

Attachment 13.4

Response to Draft Decision on Demand

Revised Final Plan 2026/27 – 2030/31
January 2026

PUBLIC

1. Response to Draft Decision on Demand Forecasts

In its Draft Decision, the AER did not accept our forecast of demand but used it as a placeholder pending an update to the connections forecast as a result of the impact of a rule change which introduces a connection charge in the next period. We have also responded to the methodological queries in relation to the demand forecast as raised by the AER's consultant and updated for recent actuals.

1.1. Overview

This attachment sets out our response to the AER's Draft Decision on the demand forecast for our South Australian gas distribution network over the next (2026/27 to 2030/31) Access Arrangement (AA) period.

In responding to the AER's queries as well as using the most recent updated information, Core Energy's revised forecasts for gas demand over the next AA period has increased relative to the Final Plan by 8.6% for residential and 3.4% for commercial. This is despite forecasting lower new connections due to the introduction of the upfront connection charge. Importantly, Core Energy's revised demand forecasts remain within the bounds of the AEMO's 2025 Gas Statement of Opportunities (2025) predictions.

1.2. Stakeholder and customer feedback

In preparing the revised Final Plan we have continued to engage with stakeholders, including our South Australian and Retailer Reference Groups and through consideration of submissions received by the AER on our Final Plan.

A summary of the feedback provided on our demand forecasts is provided in Table 1.1 below.

Table 1.1 Summary of customer and stakeholder feedback

Customer and Stakeholder Feedback	Our Response
<p>The AER has not accepted our demand forecasts for residential, commercial and industrial customers, anticipating that we will update our connections forecast to reflect the recent rule change requiring customers pay an upfront connection charge to connect to the gas distribution network.</p> <p>The AER's CCP noted that forecasting gas demand is full of uncertainty. Other stakeholders did not provide feedback directly on our demand forecasting, but commented on the challenges of declining demand.</p>	<p>We have updated the demand forecast for the likely impact of the connection charge, updated for 2024/25 actual demand and responded to the methodological queries raised with some technical aspects of the demand forecast.</p>

1.3. AER Draft Decision

The AER did not accept our demand forecast but used it as a placeholder in the Draft Decision. It considered it was broadly reasonable as it was similar to AEMO's Gas Statement of Opportunities forecasts, however it anticipated adjustments will be made as a result of the Australian Energy Market Commission's (AEMC) Connection rule change which was released in December 2025.

The Connection rule change mandates a connection charge for those customers wishing to connect to the gas distribution network from October 2026. The AER expects this rule change will affect proposed connections capex, which is driven by the gross connections forecast.

In addition, the AER's consultant Frontier Economics identified a number of issues with Core Energy's (Core's) forecasting methodology which must be addressed as part of our response.

The AER's Draft Decision in respect of our demand forecast is summarised in Table 1.2 below.

Table 1.2: Summary of the AER's Draft Decision on our demand forecasts

AER Draft Decision		AER Comment
Connection Numbers		
Residential	Modify	Did not accept our forecast of demand but used it as a placeholder and expects we will provide an update to our demand forecasts as part of our revised proposal, including to our gross connections forecast which has linkages to capex. The AER's consultant Frontier raised methodological issues with Core Energy's forecasting approach to be addressed in the Revised Final Plan. ¹
Commercial	Modify	Did not accept our forecast of demand but used it as a placeholder and expects we will provide an update to our demand forecasts as part of our revised proposal, including to our gross connections forecast which has linkages to capex. The AER's consultant Frontier raised methodological issues with Core Energy's forecasting approach to be addressed in the Revised Final Plan. ²
Industrial	Modify	Accepted our forecast as a placeholder and expects we will provide an update to our demand forecasts as part of our revised proposal. The AER's consultant Frontier raised methodological issues with Core Energy's forecasting approach to be addressed in the Revised Final Plan. ³

¹ AER, Draft Decision, Attachment 4, pp. 5-10

² AER, Draft Decision, Attachment 4, pp. 5-10

³ AER, Draft Decision, Attachment 4, pp. 5-10

AER Draft Decision		AER Comment
Consumption per Connection		
Residential	Modify	Did not accept our forecast of demand but used it as a placeholder and expects we will provide an update to our demand forecasts as part of our revised proposal, including to our gross connections forecast which has linkages to capex. The AER's consultant Frontier raised methodological issues with Core Energy's forecasting approach to be addressed in the Revised Final Plan. ⁴
Commercial	Modify	Did not accept our forecast of demand but used it as a placeholder and expects we will provide an update to our demand forecasts as part of our revised proposal, including to our gross connections forecast which has linkages to capex. The AER's consultant Frontier raised methodological issues with Core Energy's forecasting approach to be addressed in the Revised Final Plan. ⁵
Industrial	Modify	Accepted our forecast as a placeholder and expects we will provide an update to our demand forecasts as part of our revised proposal. The AER's consultant Frontier raised methodological issues with Core Energy's forecasting approach to be addressed in the Revised Final Plan. ⁶

Note: In this 'traffic light' table, green shading represents the AER's acceptance of our Final Plan, orange represents the AER's modification of our Final Plan and red shading represents the AER's rejection of our Final Plan.

