



7 February 2020

Nicola Falcon
General Manager, Forecasting
Australian Energy Market Operator (AEMO)

Submitted via email: forecasting.planning@aemo.com.au

Dear Ms Falcon,

AEMO'S 2020 FORECASTING INPUTS AND ASSUMPTIONS CONSULTATION PAPER

Origin Energy Limited (Origin) welcomes the opportunity to comment on AEMO's consultation paper on the key 2020 forecasting inputs and supporting materials.

Origin appreciates the level of consultation undertaken by AEMO on the inputs, scenarios and assumptions that underpin its forecasting processes. Transparency is important to instil confidence and improve the robustness of forecasts. Our comments are aimed at supporting transparency, while seeking clarification on the drivers behind some inputs, including consumption forecasts and fuel costs.

Consumption and maximum demand

The current maximum demand forecasts appear to grow at a faster rate from the late 2020s. It is not clear what the drivers and assumptions behind this trend are. We would welcome an explanation of the drivers behind AEMO's demand forecasts once they are updated.

For example, it appears that demand growth from the late 2020s is correlated with electric vehicle (EV) growth forecasts. If EVs are the primary driver of the overall growth in demand, we would welcome clarity on AEMO's rationale around the strength of the relationship between EV uptake and demand.

In terms of the inputs into the demand forecasts:

- Large industrial loads

Given the ongoing uncertainty around the potential closure of smelters and their relatively high impact on total consumption, we would welcome clarity on how AEMO has captured the risk of smelters closing down in its consumption forecasts, particularly in the central scenario.

- Rooftop PV

The growth profile for residential PV uptake appears to be flatter than current trends and only increases post 2030, especially in the neutral and low growth scenarios. We seek clarification on why that may be the case, particularly given that rooftop PV installation rates have been above historical levels recently.

Generation fuel costs

We would welcome commentary on how CORE Energy's gas price estimates have incorporated the ongoing gas market policy uncertainty.

Consistency of scenarios and assumptions

It is unclear to what extent the scenarios and assumptions (e.g. exchange rates) used by the various consultants commissioned by AEMO vary. For example, it appears that Wood Mackenzie's scenarios

and assumptions for coal prices in July 2019 differ from those used by CORE Energy in December 2019 in forecasting gas prices.

As forecasts are meant to be internally consistent, we would welcome clarity as to the impact, if any, of the variability in scenarios and assumptions across AEMO's and consultants' forecasts.

Consultation process

In order to promote further transparency and confidence in forecasts, AEMO should provide its full models to participants once they have been created. This would be consistent with the 2019 Electricity Statement of Opportunities (ESOO). Where possible, the full models and outputs should be provided ahead of finalising the relevant reports to allow stakeholders to digest and comment on the outcomes.

Should you have any questions or wish to discuss this submission further, please contact Sarah-Jane Derby at Sarah-Jane.Derby@originenergy.com.au or by phone, on (02) 8345 5101.

Yours sincerely



Steve Reid
Group Manager, Regulatory Policy