

## STATE SUPPLY OF ELECTRICAL ENERGY AMENDMENT BILL (No. 2)

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### EXPLANATORY NOTE

THE main purpose of this Bill is to prescribe the basis for calculating the prices to be charged to supply authorities for the supply of electrical energy by the Minister.

*Clause 2:* The purpose of this clause is to provide a new basis on which charges and expenses incurred in the production and supply of electric power will be estimated.

At present the prices charged by the Minister for the supply and sale of electrical energy to supply authorities are approximately equal to the estimated amount of the working expenses and capital charges incurred in the management, operation, and maintenance of all schemes for the production and supply of electrical energy.

Those expenses and charges comprise the following main items:

- (a) Interest charges:
- (b) Depreciation charges:
- (c) Working expenses:
- (d) Loan repayment charges:
- (e) Taxation.

It is proposed that two of those items (those referred to in paragraphs (d) and (e)) will not in future be taken into account when estimating expenses and charges. It has been agreed that provision will be made for an annual payment to the Reserve Fund to provide for future capital works.

The method of calculation providing the basis on which charges to supply authorities for the bulk supply of power will be made will be to add—

- (i) The total of the items referred to in paragraphs (a), (b), and (c) above; and
- (ii) A proportion of that total providing an amount sufficient for loan repayment charges and the agreed provision for future capital works.

Loan repayment charges will be a first charge on surplus revenue after items (a), (b), and (c) have been provided for, and the balance of surplus revenue will be paid to the Reserve Fund where it will be available for capital expenditure.

The full amount so available for capital expenditure will not all be provided by the increased charges. Income tax will not in future be payable. Taxation relief will be provided by a separate amendment to the Land and Income Tax Act 1954.

Therefore, the only item which by reason of the clause will be translated into an increased charge for the bulk supply of power will be that portion of the amount required to be available for capital expenditure which is not saved by relief from taxation.

The estimated effect of the changes proposed by the Bill and by the tax amendment is that the charge to supply authorities will be at the rate of 0·09d. per unit more than the total charge would have been if the present system of calculation were continued.

*Clause 3:* The effect of this clause is that, in future, interest on the capital cost of the construction of a scheme will not be capitalised during the period of construction but will be paid from revenue as it becomes due.

*Clause 4:* The effect of the amendments proposed by this clause is that the setting aside in each year, in accordance with section 9 of the Finance Act (No. 2) 1944, of specified amounts for the reduction of capital liability will not be dependent on the making of a surplus profit for that year.

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*Hon. Mr Goosman*

**STATE SUPPLY OF ELECTRICAL ENERGY  
AMENDMENT (No. 2)**

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ANALYSIS

Title		
1. Short Title and commencement		3. Interest on capital cost of scheme
2. Calculation of prices for supply of electrical energy by State		4. As to payments to Loans Redemption Account

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**A BILL INTITULED**

**An Act to amend the State Supply of Electrical Energy Act  
1917**

5 BE IT ENACTED by the General Assembly of New Zealand  
in Parliament assembled, and by the authority of the same,  
as follows:

10 **1. Short Title and commencement**—(1) This Act may be  
cited as the State Supply of Electrical Energy Amendment  
Act (No. 2) 1957, and shall be read together with and  
deemed part of the State Supply of Electrical Energy Act  
1917 (hereinafter referred to as the principal Act).

(2) This Act shall come into force on the first day of April,  
nineteen hundred and fifty-eight.

15 **2. Calculation of prices for supply of electrical energy by  
State**—The principal Act is hereby amended by inserting,  
after section three, the following section:

“3A. (1) The prices charged for all electrical energy supplied and sold to supply authorities pursuant to section three of this Act and section three hundred and eleven of the Public Works Act 1928 shall be so calculated as to produce, in respect of the period for which the prices are charged, an amount of revenue which, together with all other revenues which it is estimated by the Minister will be paid into the Electric Supply Account in respect of that period, is twenty-five per cent more than the total amount which it is estimated by the Minister will be required to make full provision in respect of that period for all charges and expenses in connection with the management, operation, and maintenance of every scheme. Charges and expenses as aforesaid shall include amounts required to be appropriated for the purposes of the Depreciation Reserve under section eleven of this Act and payments for interest required to be made from the Electric Supply Account under subsection five of section fourteen of the New Zealand Loans Act 1953, but shall not include the amounts required to be set aside for the reduction of capital liability under subsection one of section nine of the Finance Act (No. 2) 1944.

“(2) In each financial year the surplus of all such revenues over all such charges and expenses as aforesaid shall be applied firstly, in the setting aside of the amount required to be set aside for the reduction of capital liability under subsection one of section nine of the Finance Act (No. 2) 1944 and secondly, in the transfer of the residue of the surplus to the credit of the Reserve Fund in accordance with section thirteen of this Act.”

**3. Interest on capital cost of scheme—**(1) The principal Act is hereby amended by inserting, after section seven, the following section:

“7A. Notwithstanding the provisions of section seven of this Act, that section shall not apply to any amount paid or payable as interest on money expended, after the commencement of this Act, in connection with any scheme or extension.”

(2) Section nine of the principal Act is hereby amended by repealing subsection two.

**4. As to payments to Loans Redemption Account—**(1) Section nine of the Finance Act (No. 2) 1944, as amended by subsection two of section fifteen of the Finance Act 1954, is hereby further amended as follows:

- 5 (a) By omitting from subsection one the words “but only to the extent that the surplus profits for that year are sufficient:”
- (b) By repealing subsection four.
- 10 (2) Section fifteen of the Finance Act 1954 is hereby amended by repealing paragraph (a) of subsection two.