

MINISTER FOR ENERGY AND UTILITIES AND MINISTER FOR SCIENCE AND MEDICAL RESEARCH

OVERVIEW

<i>Agency</i>	<i>Budget 2003-04 \$m</i>	<i>Budget 2004-05 \$m</i>	<i>Variation %</i>
Department of Energy, Utilities and Sustainability			
Total Expenses	252.6	156.2	-38.2*
Asset Acquisitions	24.9	0.4	-98.2
Payments for Water and Sewerage Assistance			
Total Expenses	89.8	91.6	2.0
Asset Acquisitions
Ministry for Science and Medical Research			
Total Expenses	3.5	9.2	164.0
Asset Acquisitions	0.4	n.a.
Total, Minister for Energy and Utilities, and Minister for Science and Medical Research			
Total Expenses	345.9	257.1	-25.7
Asset Acquisitions	24.9	0.8	-96.8

* The State Water business unit of the Department will become a standalone state owned corporation from 1 July 2004. This accounts for most of the fall in expenditure and asset acquisitions by the Department projected for 2004-05.

DEPARTMENT OF ENERGY, UTILITIES AND SUSTAINABILITY

EXPENDITURE TRENDS AND RECENT DEVELOPMENTS

In November 2003, the Premier announced a new Department of Energy, Utilities and Sustainability, as part of a broader policy announcement which included the establishment of the Greenhouse Office within the Premier's Portfolio. The new Department formally replaced the Ministry of Energy and Utilities on 1 January 2004.

As part of the restructure some of the functions of the Sustainable Energy Development Authority (SEDA) will be transferred to the Department on 1 July 2004. The transferred functions relate to demand management, energy efficiency and renewable energy. Although the transfer has not yet been formalised, SEDA's budget and revised projections for 2003-04 have been included in the Department's figures.

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STRATEGIC DIRECTIONS

The Department of Energy, Utilities and Sustainability (DEUS) provides the Minister for Energy and Utilities with strategic policy, legislative and regulatory advice in relation to the State's energy sector, urban and rural water utilities, and related social programs.

In collaboration with the energy industry, urban water utilities, other government agencies, consumer groups, businesses and other stakeholders, DEUS assists the government in choosing and implementing the best strategies for promoting the efficient, safe, reliable and ecologically sustainable supply and use of energy and water services. DEUS also develops and implements appropriate frameworks to improve the performance of the energy and water industries.

DEUS is focused on ongoing competition reform of the State's natural gas and electricity markets, the sustainable use of energy and water, integrated water cycle management, safety, supply reliability, and the promotion of demand management.

In particular, DEUS provides the following services:

- ◆ policy advice on the future directions of energy and water utilities in New South Wales¹;
- ◆ administration of regulatory frameworks that facilitate the operation of safe, reliable, technically efficient and environmentally responsible energy and water networks;

¹ DEUS's role in relation to water focuses on industry regulation, customer protection and demand management. Broader water resource management services are provided by the Department of Infrastructure, Planning and Natural Resources.

- ◆ promotion and maintenance of appropriate and effective competition in gas and electricity supply markets, including the further development of national energy market frameworks in partnership with other States;
- ◆ development of more efficient, economical and environmentally sound energy and water supply systems through greater application of demand management;
- ◆ promotion of, and assistance for, sustainable energy technologies;
- ◆ greenhouse gas abatement programs and services for industry, business, government and the community;
- ◆ management of social and other funding programs, including pensioner energy rebates, the Energy Accounts Payment Assistance Scheme, and the Country Towns Water Supply and Sewerage Program;
- ◆ monitoring water utility performance in non-urban New South Wales, including audit, benchmarking and statewide reporting;
- ◆ facilitate substantial compliance with the Best Practice Management Guidelines by Local Water Utilities; and
- ◆ drought funding assistance for Local Water Utilities.

In addition, DEUS will:

- ◆ continue to monitor the ongoing effectiveness of full retail competition for gas and electricity, and implement policy changes where necessary to further enhance consumer protection;
- ◆ monitor the performance and compliance of the NSW water utility industry's progress towards meeting Council of Australian Governments and National Competition Policy commitments;
- ◆ enhance Government and private sector understanding of the State's energy reserves, future demand and supply scenarios, and development opportunities through the Statement of System Opportunities;
- ◆ in conjunction with Treasury, advise the Minister on policy issues raised in, and actively contribute to, the Ministerial Council on Energy;

- ◆ monitor and refine the electricity retailer greenhouse benchmark penalties scheme; and
- ◆ develop and implement Integrated Water Cycle Management and a Demand Management Program for Local Water Utilities.

2004-05 BUDGET

Total Expenses

Total expenses in 2004-05 for the Department of Energy, Utilities and Sustainability are estimated at \$156.2 million, a decrease of \$96.4 million on the previous year's budget. The decrease is due primarily to the establishment of State Water as a separate corporation, and specific savings measures that were announced as part of the mini-Budget.

Major expenditures in 2004-05 include:

- ◆ \$36.2 million government contribution towards the delivery of backlog water supply and sewerage projects in country towns;
- ◆ \$79.8 million for pensioner energy and electricity life support rebates;
- ◆ \$8.4 million for the Energy Accounts Payment Assistance program; and
- ◆ \$10.5 million government funding subsidy to State Water for its capital expenditure program.

Asset Acquisitions

Total asset acquisitions in 2004-05 are estimated at \$0.4 million to replace and upgrade plant and equipment, information technology and communication assets.

Assets forming part of State Water will be transferred out of DEUS from 1 July 2004. As a result, the Department's total assets will decrease from over \$2 billion to \$68.5 million. The assets transferred out include 18 large dams and over 400 weirs, regulators and associated assets.

PAYMENTS FOR WATER AND SEWERAGE ASSISTANCE

Payments for Water and Sewerage Assistance provides social program funding, totalling \$91.6 million, to Sydney and Hunter Water Corporations largely for:

- ◆ concessions granted to pensioners on water and sewerage rates (\$80 million in 2004-05);
- ◆ concessions granted to properties exempt from water and sewerage rates (\$9.5 million in 2004-05); and
- ◆ the connection of selected un-sewered areas to the sewerage network, based on public health and environmental priorities (\$1.3 million in 2004-05).

MINISTRY FOR SCIENCE AND MEDICAL RESEARCH

The Ministry for Science and Medical Research was established on 1 December 2003. The Ministry's objective is to drive growth and innovation in science and medical research to achieve better health, environmental and economic outcomes for the people of New South Wales.

EXPENDITURE TRENDS AND RECENT DEVELOPMENTS

The Ministry's expenses will increase from \$3.5 million in 2003-04 to \$9.2 million in 2004-05. Increased funding is mainly due to the Ministry operating for a full year and administering funding programs such as the Premier's Spinal Cord Injury Fund and the BioFirst Awards.

STRATEGIC DIRECTIONS

The Ministry provides advice, leadership and direction in shaping whole-of-government policy, programs and investment in the area of science, innovation and medical research. This work is complemented by the Ministry's role in the provision of information services, administration of grant and funding programs, the development of capacity building initiatives and the fostering of key collaborations across government, industry and public institutions.

2004-05 BUDGET

Total Expenses

The Ministry's total expenses are estimated at \$9.2 million in 2004-05. Total funding for grants and programs is \$5.6 million, including \$2 million for the BioFirst Awards and BioLink, \$2.6 million for the Spinal Fund and \$0.6 million for the BioEthics program.

Asset Acquisitions

The 2004-05 program totals \$0.4 million. This will be used for the purchase of office equipment to meet the expected increase in the Ministry's staff numbers.