

# Draft decision

**Jemena Gas Networks (NSW) access  
arrangement 2025 to 2030  
(1 July 2025 to 30 June 2030)**

**Attachment 12 – Demand**

**November 2024**

© Commonwealth of Australia 2024

This work is copyright. In addition to any use permitted under the *Copyright Act 1968* all material contained within this work is provided under a Creative Commons Attributions 4.0 Australia licence with the exception of:

- the Commonwealth Coat of Arms
- the ACCC and AER logos
- any illustration diagram, photograph or graphic over which the Australian Competition and Consumer Commission does not hold copyright but which may be part of or contained within this publication.

The details of the relevant licence conditions are available on the Creative Commons website as is the full legal code for the CC BY 4.0 AU licence.

**Important notice**

The information in this publication is for general guidance only. It does not constitute legal or other professional advice. You should seek legal advice or other professional advice in relation to your particular circumstances.

The AER has made every reasonable effort to provide current and accurate information, but it does not warrant or make any guarantees about the accuracy, currency or completeness of information in this publication.

Parties who wish to re-publish or otherwise use the information in this publication should check the information for currency and accuracy prior to publication.

Inquiries about this publication should be addressed to:

Australian Energy Regulator  
 GPO Box 3131  
 Canberra ACT 2601  
 Email: [aer inquiry@ aer.gov.au](mailto:aer inquiry@ aer.gov.au)  
 Tel: 1300 585 165

AER reference: AER22005460

Version	Date	Pages
1	29 November 2024	21

## List of attachments

This attachment forms part of our draft decision on the access arrangement that will apply to Jemena Gas Networks (NSW) for the 2025–30 access arrangement period. It should be read with all other parts of this draft decision.

The draft decision includes the following documents:

Overview

Attachment 1 – Services covered by the access arrangement (no attachment - covered in the Overview)

Attachment 2 – Capital base

Attachment 3 – Rate of return

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

Attachment 8 – Efficiency carryover mechanism

Attachment 9 – Reference tariff setting

Attachment 10 – Reference tariff variation mechanism

Attachment 11 – Non-tariff components

Attachment 12 – Demand

Attachment 13 – Capital expenditure sharing scheme

## Contents

<b>List of attachments</b> .....	<b>iii</b>
<b>12 Demand</b> .....	<b>1</b>
12.1 Draft decision.....	1
12.2 JGN's proposal .....	2
12.3 Assessment approach .....	5
12.4 Reasons for draft decision .....	6
12.5 Revisions .....	15
<b>Glossary</b> .....	<b>17</b>

## 12 Demand

This attachment sets out our assessment of Jemena Gas Networks' (JGN) (NSW) for the 2025–30 access arrangement period (2025–30 period). Demand is an important input into the derivation of JGN's reference tariffs. This is because tariffs are set by dividing total revenue by forecast demand. It also affects operating expenditure (opex) and capital expenditure (capex), in terms of new connections capex and opex for output growth.

### 12.1 Draft decision

Our draft decision is to not accept JGN's demand forecast for the 2025–30 period. We do not consider JGN's proposed demand forecast was arrived at on a reasonable basis, or that it represents the best forecast possible in the circumstances, as required by rule 74(2) of the National Gas Rules (NGR). We have included an alternative estimate that we consider better meets the requirements of the NGR. Table 12.1 shows our draft decision for residential and commercial demand, while Table 12.2 shows our draft decision for industrial demand. Our alternative forecast differs from JGN's proposal by having a lower rate of disconnections for residential customers, and a slower decline in usage per customer for residential and commercial customers. We do not accept JGN's industrial demand forecast, but we have used its forecast as a placeholder. We expect JGN to provide additional information and analysis in its revised proposal.

**Table 12.1 Draft decision forecast for residential and commercial customers**

	2025-26	2026-27	2027-28	2028-29	2029-30	Change over period
<b>Residential connections</b>	1,530,710	1,544,152	1,551,521	1,549,720	1,537,243	<b>0.43%</b>
<b>Residential demand (TJ)</b>	28,069	28,220	27,906	27,675	27,153	<b>-3.26%</b>
<b>Residential demand per customer (GJ)</b>	18.34	18.28	17.99	17.86	17.66	<b>-3.67%</b>
<b>Commercial connections</b>	33,850	33,685	33,525	33,357	33,181	<b>-1.98%</b>
<b>Commercial demand (TJ)</b>	12,564	12,414	12,102	11,893	11,608	<b>-7.61%</b>
<b>Commercial demand per customer (GJ)</b>	371.17	368.52	360.98	356.53	349.83	<b>-5.75%</b>

Source: ACIL Allen, *Review of Jemena Gas Network's demand forecasts*, November 2024; AER analysis

**Table 12.2 Draft decision forecast for industrial customers (placeholder only)**

	2025-26	2026-27	2027-28	2028-29	2029-30	Change over period
<b>Industrial connections</b>	370	368	366	363	360	<b>-2.8%</b>
<b>Annual Contract Quantity (ACQ) (TJ)</b>	45,468	46,110	44,328	42,107	41,709	<b>-8.3%</b>
<b>Maximum Daily Quantity (MDQ) (TJ)</b>	238	240	224	214	213	<b>-10.5%</b>

Source: JGN, *JGN - Att 8.1 - Overview of JGN's demand forecast - June 2024*, June 2024.

Note: We are using JGN's own forecast as a placeholder.

## 12.2 JGN's proposal

JGN engaged CORE Energy & Resources (CORE) to prepare demand forecasts for its network for the 2025–30 period. A summary of the key aspects of JGN's demand forecasts is set out in Table 12.3 (residential and commercial) and Table 12.4 (industrial).

