



BRIEFING

Draft Energy portfolio plan (part of MBIE's Performance Plan)

Date:	26 September 2024	Priority:	High
Security classification:	Budget - Sensitive	Tracking number:	BRIEFING-REQ-0002998

Action sought		
	Action sought	Deadline
Hon Simeon Brown Minister for Energy	Provide feedback and approve the Energy portfolio plan, as part of MBIE's Performance Plan	10 October 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Paul Stocks	Deputy Secretary, Building, Resources and Markets	Privacy of natural persons	
Justine Cannon	General Manager, Energy Markets		
Privacy of natural persons	Policy Director, Energy Markets		✓

The following departments/agencies have been consulted
The Portfolio Plan has been developed in line with guidance from the Treasury, and input from EECA and the Electricity Authority

Minister's office to complete:

- | | |
|---|---------------------------------------|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Overtaken by Events | <input type="checkbox"/> Seen |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



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Purpose

Cabinet recently agreed that all departments produce Performance Plans to ensure there are credible plans in place to work within existing baselines and enable decisions for Budget 2025. Given the breadth of MBIE's work, we are also producing individual portfolio plans to supplement an overarching MBIE plan. We are seeking your feedback and approval of the attached draft Energy portfolio plan.

Recommended action

The Ministry of Business, Innovation and Employment (the Ministry) recommends that you:

- a **Note** Cabinet requires departments to prepare an agency Performance Plan showing how we manage within baselines

Noted

- b **Note** given the breadth of MBIE's work, the Performance Plan will also include specific portfolio plans, approved by the relevant portfolio Minister

Noted

- c **Provide** feedback on the draft Energy portfolio plan (Annex 1) and, subject to any changes required, **approve** the portfolio plan for submission to the Treasury

Approved / Not approved

PRIV

Justine Cannon
General Manager
Building, Resources and Markets, MBIE

___ / ___ / 2024

Hon Simeon Brown
Minister for Energy

___ / ___ / 2024

Performance Plans are a new Cabinet requirement

1. The Minister of Finance wrote to you on 1 August 2024 about a new requirement for all departments to submit a Performance Plan. This was agreed by Cabinet on 29 July 2024 [CAB-24-MIN-0273 refers]. Performance Plans will be owned and signed out by the responsible Minister. Minister Lee is the responsible Minister for the MBIE Performance Plan. The MBIE Performance Plan will be shared with all Portfolio Ministers once it has been reviewed by Minister Lee.
2. Given the breadth of MBIE's work, we are also preparing additional shorter portfolio plans to highlight the opportunities and trade-offs at a portfolio level. Portfolio Ministers are required to approve these individual portfolio plans.
3. The Minister of Finance has expressed that there will be a very high bar for new spending in Budget 2025, to manage within tight Budget allowances. Existing spending will need to be reprioritised to support any new commitments and additional savings will need to be found, beyond those identified in Budget 2024.
4. Performance Plans (and associated Portfolio Plans) seek to:
 - a. Provide assurance to Ministers that each department has a plan in place to deliver within set baselines, subject to Ministerial comfort with associated trade-offs; and
 - b. Surface fiscal sustainability, performance and delivery risks to Ministers, identify levers available to address these and confirm the ongoing approach to managing them.
5. Ministers and the Cabinet Expenditure and Regulatory Review Committee (EXP) are the primary audience for the Performance Plans. They are designed to enable Ministers to discuss cross-government trade-off considerations and to inform Budget decisions.

Key messages for the Energy portfolio plan

6. The Portfolio plans are in draft form, and there is further work and assurance processes continuing alongside the Treasury process.
7. The key issues section notes the importance of the Energy system to the operation of the economy and society, and sets out the work programme necessary to support the energy system transition to a more complex, larger scale equilibrium.
8. Our key concern is the resourcing for the policy and regulatory work to enable the market to adjust and deliver for New Zealand. We have noted this work as a cost pressure for MBIE (particularly in light of a declining baseline) and the EA (who are facing market operations cost pressures, as well as volume pressures)
9. The Portfolio has a substantial grants programme, we have yet to receive advice from Treasury about whether these are likely to be considered for savings. It is worth noting that many of the funds are time-limited, and some are part levy-funded, which affects options for reprioritisation. There is some scope for the Government to make choices about the use of these funds, however. They are currently targeted at technology innovation and diffusion, in addition to delivery of Warmer Kiwi Homes.

Specific Fiscal Risks

10. The Portfolio Plan includes a section for Specific Fiscal Risks (page 2). We have included revenue risks, as well as initiatives you are actively considering. Confidential advice to Government

Cost Pressures

11. There are three cost pressures included in the Portfolio Plan. The following table provides a breakdown by cost pressure (these are aggregated into types of cost pressure in the Portfolio Plan). We would like to discuss your preferred approach for these cost pressure.:

Cost pressure (\$m)						Option for managing
<i>Market operator contracts price increase, and IT upgrade (Electricity Authority)</i>						The EA is currently negotiating these contracts, and will seek to minimise cost increases. They have also indicated some scope to reprioritise their work programme (though this will have implications for accelerating their deliverables). The third option is to allow a levy increase to cover these costs.
24/25	25/26	26/27	27/28	28/29	Confidential advice to Government; Commercial Information	
<i>Electricity Authority volume pressures resulting from accelerated work programme</i>						The EA has a broad work programme, and has agreed to accelerate many deliverables following discussions with the sector and yourself. In addition they are an important part of delivering security of supply response initiatives. There is likely to be some scope for reprioritisation, however, you may also wish to consider a levy increase to cover costs.
24/25	25/26	26/27	27/28	28/29	Confidential advice to Government; Commercial Information	
<i>Declining baseline for MBIE policy resource</i>						MBIE has a declining policy advice baseline. While this was partly addressed in Budget 2024 by re-phasing project funding, the 2028/29 funding is nearly half of 2024/25. We have included a cost pressure to maintain current levels of resourcing. In addition, due to the response work in the current financial year, we now anticipate a shortfall of up to \$1m in 2024/25. This could be funded either through a budget bid, reprioritisation of grants, or a combination.
24/25	25/26	26/27	27/28	28/29	Confidential advice to Government; Commercial Information	

12. There are many unknowns about Budget 25 and other upcoming guidance from central agencies. Any further decisions requiring MBIE to deliver its work in a different way that impacts our budgets will have an impact on cost pressures. This will have to be worked on in due course, as clearer and definitive information is available.

Next steps

13. Discuss and provide any feedback on the draft portfolio plan. We require your approval to submit the portfolio plan by the 11th of October to meet the Treasury's deadlines.
14. The Treasury has given agencies the following deadlines to meet:
- 17 October – Draft Performance Plans (including portfolio plans) uploaded to Treasury
 - 7 November – Performance Plans uploaded to Treasury for central agencies review
 - December 2024 – Central agencies review completed
 - Early 2025 – Performance Plans go to EXP

- e. June 2025 – Final Performance Plans complete

Annexes

Annex 1: Draft Energy portfolio plan

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