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asx statement

7 June 2007

Update to AGL / Citi Infrastructure & Utilities Conference presentation

As a result of PowerPoint to PDF conversion incompatibility surrounding PowerPoint transition slides, AGL Energy Limited now provide an updated presentation with a reformatted slide 11 (Mitigating Future Price Movements & Capturing Wholesale Profit Pools). The prior presentation (slide 11) released yesterday, 6 June 2007 did not convert to PDF format in a legible manner. Also updated are slides 14 (Moranbah & QGC) and 18 (Driving Operational Efficiency) both of which contained typographical errors.

An updated version of the full presentation is now attached.

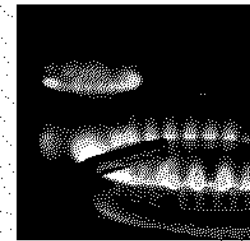
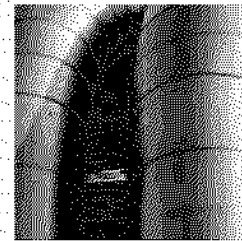
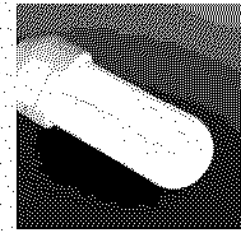
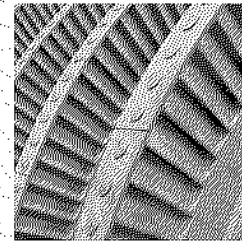
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agl energy

operational & strategic update

paul anthony, managing director & ceo



Citi
Infrastructure & Utilities Conference
Sydney, June 2007

disclaimer

the information in this presentation:

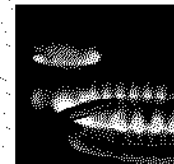
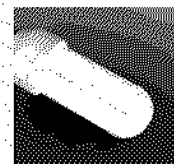
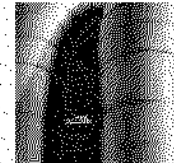
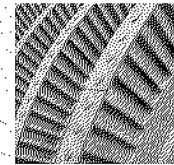
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- does not take into account the potential and current individual investment objectives or the financial situation of investors
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agl energy

growing from a position of strength

- ▶ Australia's largest retailer of gas & electricity;
 - ~4.1m customer accounts across NSW, Victoria, South Australia, Queensland & Western Australia (includes 100% of JV's)
 - ~1.3m dual-fuel customer accounts (includes 100% of JV's)
 - 170 years of operational experience in the Australian energy market
- ▶ Diversified upstream generation & gas portfolio delivering natural hedge to retail customer base;
 - ~3,300MW of equity generation
 - ~4,200PJ of equity & contract gas with considerable depth & flexibility
- ▶ Comprehensive suite of *identified*, clean technology growth opportunities
 - ~2,400MW of renewable and clean burn gas generation projects under review
- ▶ S&P/ASX 50 company with market capitalisation of ~AUS\$7 billion & BBB investment grade credit rating (Standard & Poor's)
- ▶ Leading the field in energy market consolidation & integration



a focused energy company

Operational Snapshot

Retail Customer Accounts
 2.1 M gas
 2.0 M electricity
 1.3 M dual-fuel
 (includes 100% of JVs)

Generation
 3,300 MW equity capacity
 5,600 MW (includes 100% JVs & development projects)

Gas Reserves¹
 ~3,320 PJ² contracted gas
 ~840 PJ² equity gas

Renew Generation Developments
 ~2,400 MW identified renewables &
 clean burn gas

Energy Sales
 Electricity ~41 TWh p.a.
 Gas ~235 PJ p.a.







Other

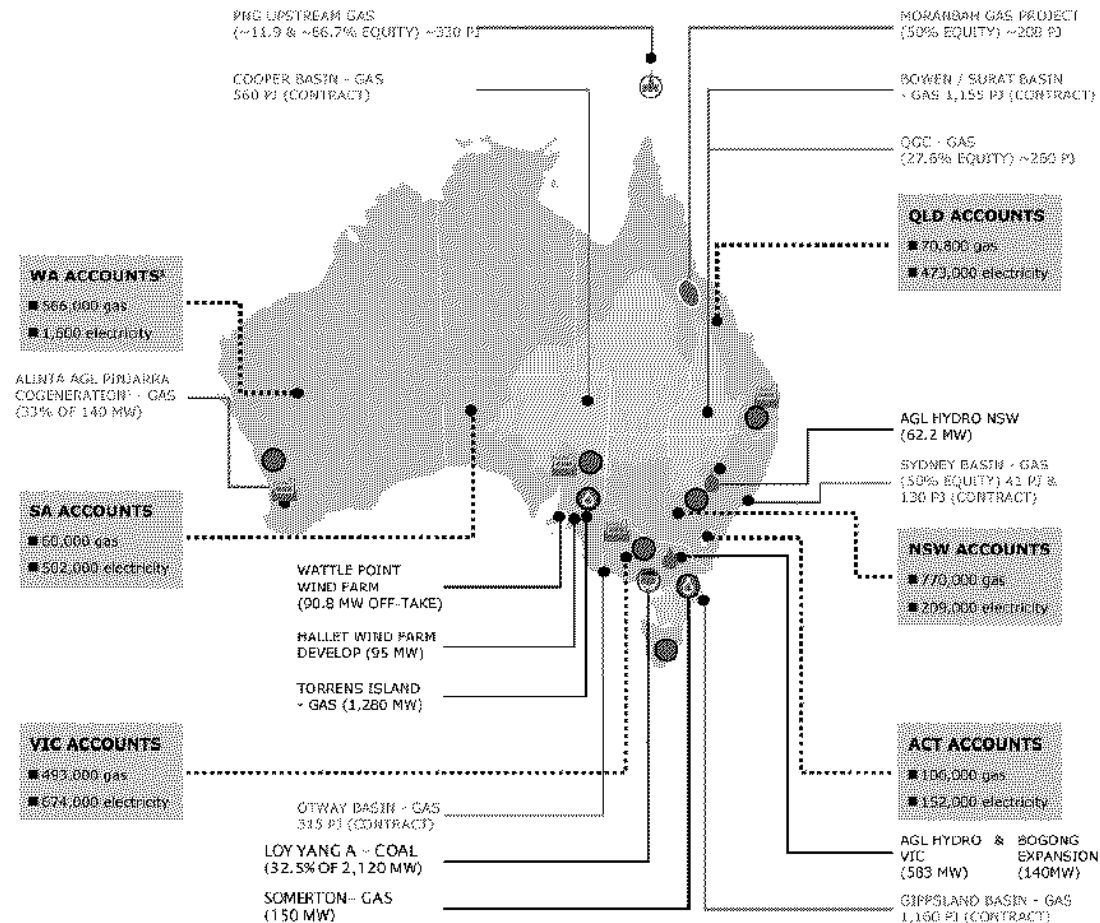
ELGAS: 50% investment,
 500,000 customers across Australia