**Table 12.3 JGN’s demand forecast for residential and commercial customers**

	2025-26	2026-27	2027-28	2028-29	2029-30	Change over period
<b>Residential connections</b>	1,523,419	1,531,077	1,532,245	1,523,752	1,498,366	<b>-1.6%</b>
<b>Residential demand (TJ)</b>	27,951	27,757	27,309	26,662	25,666	<b>-8.2%</b>
<b>Residential demand per customer (GJ)</b>	18.35	18.13	17.82	17.50	17.13	<b>-6.6%</b>
<b>Commercial connections</b>	33,850	33,685	33,525	33,357	33,181	<b>-2.0%</b>
<b>Commercial demand (TJ)</b>	12,560	12,217	11,785	11,296	10,646	<b>-15.2%</b>
<b>Commercial demand per customer (GJ)</b>	371.05	362.68	351.53	338.64	320.85	<b>-13.5%</b>

Source: JGN, JGN - Att 8.1 - Overview of JGN's demand forecast - June 2024, June 2024.

**Table 12.4 JGN’s demand forecast for industrial customers**

	2025-26	2026-27	2027-28	2028-29	2029-30	Change over period
<b>Industrial connections</b>	370	368	366	363	360	<b>-2.8%</b>
<b>Annual Contract Quantity (ACQ) (TJ)</b>	45,468	46,110	44,328	42,107	41,709	<b>-8.3%</b>
<b>Maximum Daily Quantity (MDQ) (TJ)</b>	238	240	224	214	213	<b>-10.5%</b>

Source: JGN, JGN - Att 8.1 - Overview of JGN's demand forecast - June 2024, June 2024.

For residential customers, CORE forecast a fall in the number of customers connected to the network, along with a reduction in the amount of gas each household uses.

CORE considers the drop in gas connections is due to:<sup>1</sup>

- a material fall in new dwelling completions and commencements in NSW over the forecast period
- a decline in the proportion of those new dwellings connecting due to:
  - a high proportion of new dwelling activity happening outside of JGN’s service area
  - a higher proportion of multi dwelling developments, which have a materially lower penetration rate
  - forecast increases in the full electrification of new dwellings.
- A moderate increase in disconnections and abolishments in the first 2 years of the period, followed by a material increase for the remainder as government policy and consumer preferences drive electrification.

Meanwhile, CORE considers usage per customer will fall due to an increase in more energy efficient appliances in new dwellings, along with electrification and the penetration of solar and battery storage as a substitute for gas.<sup>2</sup> It also notes that changes to its connections policy, which require customers to contribute more up front to their connection cost, may further discourage new connections.<sup>3</sup>

For small business customers, CORE considers connections would fall due to:

- a slower rate of growth in small business activity due to a lower rate of economic growth for several years
- a trend toward substitution of gas appliances in favour of electrical alternatives, including growth in solar and battery use
- assumptions around the annual appliance replacement rate
- consumer response to assumed increases in gas cost relative to electricity, combined with national and state requirements to improve energy efficiency.

Meanwhile, CORE considers small business usage per customer would fall due to improvements in energy efficiency, substitution with electric appliances, and a trend towards electric water heating and reverse-cycle air conditioning.

For industrial customers, JGN surveyed the largest customers to determine a base level of demand. It then adjusted this downward to account for energy efficiency and electrification initiatives in the industrial sector.

### 12.2.1 Stakeholder submissions

Alinta Energy noted there is a risk of JGN receiving higher than forecast revenue if demand is forecast too low. It also stated that the NSW Premier had ruled out a state-wide gas connections ban.<sup>4</sup> Ausgrid asked that we consider how JGN’s demand forecast links to

---

<sup>1</sup> CORE, *JGN - Core Energy - Att 8.2 - Demand Forecast Report - April 2024*, April 2024, p. 30.

<sup>2</sup> CORE, *JGN - Core Energy - Att 8.2 - Demand Forecast Report - April 2024*, April 2024, p. 8.

<sup>3</sup> JGN, *JGN 2025 Plan - June 2024*, June 2024, p. 117.

<sup>4</sup> Alinta Energy, Submission on JGN 2025-30 Access Arrangement Proposal - September 2024



AEMO's 2024 ISP. It argues that JGN have not sufficiently explained the deviation of its forecast from AEMO's scenarios.<sup>5</sup> The Institute for Energy Economics and Financial Analysis argues our decision on the access arrangement should support a managed decline in demand for JGN, and remove growth incentives from the network.<sup>6</sup>

Rewiring Australia notes that as the ISP forecasts a large decline in gas consumption by the mid-2040s, the AER's decision should manage the decline of the network through reducing gas demand and a reduction of network size and asset base. It also recommends greater granularity and transparency regarding demand data from JGN, arguing this will enable greater community input to decision-making and strategy.<sup>7</sup> CCP31 notes that forecasting demand in the current context is difficult, and should receive continued revision as close to final decision as possible.<sup>8</sup>

## 12.3 Assessment approach

Under the NGR, JGN must submit, as part of its access arrangement information:

- usage of the pipeline over the earlier access arrangement period showing minimum, maximum and average demand; and customer numbers in total and by tariff class<sup>9</sup>
- to the extent that it is practicable to forecast pipeline capacity and utilisation of pipeline capacity over the access arrangement period, a forecast of pipeline capacity and utilisation of pipeline capacity over that period and the basis on which the forecast has been derived.<sup>10</sup>

The NGR also require that forecasts and estimates:<sup>11</sup>

- be supported by a statement of the basis of the forecast or estimate
- are arrived at on a reasonable basis
- represent the best forecast or estimate possible in the circumstances.

There are two important considerations in assessing whether these are achieved:

- the appropriateness of the forecast methodology – this involves consideration of how the demand forecast has been developed
- whether or not relevant factors have been considered in developing demand forecasts.

To determine whether JGN's proposed demand forecasts were arrived at on a reasonable basis and are the best possible forecasts in the circumstances, we reviewed:

---

<sup>5</sup> Ausgrid, Submission on JGN 2025-30 Access Arrangement Proposal - September 2024,

<sup>6</sup> Institute for Energy Economics and Financial Analysis, Submission on JGN 2025-30 Access Arrangement Proposal - September 2024

<sup>7</sup> Rewiring Australia, Submission on JGN 2025-30 Access Arrangement Proposal - September 2024

<sup>8</sup> CCP31 - Advice to the AER - JGN 2025-30 Access Arrangement Proposal and Issues paper - September 2024

<sup>9</sup> NGR, Rule 72(1)(a)(iii)

<sup>10</sup> NGR Rule 72(1)(d)

<sup>11</sup> NGR Rule 74

- the information provided by JGN
- the data inputs used to implement the forecasting methodology.

