



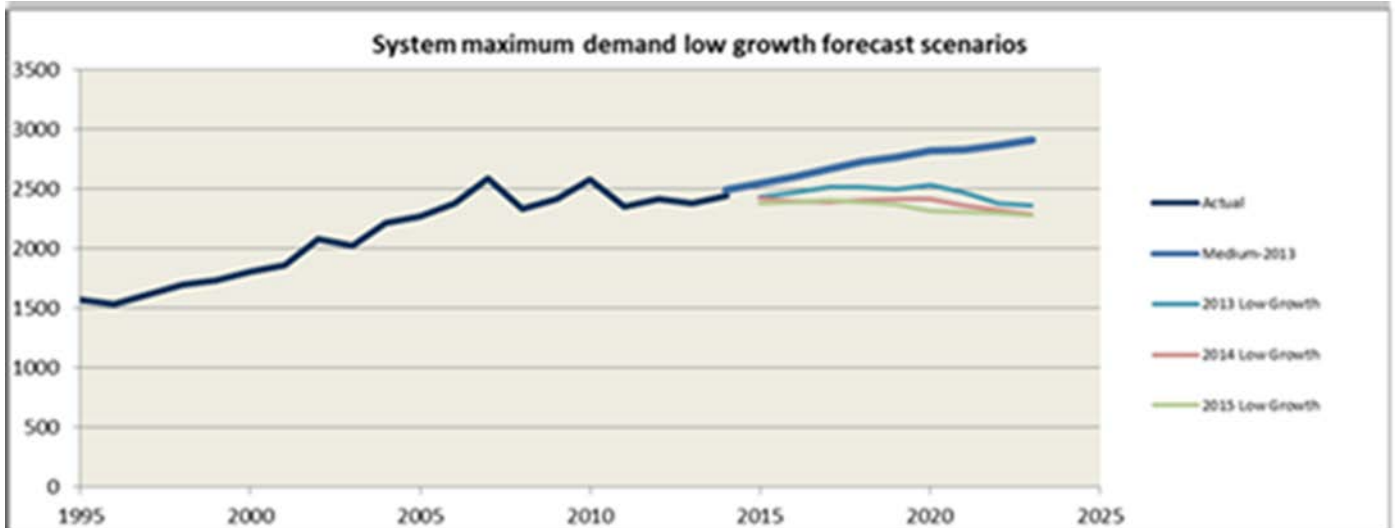
Submission to the AER on its Preliminary Determination Addendum – Demand Forecasts



1. Addendum – Demand Forecasts

Figure 1 below demonstrates the low growth system demand forecasts developed in 2014 and 2015 align for the 2015-20 regulatory period.

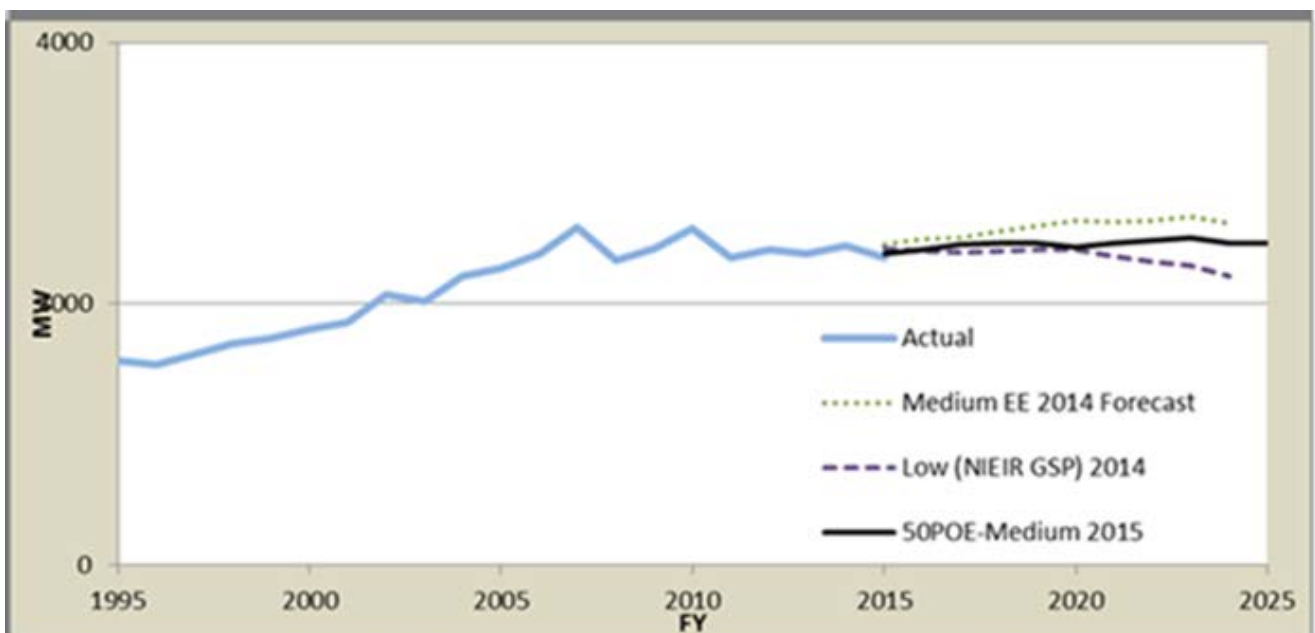
Figure 1: System maximum demand low growth forecasts