Gas Valpo, Chile: Gas distribution
 ~600 km network length
 ~41,000 customers
 ~10 PJ load

CSM Energy: ~35% investment in coal mine
 methane extraction

Map Key

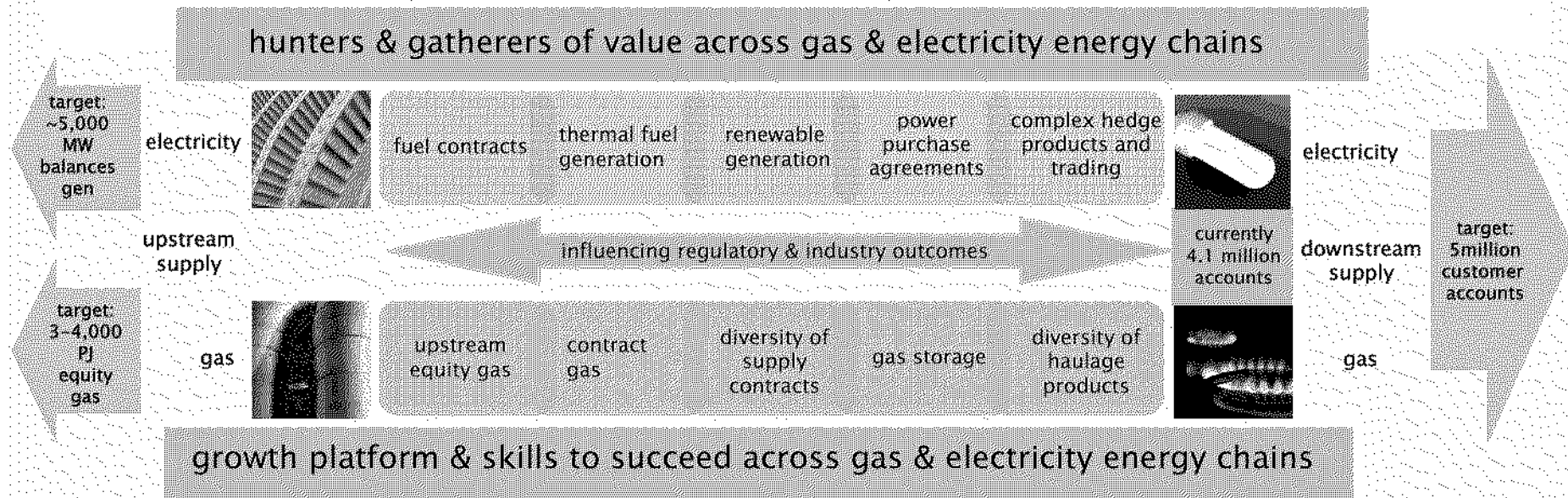
-  Hydro generation
-  Gas generation
-  Brown coal generation
-  Other Cogeneration (25.5 MW)
-  Landfill and biogas generation (39.8 MW)
-  PNG Upstream gas



¹ AGL Energy has a 33% interest in AlintaAGL with the option to go to 100% over 5 years
² 1 PJ (Petajoule) = ~1 BCF (billion cubic feet)