In making our draft decision, we had regard to:

- information provided by JGN as part of its proposed access arrangement
- the analysis of our consultant ACIL Allen
- stakeholder submissions.

### **12.3.1 Interrelationships**

We have considered the relevant interrelationships between the different components of JGN's access arrangement as part of our analysis.

Several interrelationships exist. This includes the effect of forecast demand on the efficient amount of capex, opex, depreciation and tariffs in the 2025–30 period. In particular, the demand forecasts impact:

- residential and commercial connections capex – the number of new connections drives the volume of connections capex
- opex – the forecast total connections volume and total consumption (output growth) are used to determine whether additional opex is required to service the network. Total consumption is also used to forecast the volume of unaccounted for gas likely on JGN's network, which is funded through the opex building block
- reference tariffs – prices are based on forecast consumption (demand) per connection. Tariffs are determined by dividing the service provider's efficient cost (revenue) by quantity of service delivered (demand per connection). This means that an increase in demand per connection will reduce the tariff price (provided revenue stays the same)
- regulatory depreciation – demand forecasts are an input in our decision on accelerated depreciation. Our decision on accelerated depreciation takes into account, among other things, demand within the access arrangement period, and the longer-term trajectory of demand on the network. See Attachment 4 – Regulatory depreciation for our draft decision on accelerated depreciation.

## **12.4 Reasons for draft decision**

Rule 74(2) of the NGR requires forecasts in access arrangement proposals to be arrived at on a reasonable basis, and to represent the best forecast possible in the circumstances.

JGN's forecasts are broadly grouped into Volume (Tariff V) and Demand (Tariff D) customers. Tariff V customers are residential and commercial (small business) customers who consume less than 10 Terajoules (TJs) of gas in a year. Tariff D are large industrial customers who consume more than 10 TJs per year. We consider JGN's forecasts of Tariff V and Tariff D demand separately below.

### **12.4.1 Tariff V demand forecasts – residential and commercial customers**

JGN (through its consultant, CORE) has developed forecasts of new connections, disconnections and gas usage per customer for the 2025-30 access arrangement period.

JGN has forecast:

- a decline in the number of new customers connecting to the gas network
- an increase in the number of customers disconnecting from the network
- a fall in the amount of gas consumed by each customer.

In past gas access arrangement decisions, demand forecasts were largely based on observed historical trend and other economic data. New connections were based on the amount of economic and construction activity expected within the network’s service area, and the likelihood that a new dwelling would connect was based on historical trends. The number of customer disconnections and gas consumption per customer were based on historically observed trends, along with changes in energy efficiency.<sup>12</sup>

JGN’s forecast is an adjustment of this process, reflecting an increasing uncertainty over the use of gas networks, centring on efforts to decarbonise the energy sector. The forecast aims to capture factors driving falls in demand that are larger than can be explained by historical trend analysis. These include the impact of decarbonisation policies, changes in construction standards, changes to the amount customers pay upfront for connections, government subsidies for appliance switching, customer sentiment towards gas and possible future government gas policy.

We engaged ACIL Allen to provide expert advice on JGN’s forecast. We sought advice on whether JGN’s forecasts for residential and commercial demand were reasonable, and represented the best forecast possible in the circumstances, as required by the NGR.<sup>13</sup> We also sought ACIL Allen’s advice on a more reasonable alternative in the event it found deficiencies in JGN’s forecast. We consider forecasts for new customer connections, customer disconnections, and usage per customer below.

#### **12.4.1.1 New customer connections**

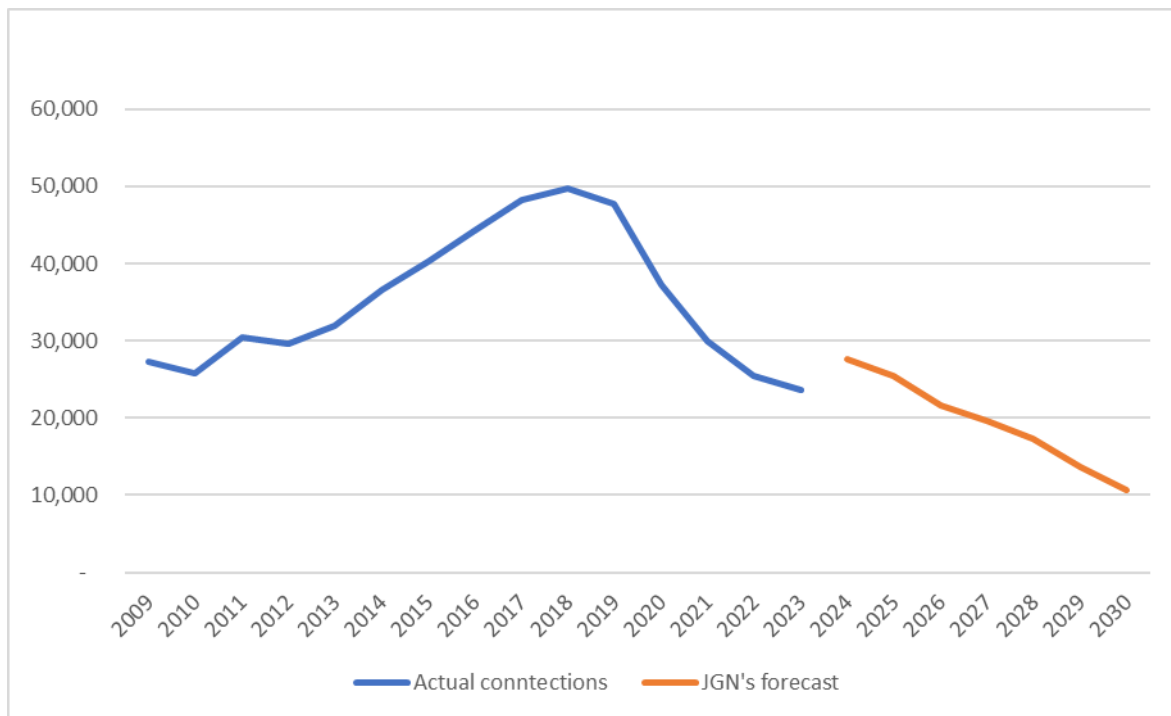
JGN has forecast approximately 83 thousand new residential connections over the 2025-30 access arrangement period, a fall of 37% from the current period. In the current period, JGN estimates that it has connected (or will connect) 132 thousand new residential customers.. Meanwhile, JGN forecasts that commercial connections will be relatively stable at around 3 thousand over the five-year period.

