



**APT Allgas Energy  
Pty Limited**

Comments on AER draft  
decision findings on  
APT Allgas load forecast



## APT Allgas comments on AER assessment of Volume Business Customer load forecast

### APT Allgas approach

APT Allgas submitted its forecast of load applicable to the Volume Business customer class as part of its submission on 30 September 2010.

The Volume Business customer forecast was based on an estimate of customer numbers multiplied by the average use per Volume Business customer. The AER engaged Acil Tasman to review the APT Allgas load forecast and, subject to the adjustment described below, Acil Tasman found the load forecast approach and resulting forecasts to be not unreasonable (page 65).

### Acil Tasman review

#### *Volume Business customer numbers*

The one area in which Acil Tasman recommended an adjustment was in the forecast number of Volume Business customers (pages 20-21). In summary, Acil Tasman found the forecast growth in Volume Business customers numbers to be unrealistically optimistic relative to historical trends.

This finding was discussed in the AER’s draft decision (pages 110-111) in which the AER accepted Acil Tasman’s recommended adjustment.

	2011/12	2012/13	2013/14	2014/15	2015/16
APT Allgas <sup>1</sup>	5,016	5,166	5,319	5,477	5,640
Acil Tasman/AER <sup>2</sup>	4,857	4,917	4,976	5,035	5,094

The effect of the Acil Tasman recommendation on volume Business customer numbers, and the AER’s acceptance of that recommendation, is that a load forecast based on the APT Allgas proposed customer numbers could not be considered to be “the best forecast or estimate possible in the circumstances” in accordance with Rule 74(2)(b).

#### *Volume Business consumption per customer*

On the second leg of the Volume Business customer load forecast, the average load per customer, APT Allgas assumed historical average consumption levels. Acil

<sup>1</sup> AER draft decision page 111.

<sup>2</sup> APT Allgas load forecast.



Tasman discussed some variability in the regional estimates, but acknowledged APT Allgas' explanation that that this would be smoothed by the postage stamp tariff (page 26). On the average consumption per customer, Acil Tasman found (page 13):

*ACIL Tasman considers that it is generally reasonable to assume that consumption rates in the Volume Business customer class will continue at historical average rates, assuming no significant change in the customer base.*

Notwithstanding that it was a key element of the APT Allgas load forecast, the average load per Volume Business customer was not discussed in the AER's draft decision.

Importantly, there is no evidence before the AER, or discussed in the draft decision, to indicate that there has been, or that there is expected to be, a significant change in the Volume Business customer base that would result in a change to the average consumption levels of the Volume Business customer class.

APT Allgas therefore submits, consistent with the findings of the AER's consultant, that the historical average use per Volume Business customer remains "the best forecast or estimate possible in the circumstances" in accordance with Rule 74(2)(b).

## The AER's assessment

However, the AER assessed the Volume Business load on a basis different from that in which it was prepared. On page 117 of the draft decision, the AER assessed the Volume Business load forecast in aggregate, and did not address the information on average load per customer.

The aggregate load forecast assessed by the AER in the draft decision was made up of an unrealistically optimistic forecast of Volume Business customer numbers<sup>3</sup> and a reasonable forecast of volumes per customer.

APT Allgas submits that the AER's assessment should have been performed on the aggregate Volume Business customers' load forecast after adjustment for the change in the number of Volume Business customers, as accepted on page 111 of the draft decision (Table 9.3). That is, the AER's assessment should have been on the following load forecast adjusted for the findings on customer numbers:

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<sup>3</sup> Acil Tasman page 28.



APT Allgas adjusted	2011/12	2012/13	2013/14	2014/15	2015/16
Customer numbers <sup>4</sup>	4,857	4,917	4,976	5,035	5,094
Load per customer <sup>5</sup>	428.4	428.6	428.9	429.1	429.4
<b>Total volume (TJ)</b>	<b>2,081</b>	<b>2,107</b>	<b>2,134</b>	<b>2,161</b>	<b>2,187</b>

The impact of the AER's two independent assessments is an unreasonable assumption of the rate of average load growth in the Volume Business customer class. Where the APT Allgas aggregate Volume Business customer forecast was driven by the assessment of customer number and average load per customer, the AER's independent assessment of customer numbers and total volumes requires a strikingly different assumption about the average consumption levels in the Volume Business customer class:

AER	2011/12	2012/13	2013/14	2014/15	2015/16
Customer numbers <sup>6</sup>	4,857	4,917	4,976	5,035	5,094
Total Volume (TJ) <sup>7</sup>	2,121	2,191	2,261	2,334	2,408
<b>Load per customer</b>	<b>436.7</b>	<b>445.5</b>	<b>454.5</b>	<b>463.5</b>	<b>472.8</b>

The AER's forecast implicitly assumes a dramatic increase in the average level of Volume Business customer load. There is no discussion in the AER's draft decision to indicate that there has been any analysis or reasoning supporting this conclusion. As discussed above, this is inconsistent with the advice of its own consultant, and not supported by any evidence before the AER.

In summary, APT Allgas submits that its forecast load for the Volume Business customer class, as adjusted for the reduced customer numbers recommended by Acil Tasman, is "the best forecast or estimate possible in the circumstances" in accordance with Rule 74(2)(b).

<sup>4</sup> AER draft decision page 111.

<sup>5</sup> APT Allgas load forecast.

<sup>6</sup> AER draft decision page 111.

<sup>7</sup> AER draft decision page 117.