the integrated strategy

the 'four corners-big goal' approach



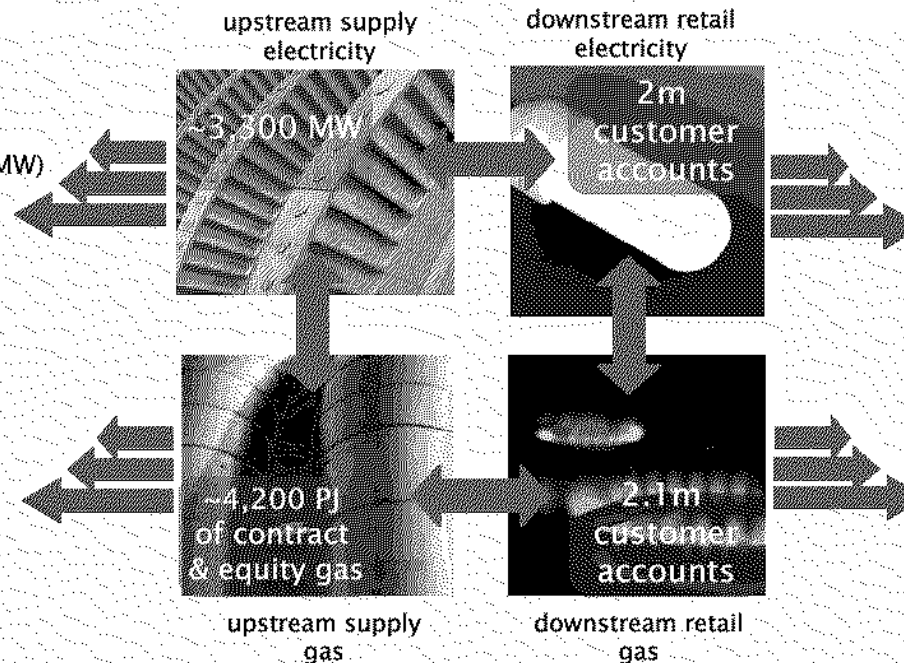
- ◆ Driving consolidation in a fragmented market
- ◆ Exploiting first mover advantage – “win end game” to deliver ongoing, sustainable returns
- ◆ Deeper participation in profit pools of appreciating commodities – gas & electricity
- ◆ Full integration across dual electricity & gas supply chains to mitigate against commodity price traps, enhance robustness of earnings, add optionality & extract value from supply chain links
- ◆ Portfolio structured to benefit under a carbon constrained environment

the integrated strategy

12 months of deploying the 'four corners' approach

- Southern Hydro (645MW)
- Bogong (Hydro 140MW)
- Hallet (Wind 95MW)
- Torrens Island (Gas 1,280MW)
- Gas & renewable generation projects under review ~2400MW

- Moranbah investment
- QGC Investment & GSA
- Sun Gas GSA
- Torrens Island GSA
- WUGS Storage Facility
- CSM energy investment



- acquired ~600,000 customers via AlintaAGL Western Australia JV
- acquired ~500,000 retail customers in QLD
- ongoing organic growth
- continued dual-fuel opportunities
- acquired ~70,000 customers in QLD
- ongoing organic growth
- continued dual-fuel opportunities

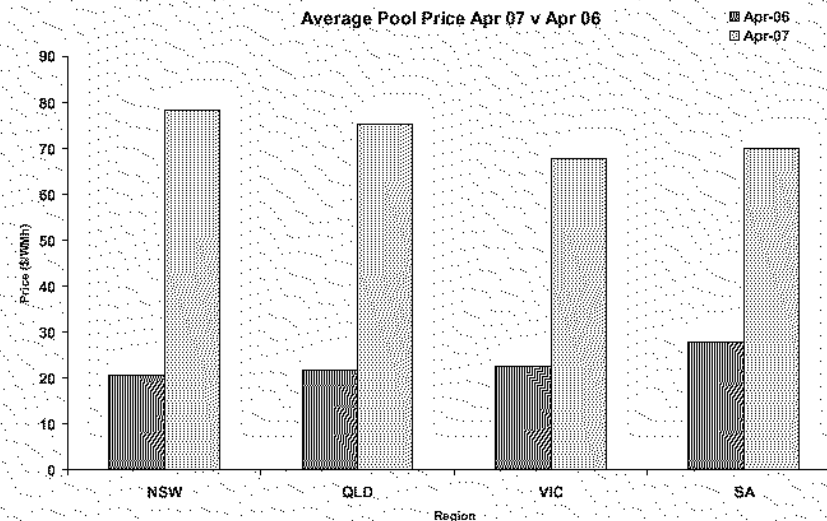
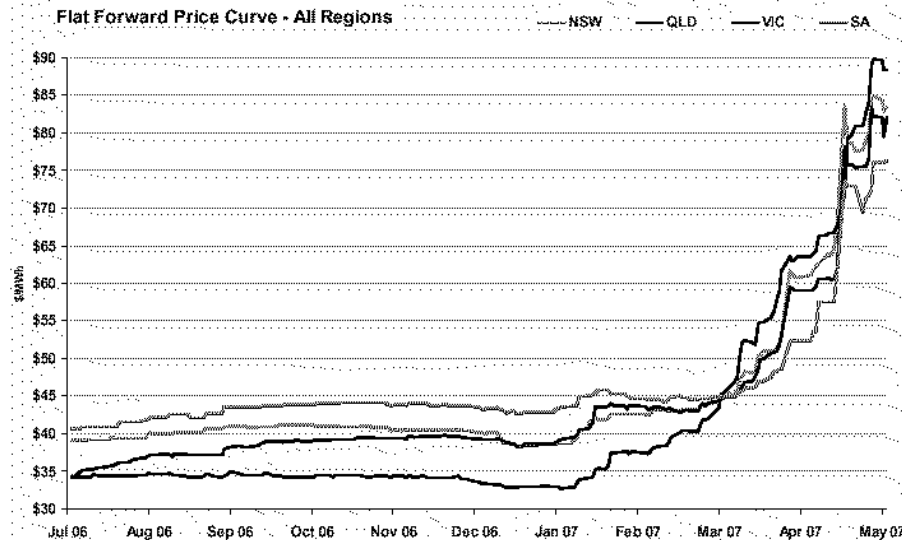
driving strategic development across the gas & electricity energy chains

wholesale price volatility

an energy constrained market

NEM currently driven predominantly by energy & not capacity constraints

- ▶ Pre drought characterised by (seasonal) capacity constraints
 - market separation & pricing events
- ▶ Currently characterised by high average prices & low volatility
 - markets not separating