1.4. Our Response to the Draft Decision

Table 1.3: Summary of our response to the AER's Draft Decision on our demand forecasts:

	AER Draft Decision	Our Response	Our Comment
Connection Numbers			
Residential	Modify	Accept	We have accepted the Draft Decision, updated for the impact of the connection charge, updated for 2024/25 actual demand and responded on the methodological issues raised.
Commercial	Modify	Accept	We have accepted the Draft Decision, updated for the impact of the connection charge, updated for

⁴ AER, Draft Decision, Attachment 4, pp. 5-10

⁵ AER, Draft Decision, Attachment 12, pp. 9

⁶ AER, Draft Decision, Attachment 12, pp. 9

	AER Draft Decision	Our Response	Our Comment
			2024/25 actual demand and responded on the methodological issues raised.
Industrial	Modify	Accept	We have accepted the Draft Decision, updated for the impact of the connection charge, updated for 2024/25 actual demand and responded on the methodological issues raised.
Consumption per Connection			
Residential	Modify	Accept	We have accepted the Draft Decision, updated for the impact of the connection charge, updated for 2024/25 actual demand and responded on the methodological issues raised.
Commercial	Modify	Accept	We have accepted the Draft Decision, updated for the impact of the connection charge, updated for 2024/25 actual demand and responded on the methodological issues raised.
Industrial	Modify	Accept	We have accepted the Draft Decision, updated for the impact of the connection charge, updated for 2024/25 actual demand and responded on the methodological issues raised.

Note: In this 'traffic light' table, green shading represents the acceptance, orange represents a modification and red shading represents a rejection

1.4.1. Update of forecast inputs

In its Draft Decision, the AER anticipated that we would update the demand forecast for inputs that are available since we submitted our Final Plan.

As required by the AER, Core Energy have updated their forecast of demand for the next AA period in respect of the following inputs:

- The downward adjustment in gross new connections as a result of the AEMC's Connections rule change which imposes a charge on new residential and commercial customers to connect to the gas distribution network;
- 2024/25 actual consumption and connections data; and
- 2024/25 Bureau of Meteorology weather data sourced to update weather normalisation.

1.4.2. Review of Core's Forecasting methodology

The AER requires AGN to respond to the methodological issues raised in its Draft Decision, potentially by adjusting our demand forecast.

Frontier Economics identified the following issues with Core's methodology:

- limited justification for its effective degree day (EDD) methodology with alternative specifications providing better results;
- problems with the determination of “average” weather and use of incorrect weather;
- sensitivity to normalise demand;
- errors in recent monthly consumption data; and
- assumptions for connections, disconnections and demand per connection are unsupported by analysis.

Furthermore, Frontier Economics identified that:

- there was a low R-squared value between the dependent variables (residential and commercial demand per connection) and the independent variables (Core Energy’s Effective Degree Days);
- Core used an incomplete data set to infer a long-term trend in average weather and that the wind speed series used in its calculation of EDD appeared to contain errors;
- Core’s analysis does not account for non-weather drivers of demand including changes in gas prices; and
- Core has hard coded disconnection rates and does not explain what drives its disconnection forecasts.

Core has considered the issues that Frontier raised in its review of the forecasting methodology and responded in a report (see 13.1A Updated CoRE SA Demand Forecasting Report).

1.5. Summary

Core have updated the demand forecast to reflect the latest available information as per the AER's Draft Decision and adjusted the connection forecast in response to the new connection charge which will come into effect in October 2026, the first year of the next Access Arrangement period.

Core has responded to the methodological issues raised in an updated report.

As a result, the updated demand forecast when compared to the earlier Final Plan provides for:

- Residential – higher demand of 2,284TJ (or 8.6%) on account of higher average consumption per connection;
- Commercial – higher demand of 523TJ (3.4%) on account of higher average consumption per connection; and
- Industrial – higher capacity MDQ (0.3%) on account of stronger growth for some large customers.

The Revised Final Plan demand forecasts over the next AA period are set out in Table 1.4.

Table 1.4: Summary of demand forecast

	2026/27	2027/28	2028/29	2029/30	2030/31
Residential Demand					
Average Connections	478,556	476,298	473,913	471,599	466,009
Consumption per connection	13.5	12.9	12.2	11.5	10.7
Demand (TJ)	6,438	6,158	5,801	5,419	4,978
Commercial Demand					
Average Connections	11,519	11,527	11,527	11,515	11,493
Consumption per connection (GJ)	286	281	275	270	264
Demand (TJ)	3,299	3,235	3,171	3,104	3,036
Industrial Demand					
Average Connections	106	104	102	100	98
MDQ (TJ)	50,527	49,769	49,023	48,288	47,563
ACQ (TJ)	8,091	7,889	7,691	7,499	7,312