Figure 12.1 shows the annual number of connections for residential customers from 2009 to 2023 and the forecast from 2024 to 2030. This chart shows that the total number of connections grew year on year until 2018, after which they have fallen year on year, with a slight increase expected in 2024.

---

<sup>12</sup> The trend was based on historical weather normalised usage. That is, historical data was adjusted for warmer or colder than typical conditions that affect the use of gas.

<sup>13</sup> Rule 74(2) of the NGR requires forecasts in access arrangement proposals to be arrived at on a reasonable basis, and to represent the best forecast possible in the circumstances.

**Figure 12.1 JGN's actual and forecast new residential connections - 2009 to 2030**

Source: JGN, *JGN - Att 8.1 - Overview of JGN's demand forecast - June 2024*, June 2024.

ACIL Allen notes that the proportion of new dwellings connecting to the network has been in decline over the long-run, and that JGN's forecast is a continuation of this trend. ACIL Allen considers there are several factors driving the lower trend in connections, including:<sup>14</sup>

- it is considerably more economical to fit a new dwelling with new electric appliances from scratch, compared to upgrading existing electric connections in existing dwellings
- the increasing thermal performance standards of new dwellings will favour fully electric heat pump technologies over gas appliances
- a greater share of new dwellings will be multi-dwelling, rather than detached single dwelling, which require less energy to heat and cool, and are therefore more suited to electric appliances.

For commercial connections, ACIL Allen noted that there was an average of 719 per year from 2018-2023. ACIL Allen accepts that the average connections of 607 a year over the forecast period is reasonable, given incentives to improve energy efficiency, the rising cost of gas relative to electricity and a trend towards adoption of electric appliance.<sup>15</sup>

We agree with the ACIL Allen's advice on connections. We consider new connections will fall, even in the absence of an outright ban on new connections in the access arrangement period. We note that, in addition to the points considered by ACIL Allen, the increase in upfront cost to new customers connecting will also incentivise all electric new connections, and supports the continued fall in new dwellings choosing to connect put forward by JGN.

<sup>14</sup> ACIL Allen, *Review of Jemena Gas Network's demand forecasts*, November 2024, pp. 8-9.

<sup>15</sup> ACIL Allen, *Review of Jemena Gas Network's demand forecasts*, November 2024, p. 16.

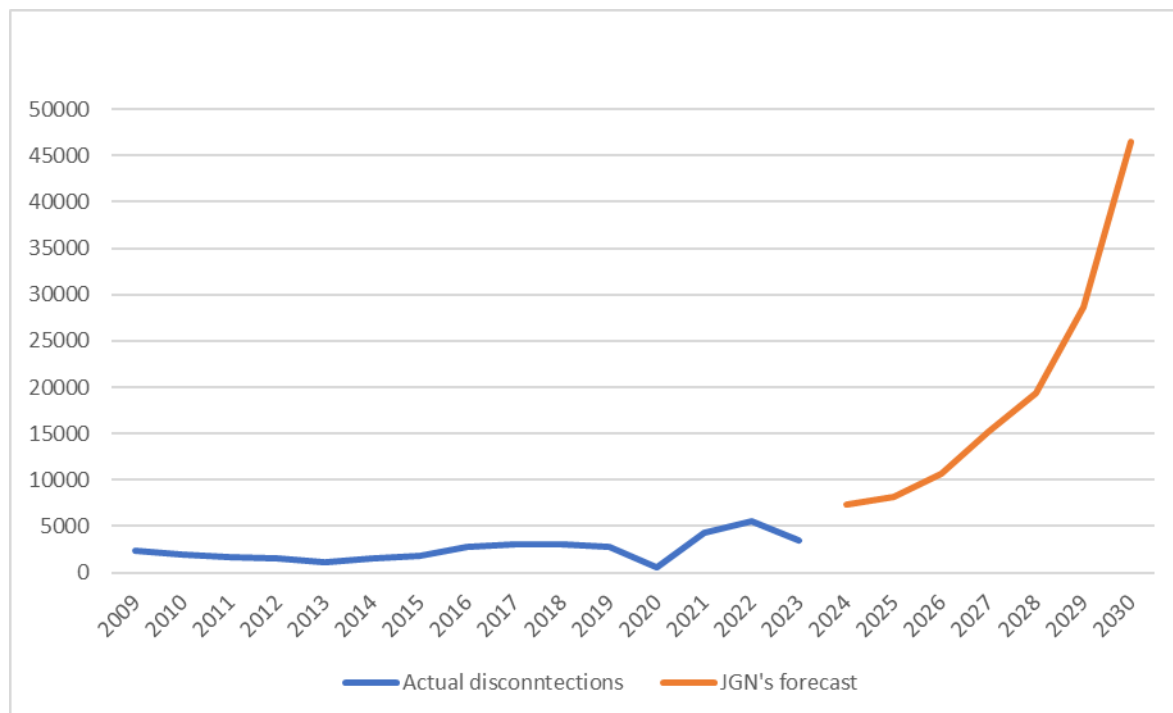
We consider JGN’s forecast of new connections was arrived at on a reasonable basis, and represents the best forecast in the circumstances.

#### 12.4.1.2 Customer disconnections

JGN has forecast approximately 120 thousand residential disconnections over the 2025-30 access arrangement period, compared with around 29 thousand in the current period. This is around four times higher than disconnections in the current period.

Figure 12.2 shows the annual number of disconnections for residential customers and the forecast from 2009 to 2030. JGN has forecast exponential growth in disconnections throughout the period.