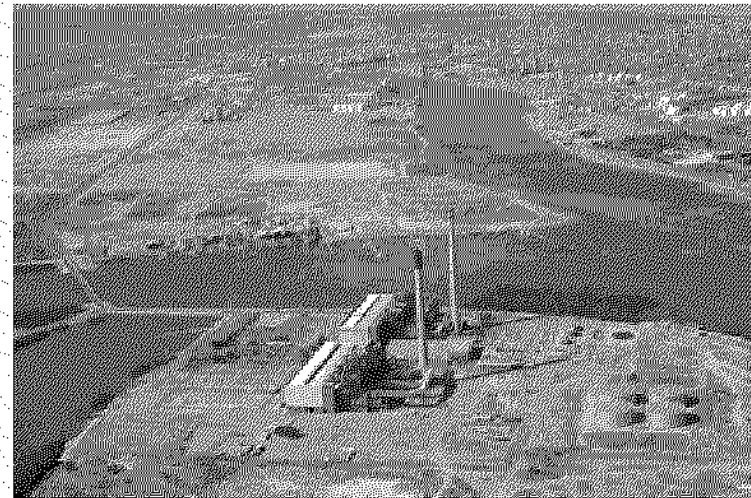
effective management of market supply/demand cycles requires a robust business model with a balance of equity generation & hedge positions

building the natural hedge

upstream generation

100% of Torrens Island Power Station (TIPS)

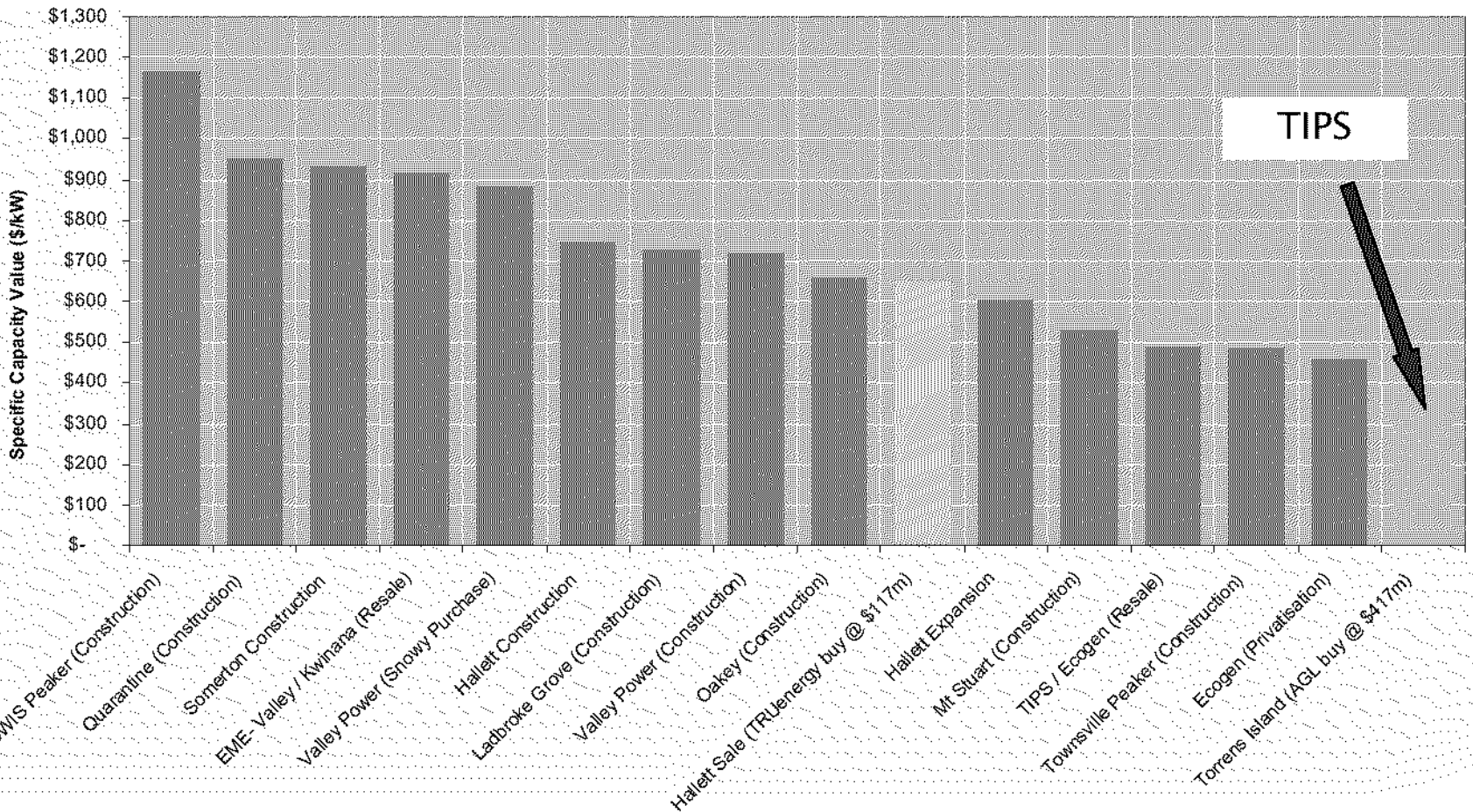
- ▶ Acquiring 1,280MW TIPS (Sth Aust) gas fired peaking & intermediate power station for \$417m
 - transaction close date 2 July 07
- ▶ Delivers immediate natural hedge between upstream generation and downstream (customer) load
- ▶ Excellent remaining operating life of 25 years
 - verified by independent engineering consultant
- ▶ Provides gas storage capabilities via WUGS (Port Campbell, Vic) together with 10 year, ~300PJ GSA with flexible contract terms
 - gsa, haulage contract & storage facility deliver added optionality to agl across both gas & electricity portfolio's
- ▶ ACCC clearance received



