

FRG CONSULTATION FOR THE 2021 INPUTS, ASSUMPTIONS AND SCENARIOS REPORT

UPDATED ECONOMIC FORECASTS

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1. STAKEHOLDER CONSULTATION PROCESS

AEMO utilises a macroeconomics forecast from BIS Oxford Economics in its 2021 Inputs, Assumptions and Scenarios Report (IASR) used in major publications such as the 2021 Electricity Statement of Opportunities and the 2022 Integrated System Plan (ISP). AEMO has conducted a Forecasting Reference Group (FRG) Consultation on the draft macroeconomics forecast, according to Section 2.3.2 of AEMO’s Reliability Forecast Guidelines¹ and as advised in the Draft IASR published in December 2020 for consultation.

AEMO’s timeline for this consultation is outlined below.

Deliverable	Indicative date
Draft IASR ² published for consultation with FRG Consultation dates and information	11 December 2020
Draft IASR Consultation Submissions due	1 February 2021
Notice of FRG Consultation circulated to registered FRG and ISP stakeholders	17 February 2021
Forecasting Reference Group Presentation and discussion	24 February 2021
Draft IASR Scenario and Submissions webinar	3 March 2021
FRG Consultation Submissions due	10 March 2021
FRG Consultation Report published	31 March 2021
Final IASR published	30 July 2021

2. CONSULTATION DETAILS

The Draft IASR provided economic forecasts last updated in October 2020 and classified these forecasts as interim. An interim input is one that is intended to be updated before the release of the final IASR. It is shared in the Draft IASR to stimulate discussion on appropriateness and seek feedback on areas of continuous improvement to be considered during the update process.

The forward plan provided in Table 6 of the Draft IASR indicated when interim inputs would be updated and how stakeholders could provide feedback on the updated inputs.

For the interim economic forecasts specifically, the Draft IASR sought feedback on whether they reflected a reasonable spread of potential outcomes for the NEM, suitable for continued application in the 2021-22 scenarios. It also highlighted that these forecasts would be updated in early 2021 to reflect latest economic data and information about recovery from COVID-19, with opportunity for stakeholders to get involved through an FRG Consultation in February 2021.

AEMO received various submissions regarding scenario definitions as part of its consultation on the Draft IASR, and the final IASR will contain updated scenario definitions. The Draft IASR consultation did not receive any specific feedback on the interim economic forecast; however, the final set of economic forecasts will utilise the updated scenario definitions³ and their corresponding assumptions.

The FRG Consultation notification email sent out early February 2021 included the 2020 Macroeconomic Projections Report⁴ as reference material, to guide stakeholder understanding and consideration of the following questions:

¹ Available at: <https://aemo.com.au/en/energy-systems/electricity/national-electricity-market-nem/nem-forecasting-and-planning/forecasting-approach>

² See Table 6 in the Draft IASR, available at: <https://www.aemo.com.au/consultations/current-and-closed-consultations/2021-planning-and-forecasting-consultation-on-inputs-assumptions-and-scenarios>

³ See <https://aemo.com.au/en/consultations/current-and-closed-consultations/2021-planning-and-forecasting-consultation-on-inputs-assumptions-and-scenarios>

⁴ Available at: https://aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/inputs-assumptions-methodologies/2020/bis-oxford-economics-macroeconomic-projections.pdf?la=en



- COVID-19 recovery - has the assumed recovery from the COVID-19 induced recession been appropriately applied?
- Is the industrial sector growth appropriate, showing the evolution of sectoral shares of Australia's economy?
- Are the regional growth outcomes appropriate, showing the relative state growth forecasts?

Following the Draft 2021 Draft Macroeconomic Forecasts presentation⁵, AEMO asked for feedback during the FRG meeting or during the subsequent two week written submission window. No written submissions were received.

The consultation material and minutes of the resulting discussion points are available under “FRG Consultations” at: <https://aemo.com.au/en/consultations/industry-forums-and-working-groups/list-of-industry-forums-and-working-groups/forecasting-reference-group-frg>

3. CONCLUSION

Following review of the FRG meeting, AEMO considers the meeting discussion consisted of clarifying questions rather than feedback needing to be addressed. AEMO considers the draft macroeconomic forecasts are fit for purpose at this stage of the forecasting process.

⁵ Available at: <https://aemo.com.au/en/consultations/industry-forums-and-working-groups/list-of-industry-forums-and-working-groups/forecasting-reference-group-frg>