**Figure 12.2 JGN actual and forecast disconnections - 2009 to 2030**



Source: JGN, *JGN - Att 8.1 - Overview of JGN's demand forecast - June 2024*, June 2024.

JGN forecasts that, by 2030, disconnection rates will be 10 times higher than those observed in 2023. ACIL Allen considers the rate of disconnection to be excessive and not sufficiently justified in the supporting information put forward by JGN. ACIL Allen considers that customer behaviour is unlikely to change so dramatically over a 5 year period.<sup>16</sup> To support this view, it conducted analysis of the relative attractiveness of gas versus electric appliances for existing dwellings. On the basis of this analysis, ACIL Allen found that, for cooking, hot water and ducted heating, switching from gas to electric had a negative net present value.<sup>17</sup> Only room heating had a positive net present value, which is supported by a NSW Government subsidy for installing reverse cycle air conditioning. ACIL Allen noted that the net present value of switching will improve by 2030, but it will remain negative. It noted that

<sup>16</sup> ACIL Allen, *Review of Jemena Gas Network's demand forecasts*, November 2024, p. 10.

<sup>17</sup> ACIL Allen, *Review of Jemena Gas Network's demand forecasts*, November 2024, p. 11.

the rebates and subsidies available, other than for reverse cycle air conditioning, are not of sufficient size to influence the switching decision.<sup>18</sup>

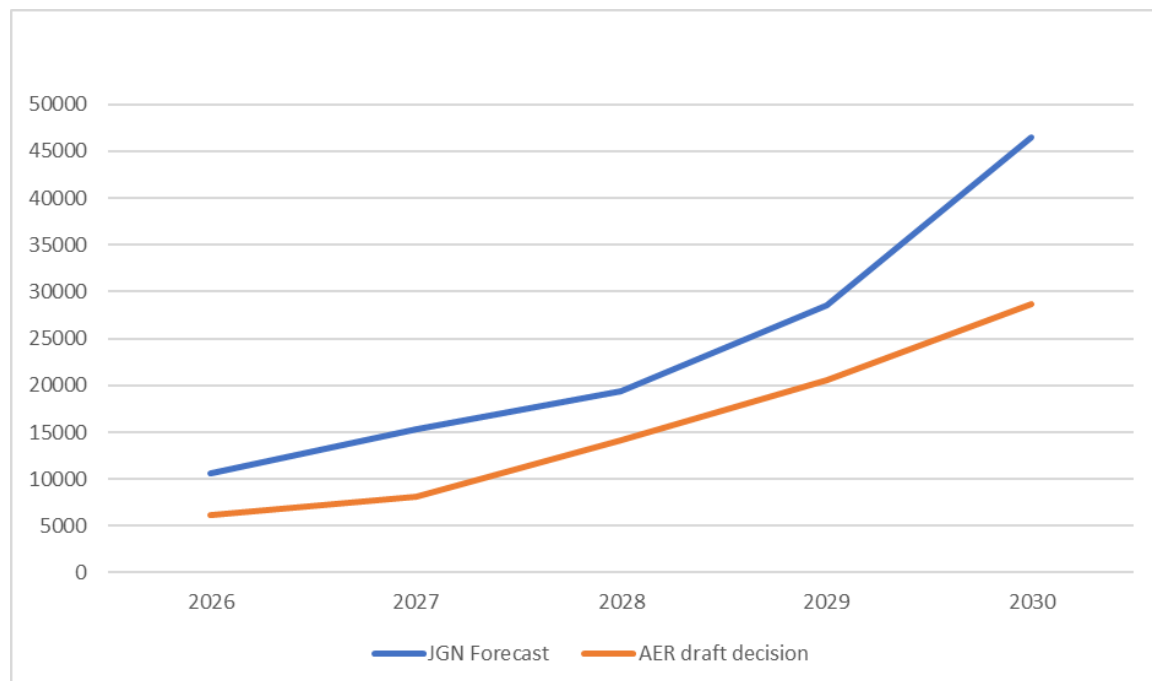
ACIL Allen prepared an alternative forecast that reflected its view on the likely disconnection rate. This forecast methodology is presented in its final report, and is based on the probability of existing gas connected dwellings switching over the access arrangement period, based on:<sup>19</sup>

- the relative capital costs of the appliances
- the relative running costs
- gas disconnection charges
- electricity upgrade connection costs and
- rebates for installing electric appliances

We agree with the ACIL Allen’s advice on disconnections. We accept that, while disconnection rates are likely to increase over the next 5 years, JGN has not justified an exponential increase, particularly in the absence of subsidies or other incentives of sufficient size to support switching.

We consider ACIL Allen’s proposed alternative forecast for disconnections is reasonable in the circumstances, and based on sound analysis and reasoning. We have included this in our alternative forecast of demand for JGN’s Tariff V customers. Figure 12.3 shows our draft decision on residential disconnections against JGN’s proposal.

**Figure 12.3 JGN’s forecast and AER draft decision on residential disconnections**



Source: JGN, *JGN - Att 8.1 - Overview of JGN's demand forecast - June 2024*, June 2024

<sup>18</sup> ACIL Allen, *Review of Jemena Gas Network's demand forecasts*, November 2024, p. 12.