TIPS

transaction economics

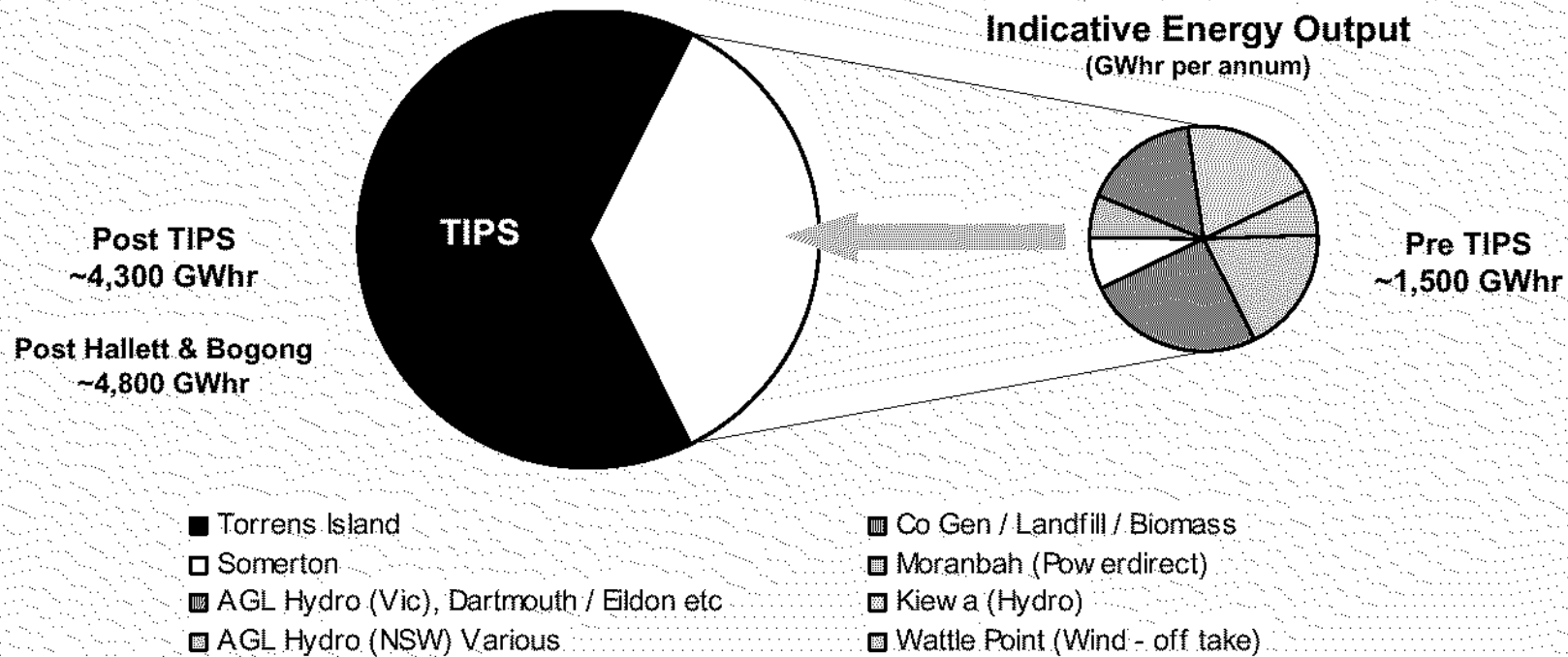
disciplined, creative transactions deliver value accretion



