsibility for the Energy Efficiency and Conservation Authority from the Ministry for the Environment to the Ministry of Economic Development from 1 July 2008, the funding has moved accordingly from Vote Climate Change and Energy Efficiency in 2007/08 to Vote Energy in 2008/09.

Expected Results

	2007/08		2008/09
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Solar water heating systems installed above business as usual to reduce dependence on the main grid	N/A	N/A	200
Grants assistance to insulate low income, pre-1978 homes	N/A	N/A	12,500
Interest subsidies to insulate mid-income, pre-1978 homes	N/A	N/A	5,000
Conduct energy audits to identify energy savings of at least $3 million	N/A	N/A	$3m savings identified

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2007/08 Budgeted $000	2008/09 Budget $000	2009/10 Estimated $000	2010/11 Estimated $000	2011/12 Estimated $000
Business Energy Efficiency Programmes	2008/09	-	2,295	2,025	2,025	2,025
EnergyWise Home Grants	2008/09	-	1,350	1,350	1,350	1,350
Interest-free Loans for Residential Energy Efficiency and Heating	2007/08	3,000	4,500	6,300	7,200	7,200
EnergyWise Package: Maintain EnergyWise Home Grants	2007/08	1,400	1,600	1,900	3,900	3,900
Improving the Energy Efficiency of Homes	2003/04	2,200	2,200	2,200	2,200	2,200

International Energy Agency Contribution (M28)

Scope of Appropriation

Payment of contributions towards the cost of energy-related research undertaken by the International Energy Agency.

Expenses

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	50	42	50

Expected Results

	2007/08		2008/09
	Budgeted Standard	Estimated Actual Standard	Budget Standard
To enable New Zealand to have access to international energy research	New Zealand energy work programmes informed by up-to-date international data	Achieved	New Zealand energy work programmes informed by up-to-date international data

International Energy Agency Subscription (M28)

Scope of Appropriation

Payment of annual subscription for membership of the International Energy Agency.

Expenses

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	150	130	150

Expected Results

	2007/08		2008/09
	Budgeted Standard	Estimated Actual Standard	Budget Standard
To ensure NZ is represented at international energy fora and meets its funding commitments.	New Zealand meets its assessed contribution.	Achieved	New Zealand meets its assessed contribution.

Ministry of Energy Residual Liabilities (M28)

Scope of Appropriation

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.

Expenses

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	199	199	199

Expected Results

	2007/08		2008/09
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Ministry of Energy residual liabilities are met.	Liabilities met	Liabilities met	Liabilities met

Part 6 - Details and Expected Results for Capital Expenditure

Part 6.2 - Non-Departmental Capital Expenditure

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Outcome: Improvements in energy efficiency of Crown Organisations reflected in annual cost savings of at least 20% of the cost of energy efficiency projects funded.	Crown Energy Efficiency

Crown Energy Efficiency (M28)

Scope of Appropriation

This capital expenditure appropriation is limited to provision of funding for the Crown loans scheme to assist public sector agencies in implementing energy efficiency projects.

Capital Expenditure

	2007/08		2008/09
	Budgeted $000	Estimated Actual $000	Budget $000
Total Appropriation	-	-	2,000

Reasons for Change in Appropriation

With the shift in monitoring responsibility for the Energy Efficiency and Conservation Authority from the Ministry for the Environment to the Ministry of Economic Development from 1 July 2008, the funding has moved accordingly from Vote Climate Change and Energy Efficiency in 2007/08 to Vote Energy in 2008/09.

Expected Results

	2007/08		2008/09
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Annual savings within the public sector of no less than 20% of the capital cost of energy efficiency projects	N/A	N/A	Annual cost savings of at least 20% of the value of energy efficiency projects

Reporting Mechanisms

Appropriation	Reporting Mechanism
Crown Energy Efficiency	Annual report of the Energy Efficiency and Conservation Authority

The above table indicates the mechanisms to be used for reporting actual performance for each non-departmental capital expenditure appropriation.