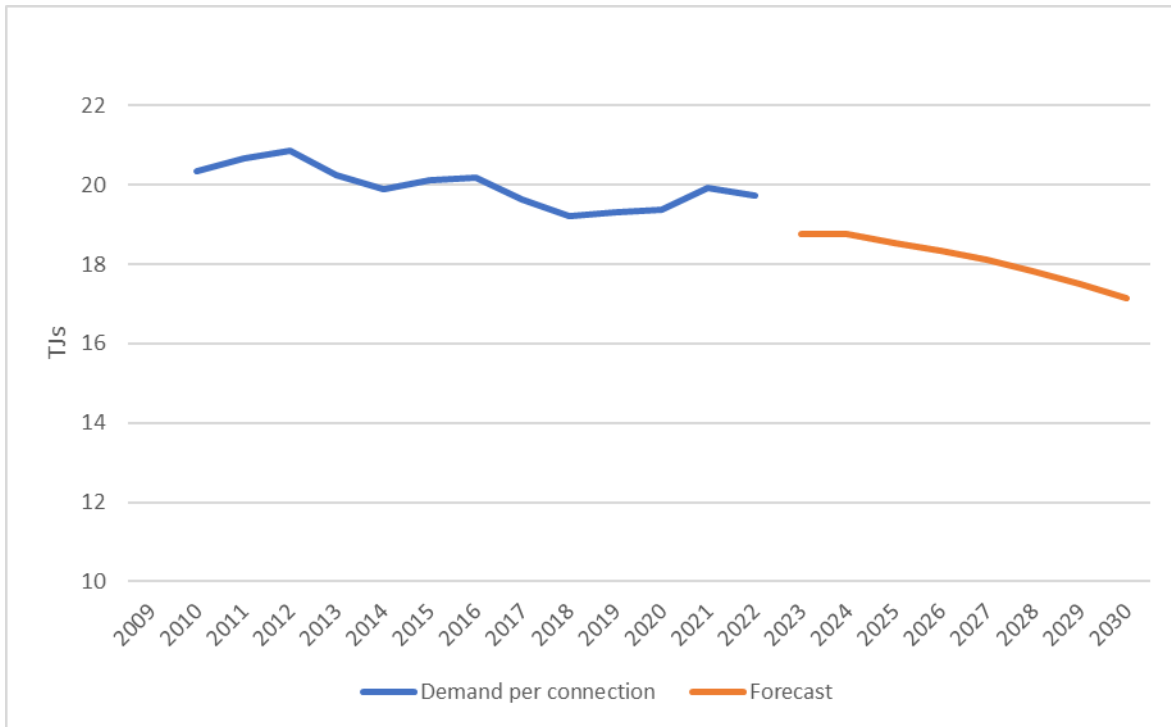
<sup>19</sup> ACIL Allen, *Review of Jemena Gas Network's demand forecasts*, November 2024, p. 20.

### 12.4.1.3 Gas consumption per customer

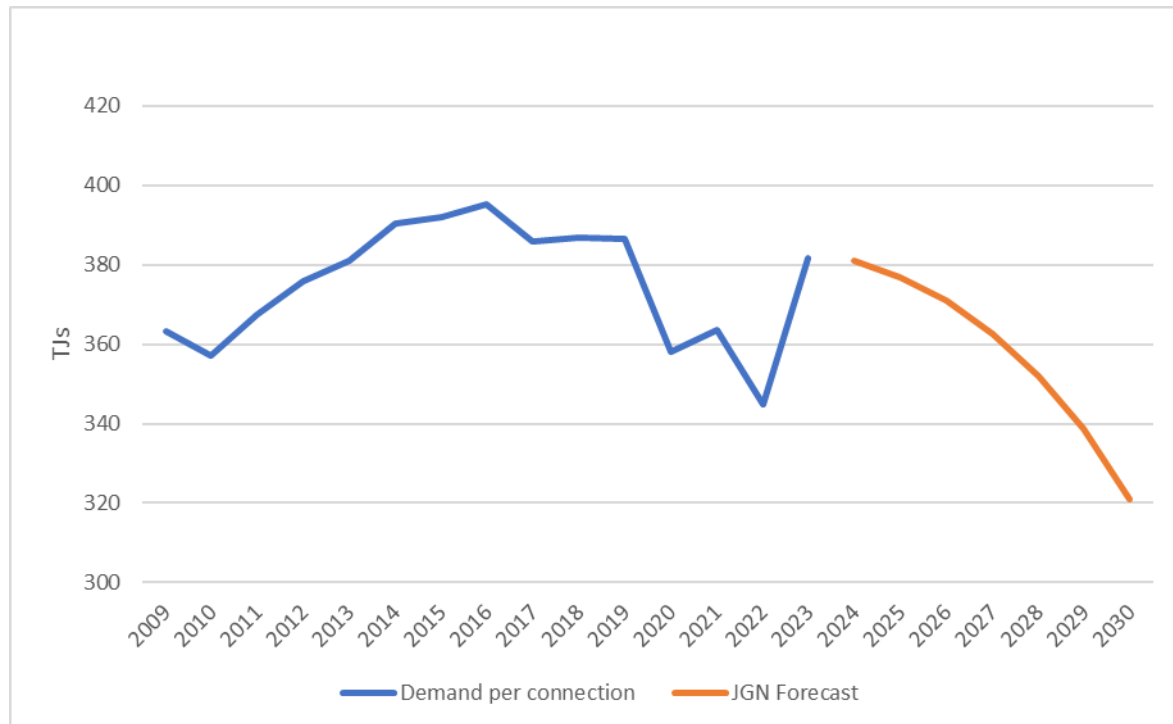
JGN has forecast residential demand per customer to fall by 1.56% per year during the 2025-30 period, while commercial demand per customer is forecast to fall by 3.64% per year over the same period. This compares with an average decline over the last 14 years of 0.84% for residential and 0.75% for commercial customers.

Figure 12.4 shows the annual decline in consumption per connection for residential customers, while Figure 12.5 shows the annual decline for commercial customers.

**Figure 12.4 JGN actual and forecast consumption per residential connection – 2009 to 2030**



Source: JGN, JGN - Att 8.1 - Overview of JGN's demand forecast - June 2024, June 2024.

**Figure 12.5 JGN actual and forecast consumption per commercial connection –2009 to 2030**

Source: JGN, *JGN - Att 8.1 - Overview of JGN's demand forecast - June 2024*, June 2024.

ACIL Allen considers there is some validity in JGN's forecast for the first two years of the access arrangement, particularly that improvements in energy efficiency and greater appliance switching may drive lower demand. However, but it does not consider JGN has provided analysis and information to support the accelerating decline in usage in the final 3 years of the access arrangement.<sup>20</sup>

ACIL Allen prepared an alternative forecast that reflected its view on the likely usage per customer in the access arrangement period. This forecast methodology is presented in its final report, and is based on modelling of regression analysis of historical usage, and modified for the impact of price differentials between electricity and gas.<sup>21</sup> ACIL Allen's analysis resulted in an annualised decline in usage per connection of 0.97% for residential customers<sup>22</sup> (compared to 1.56% forecast by JGN) and 1.45% for commercial customers<sup>23</sup> (compared to 3.16% forecast by JGN).