TIPS

energy & capacity benefits

► Delivering ~180%⁽¹⁾ increase in energy output to the AGL generation portfolio



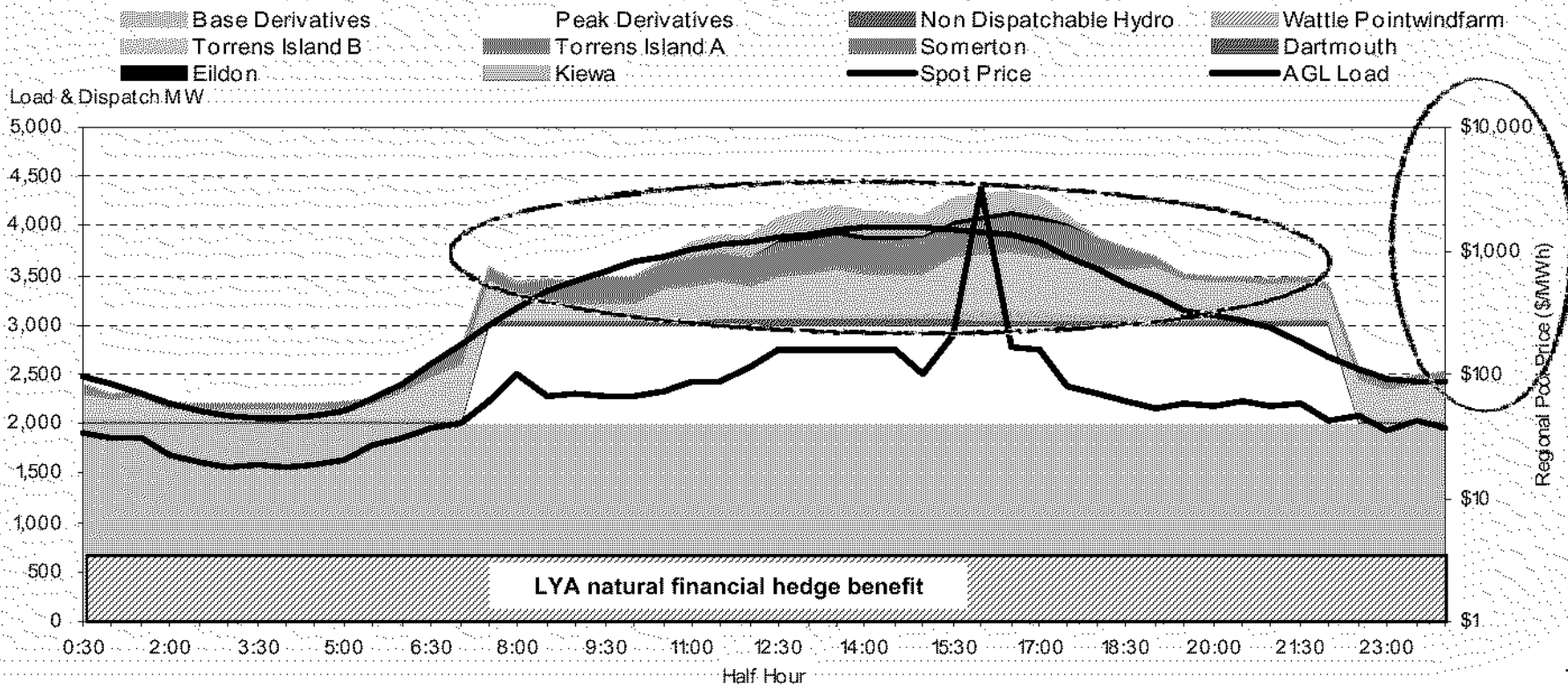
1. ~160% net of drought impacted hydro

delivering the natural hedge

rebalancing retail load & generation capabilities

- ▶ Physical / owned intermediate & peak generation cover extreme price risk periods
 - ~30% of AGL load occurs peak pricing periods & represents ~40% of COGS
- ▶ Equity investment in Loy Yang A provides natural financial hedge

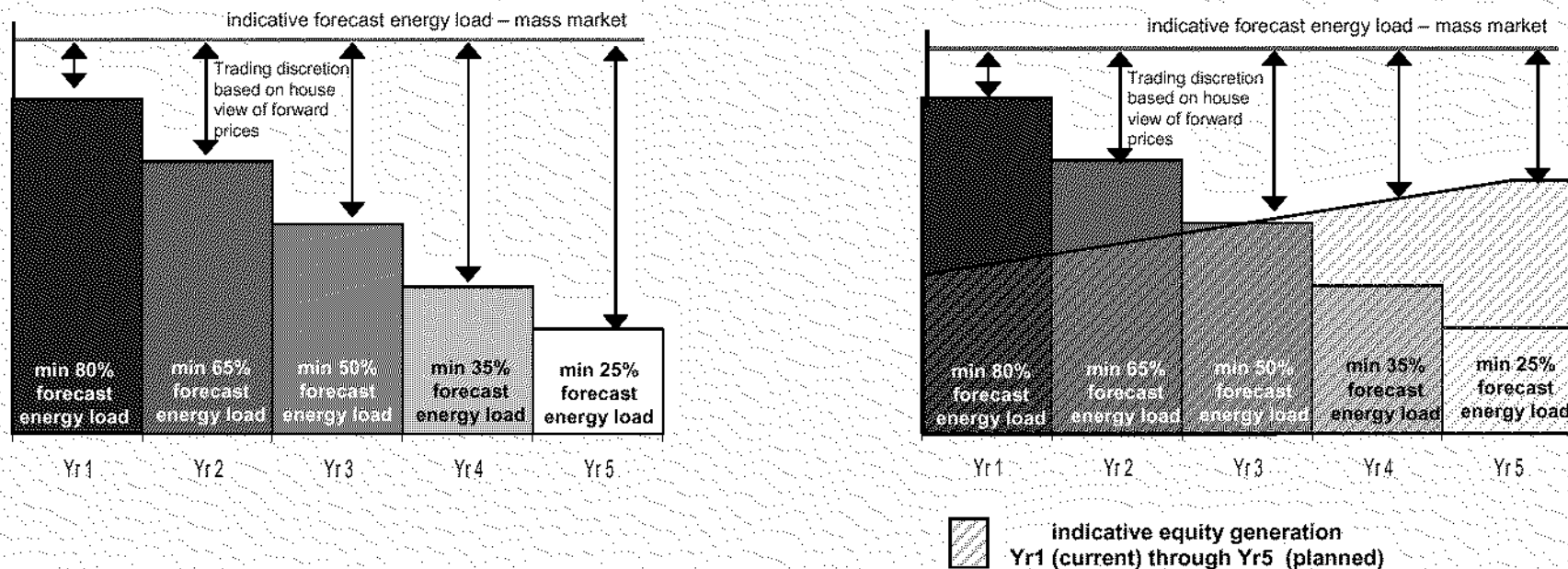
Indicative AGL load 11 January 2007 & overlaying TIPS integration / portfolio benefits
(includes current actual / drought constrained hydro capacity)



mitigating future price movements & capturing wholesale profit pools

indicative hedging approach for mass market

- ▶ A balance of own generation coupled with prudent forward hedge planning
- ▶ Intra year cover of ~90% or more of forecast load



