



10 AUG 2004

DATE RECEIVED

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6 August, 2004

Mr E. J. Hall
 Chief Executive
 Queensland Competition Authority
 GPO Box 2257
 BRISBANE Q 4001

Dear Mr Hall,

RE: 2005 ELECTRICITY DISTRIBUTION REVIEW – DEMAND FORECASTS

Thank you for your letter of 21 July 2004 in which you invited Powerlink to comment on the MMA Draft Report.

In line with provisions of the National Electricity Code (NEC), Powerlink has the responsibility for producing a Queensland state load forecast based on forecasts developed by distribution network service providers (DNSP) and other direct connect customers. The process is outlined below. While Powerlink does not develop "bottom up" load forecasts, it is involved in the process of reconciliation of the aggregated forecasts from the DNSPs against top down economic forecasts prepared by independent consultants .. Consequently , , Powerlink is in a position to make some observations in relation to the DNSP forecasts proposed by MMA.

Observations in Relation to the Energex Forecast

It is Powerlink's view that the MMA demand forecast, in relation to Energex, is methodologically unsatisfactory because rather than using the actual recorded demand for the recent 2003/04 summer as a starting point for the forecast , it uses a prior estimate of the 2003/04 summer demand , which is substantially less than the actual recorded demand which occurred last summer.

Powerlink's understanding is that the actual demand for the Energex area for last summer, as compared with the MMA estimate is :

MMA Estimate of 2003/04 Demand	Actual Recorded Demand 2003/04	Actual Recorded Demand 2003/04 (temperature corrected)
3541 MW	3846 MW	3720 MW

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As seen from the above data, the starting point of the MMA forecast is some 200 MW below the actual recorded demand, even after temperature correction to take account of the very extreme conditions experienced over that summer.

Due to this material deficiency, Powerlink's view is that the forecast lacks credibility should be reviewed.

Observations in Relation to the Ergon Forecast

Powerlink has not observed any material issues with this forecast.

Overview of Powerlink's Load Forecasting Process

In accordance with Clause 5.6.1 of the National Electricity Code, Powerlink has obtained summer and winter demand forecasts over a ten-year horizon from Distribution Network Service Providers (DNSPs) based on their post winter 2003 review, and from directly-connected customers, at each connection supply point in Powerlink's transmission network.

These individual connection supply point forecasts were aggregated into estimated demand forecasts for the total Queensland region.

While forecasts submitted to Powerlink were based on a post winter 2003 review, a high level "reality check" was made, based on recent summer 2003/04 records to confirm the validity of the underlying assumptions.

The National Institute of Economic and Industrial Research (NIEIR) was also engaged in December 2003 by Powerlink to provide an independent assessment of energy and demand forecasts for the Queensland region and for the former DNSP areas within Queensland. These forecasts were based on a "top-down" economic growth perspective with high, medium and low economic growth scenarios and predicted levels of generation from embedded co-generation and other renewable sources.

NEMMCO also engaged NIEIR to provide an updated independent assessment of economic outlook for all the regions of the NEM in April 2004, including high, medium and low growth scenarios and embedded generation levels. The NIEIR economic outlooks provided for Powerlink and NEMMCO are consistent.

Should you wish to discuss any issues related to this letter, please feel free to contact Terry Miller (07 3860 2710).

Yours sincerely



T. W. Miller
Manager Grid Planning