We agree with the ACIL Allen's advice on gas usage per customer. In particular, we accept that there is a long-term decline in gas use, and that this is likely to accelerate as electric alternatives become more affordable and the relative cost of electricity to gas improves. We note that JGN has not provided quantitative analysis in support of its forecast acceleration.

We consider ACIL Allen's proposed alternative forecast for usage per customer is reasonable in the circumstances, and based on sound analysis and reasoning. We have

<sup>20</sup> ACIL Allen, *Review of Jemena Gas Network's demand forecasts*, November 2024, p. 7.

<sup>21</sup> ACIL Allen, *Review of Jemena Gas Network's demand forecasts*, November 2024, pp. 18, 26.

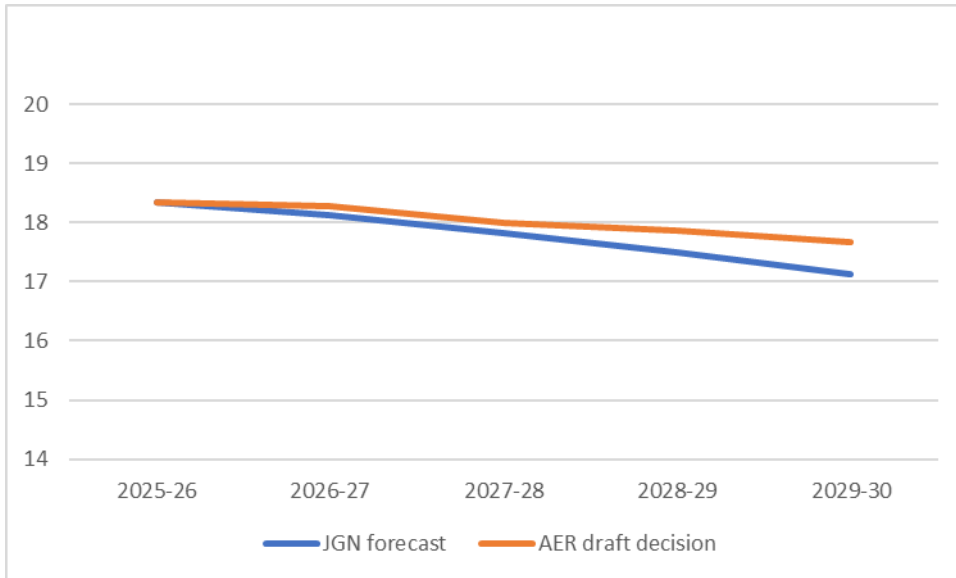
<sup>22</sup> ACIL Allen, *Review of Jemena Gas Network's demand forecasts*, November 2024, p. 19.

<sup>23</sup> ACIL Allen, *Review of Jemena Gas Network's demand forecasts*, November 2024, p. 27.



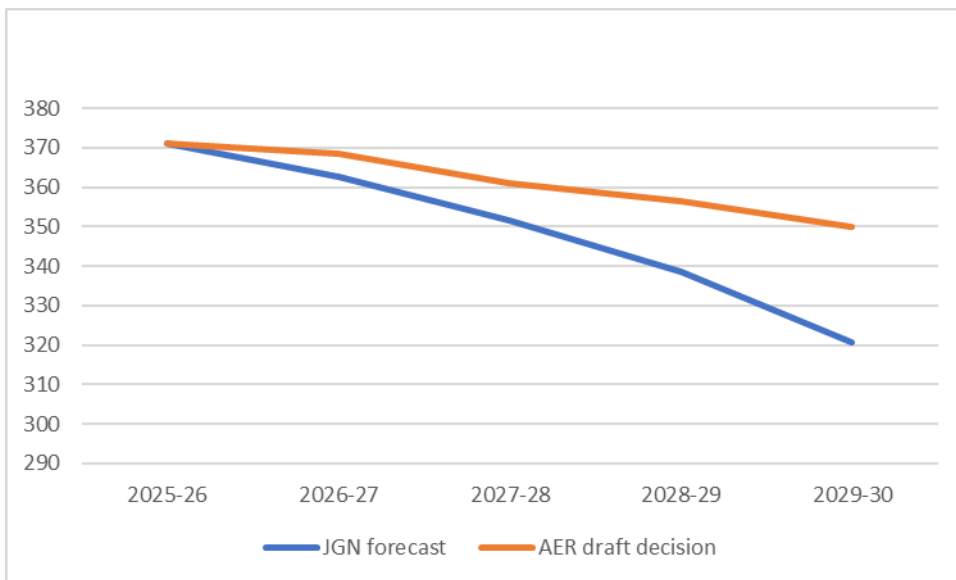
included this in our alternative forecast of demand for JGN’s Tariff V customers. Figure 12.6 and Figure 12.7 compare the JGN’s forecast and the AER’s draft decision for usage per customer for residential and commercial customers respectively.

**Figure 12.6 JGN forecast and AER draft decision - Residential demand per customer (GJ)**



Source: JGN, JGN - Att 8.1 - Overview of JGN's demand forecast - June 2024, June 2024