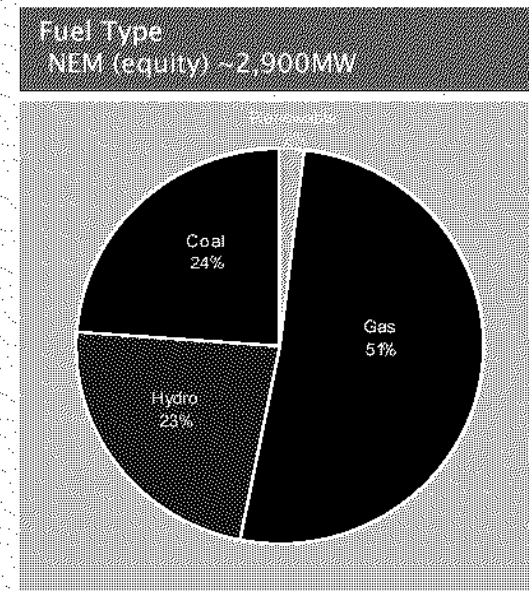
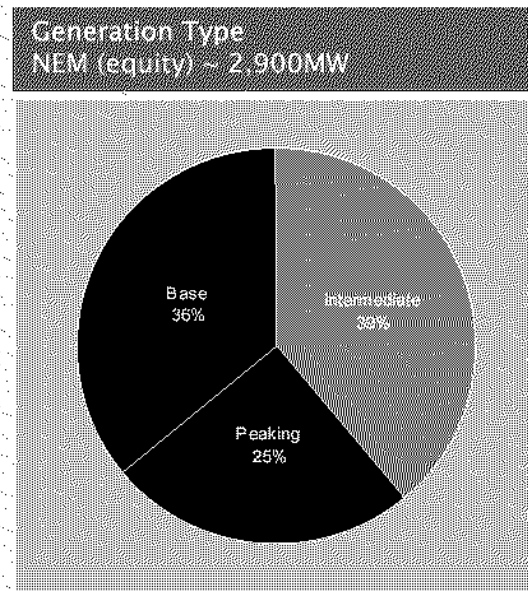
As equity generation increases the need for derivative hedge cover decreases delivering increased portfolio robustness through market cycles

generation diversity

a balanced portfolio

A robust generation portfolio mitigates risk of market cycles

- ▶ Diversity of fuel type (coal, gas & hydro/renewables)
- ▶ Diversity of generation type – base, intermediate & peak



building the natural hedge

upstream gas

Moranbah (Arrow)

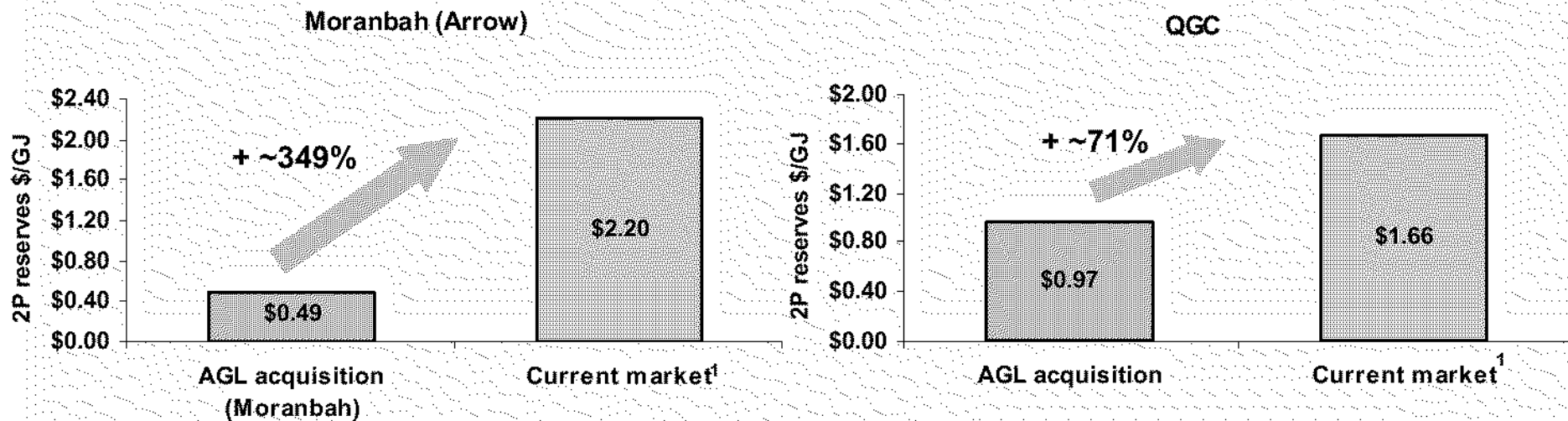
- ◆ 50% stake in MGP for US\$68.7m (~A\$93m)
- ◆ First upstream equity gas in fast-growing Queensland market
- ◆ Strengthens supply position in Eastern Australia energy market
- ◆ Diversifies wholesale gas portfolio & delivers future portfolio optionality
- ◆ No exploration risk / AGL right to dispose of it's 50% share in reserves
- ◆ MGP is largest single producing CSM project in Australia / AGL has back-in right over Bowen Basin area in addition to it's licence rights
- ◆ ~16 PJ sales in 2006 (100%)~
- ◆ MGP total 2P reserves ~416PJ

QGC

- ◆ Initial 27.5% stake for cash outlay of up to \$327 million
- ◆ AGL secures up to 740 PJ, 20 year GSA with optionality
 - pricing below current average AGL portfolio
 - delivers further diversity, flexibility and price stability to existing AGL portfolio
- ◆ Delivers AGL a \$22.5 million gas market development services fee over initial 3 years
- ◆ AGL to appoint 3 out of 9 directors to QGC board
- ◆ QGC total 2P reserves ~1000PJ