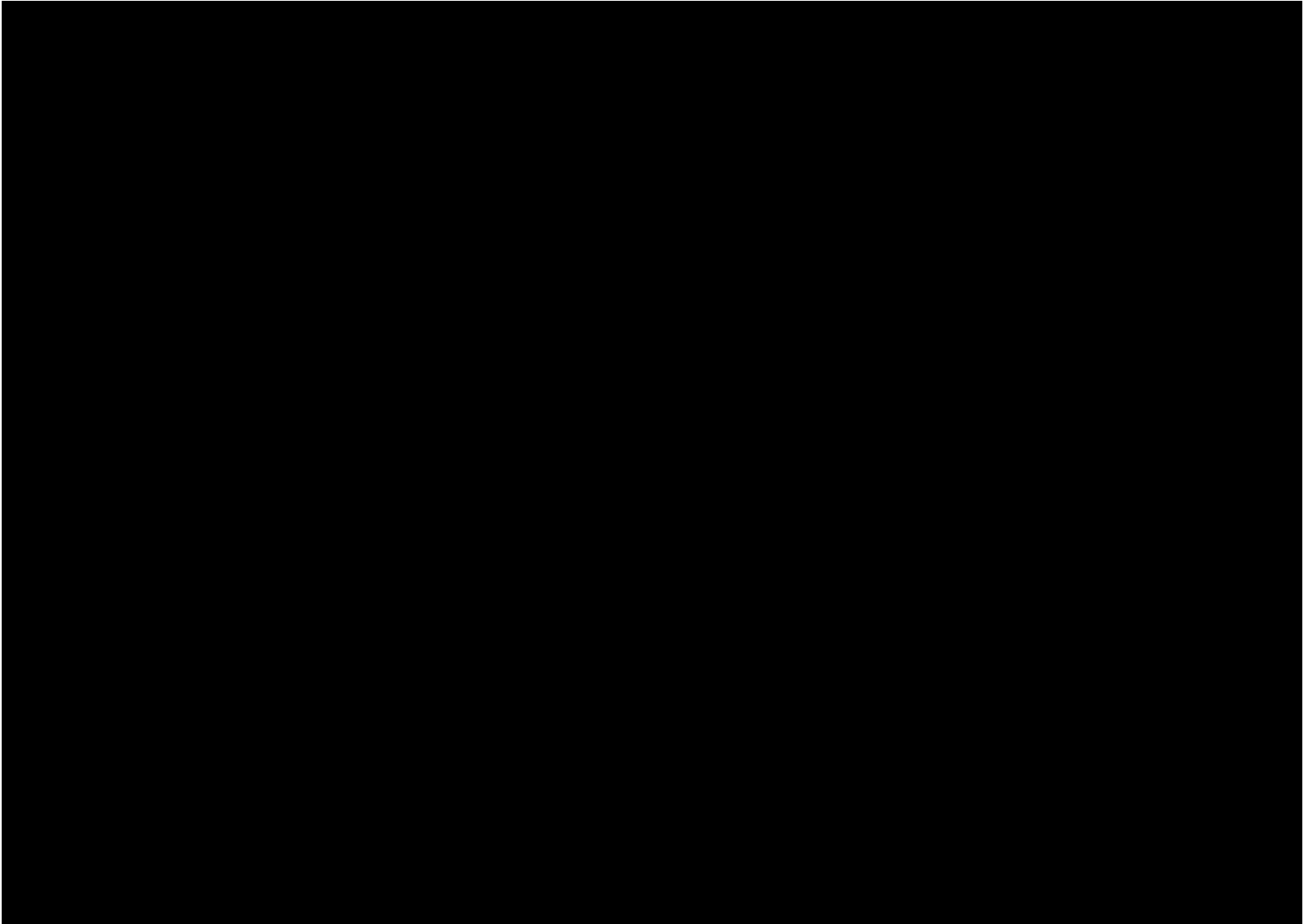
Consequently expenditure forecasts supporting the original proposal are predominantly being maintained, however, detailed spatial forecasts are still being reviewed for the whole network based on the 2015 low growth forecast.

Ergon Energy also wishes to acknowledge that the updated 2015 actual performance of system demand correlates to with last year's (2014) low growth peak demand forecast. This is shown in Figure 2 below.

Figure 2: Comparison - actual performance vs forecast - system demand



To assist with this comparison Ergon Energy's 2015 medium growth forecast is also shown above. It is worth noting that this is consistent with last year's (2014) low growth forecast to 2020.



Furthermore from 2020 onward, there is an expected pick up again in demand from improvements in gross state product over that duration for the base scenario (medium).

1.1. The Economy

Queensland's economy had been one of the outperforming States in recent years, reflecting the boom in resources investment. However, with mining investment now declining together with subdued government spending, activity has since weakened

Overall growth in Queensland will remain below its long-run average as mining investment declines. However, solid growth is still expected for 2015-16. Exports will provide a large contribution to this growth, particularly in the second half of this year as LNG exports ramp up.

The reduction in Gross State Product forecast has resulted from major softening in commodity prices in recent times and the terms of trade will remain soft. Mining investment will continue to decline, and income from commodity exports will be less than previously anticipated. However, prospects for industries outside of mining are improving, if only gradually. The lower Australian dollar is seeing

confidence return to the tourism industry – one of the biggest projects is the Aquis resort complex near Cairns.

Household spending growth will gradual pick up as low interest rates will continue to bolster consumer spending and the upswing in Australian housing market will be expected to continue. Exports are set to increase in coming years and are expected to provide a large contribution to growth, particularly from 2015-16 as LNG exports ramp up. The lower Australian dollar will also provide a further boost to other exports, and support Queensland's tourism sector. A pickup in growth is expected over 2015-16 and 2016-17.