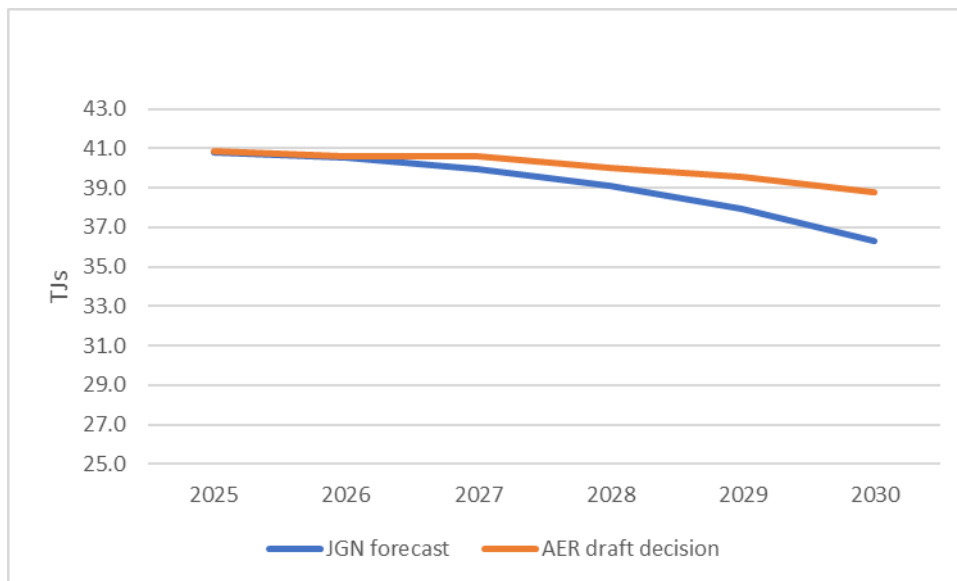
**Figure 12.7 JGN forecast and AER draft decision - Commercial demand per customer (GJ)**



Source: JGN, JGN - Att 8.1 - Overview of JGN's demand forecast - June 2024, June 2024

#### 12.4.1.4 Conclusion for Tariff V demand

We agree with JGN that usage is likely to fall over the access arrangement period. However, we do not consider it reasonable that usage will fall as rapidly as JGN has put forward. We consider that demand across Tariff V is likely to fall by 5.4% across the 5 years of the access arrangement, compared to JGN’s forecast of 12.3%. Figure 12.8 shows the difference between JGN’s forecast and our draft decision. This is based on revised forecasts of residential disconnections, and usage per customer for residential and commercial users.

**Figure 12.8 JGN and AER Tariff V usage forecast**

Source: JGN, *JGN - Att 8.1 - Overview of JGN's demand forecast - June 2024*, June 2024; ACIL Allen, *Review of Jemena Gas Network's demand forecasts*, November 2024.

There is opportunity for JGN to provide further information and analysis to support its forecast of demand in its revised proposal. This should include the assumptions and calculations undertaken by its consultant in determining the declines in per user demand and residential disconnections. JGN may also provide information such as surveys of customer appliance switching intentions and consumer sentiment surveys towards natural gas. If provided, we will consider whether these support JGN's demand forecast as part of our final decision.

JGN should also update its forecast to include the latest available data and information at the time of its revised proposal. We are open to JGN applying mid-period to vary its 2025–30 access arrangement if the trajectory of its demand is substantially different to our final decision.<sup>24</sup> We would expect JGN to engage with its customers if actual demand turns out to be materially higher than our final decision by mid-period.

#### 12.4.2 Tariff D demand forecast

We are not satisfied that JGN's forecasts for Tariff D demand represents the best forecast under the circumstances. However, we have included JGN's forecast as a placeholder, and ask for further information and analysis in support of its forecast.

Demand for industrial customers is forecast on:

- the maximum amount of capacity that industrial customers are expected to require on a day (MDQ)
- the total amount of gas industrial customers are expected to consume in a year (ACQ).

<sup>24</sup> NGR Part 8, Division 10

To support the forecast methodology, JGN and CORE conducted a survey of its industrial customers to better understand their future requirements.<sup>25</sup>

Overall, the surveys pointed to an increase in ACQ (and related MDQ) across the period. However, these results were then adjusted downwards to account for new initiatives and energy efficiency.<sup>26</sup> On this basis, JGN is forecasting a decline in MDQ over the 2025–30 access arrangement period, and a decrease in customer numbers. However, this analysis was conducted outside of JGN’s demand forecasting model, and the basis for the extent of the departure is unclear.

In the absence of this information, we assessed the trend in ACQ over both the short and long term. We note that there has been a fall in ACQ over the last 12 years. While this trend may support JGN’s demand forecast for Industrial customers, we note that, over the last five years, ACQ has been relatively stable, and JGN’s proposal would see the trajectory shift back to the longer-term trend. .

We have included JGN’s Tariff D forecast in our draft decision as a placeholder. We expect that JGN will provide the information and analysis used to deviate from its survey results as part of its revised proposal. JGN should also update its forecast to include the latest available information at the time of the revised proposal.

### **12.4.3 Minimum, maximum and average demand**

The NGR requires that access arrangement information includes minimum, maximum and average demand for each receipt or delivery point for the earlier access arrangement period.<sup>27</sup> JGN’s access arrangement information and its response to our regulatory information notice (RIN) satisfy these requirements.

### **12.4.4 Forecast pipeline capacity and utilisation**

The NGR requires that, to the extent it is practicable to forecast pipeline capacity over the access arrangement period, the access arrangement information should include forecast pipeline capacity and utilisation of pipeline capacity over the access arrangement period.<sup>28</sup>

JGN did not provide this information in its access arrangement information. However, JGN’s distribution network is a meshed network made up of interconnected pipes, meaning that calculating forecast capacity and utilisation is not practicable.

## **12.5 Revisions**

We require the following revisions to make the access arrangement proposal acceptable as set out in Table 12.5.

---

<sup>25</sup> CORE, *JGN - Core Energy - Att 8.2 - Demand Forecast Report - April 2024*, April 2024., p. 39.

<sup>26</sup> CORE, *JGN - Core Energy - Att 8.2 - Demand Forecast Report - April 2024*, April 2024, p. 39.

<sup>27</sup> NGR, r. 72(1)(a)(iii)(A).

<sup>28</sup> NGR, r. 72(1)(d).

**Table 12.5 JGN's demand revisions**

Revision	Amendment
Revision 13.1	JGN to amend its demand figures in the access arrangement to reflect the AER's draft decision for Tariff V.

# Glossary

Term	Definition
ACQ	Annual Contract Quantity
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
capex	capital expenditure
CCP31	Consumer Challenge Panel, sub-panel 31
CORE	CORE Energy & Resources
JGN	Jemena Gas Networks
MDQ	Maximum Daily Quantity
NGR	National Gas Rules
NSP	Network Service Provider
NSW	New South Wales
opex	operating expenditure
RIN	regulatory information notice

---