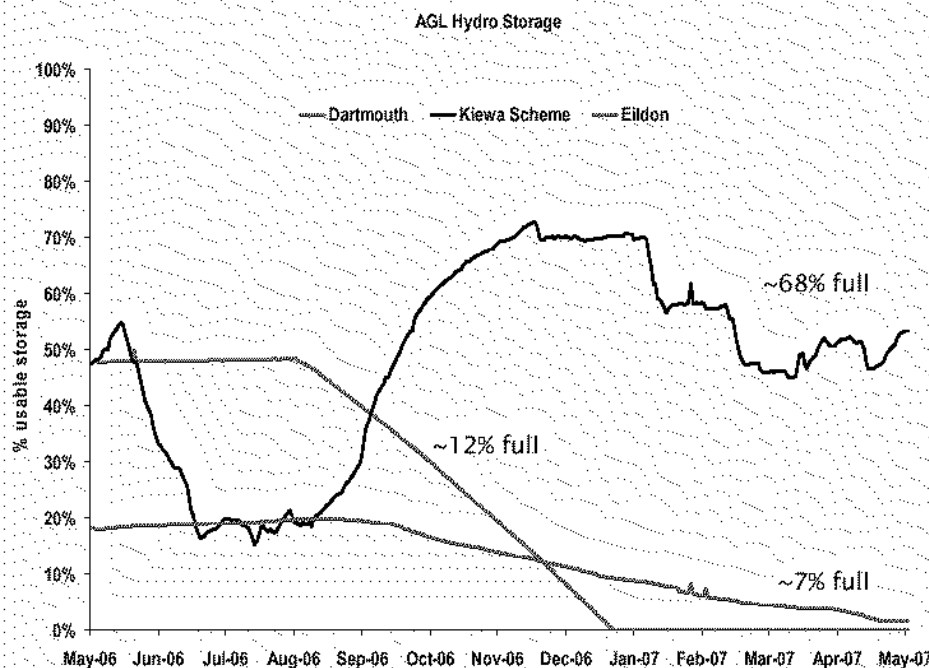
moranbah & qgc: *transaction economics*

disciplined, creative transactions deliver value accretion



1. As at 4 June 2007. Market capitalisation + net debt / 2P reserves

hydro *upside potential*



- ▶ Kiewa Scheme 68% full (~240MW – full discretion)
 - additional 140MW Bogong expansion forms part of Kiewa Scheme
- ▶ Derivative products (temperature & precipitation hedges) contribute
- ▶ GEAC (Loy Yang A) to deliver substantial increase in returns FY07 v FY06
- ▶ TIPS to deliver substantial, complimentary generation energy & capacity
- ▶ Considerable portfolio upside from return to normal hydrology conditions

~240MW discretionary hydro (Kiewa Scheme) receiving good inflows from recent snow fall

project phoenix

on track & on budget

Complete

- ▶ Detailed design and build;
 - Design, configuration & build of 130 strategic retail business processes, voice architecture, interfaces, reports & industry regulated enhancements
 - Rationalisation of retail products & rates;
 - ~1,100 to 78 strategic products
 - ~1,000 to 33 rate categories

Current

- ▶ System testing & deployment preparation;
 - Integration testing, industry market participant connectivity, data cleansing
 - Workforce transition, organisational & process readiness, cut over readiness (5 trial conversions then 3 complete dress-rehearsals)
 - Selection of Applications Management Outsourcing (AMO) provider

Next

- ▶ Two stage deployment;
 - Release 1 – Q4 2007 (mass market customers)
 - Release 2 – Q2 2008 (mass market customers)
 - Further releases (covering I&C customers and balance of mass market)

phoenix will deliver AGL a single, scalable world class customer management & billing platform together with an unassailable market leading cost to serve

powerdirect integration

on track – operations & cost

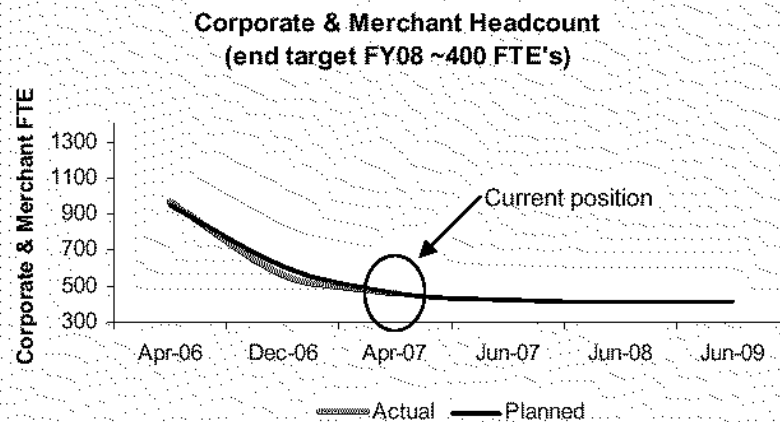
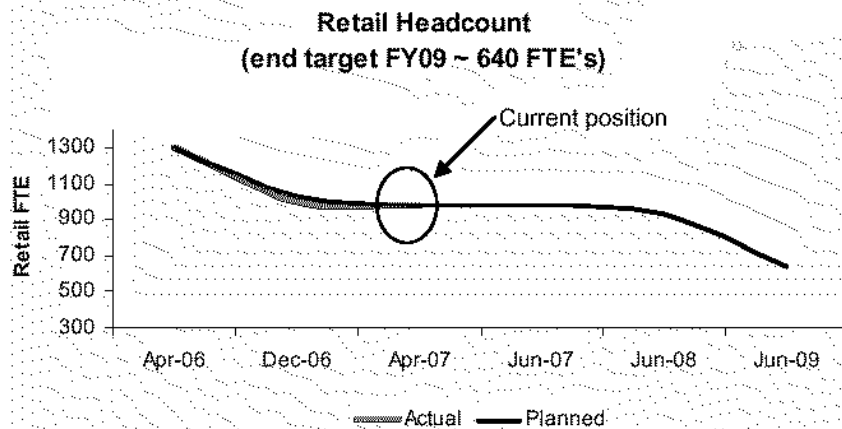
- ▶ Powerdirect Pty Ltd (SME business) will continue to operate as stand alone brand & business operating out of Victoria
 - IT, billing, customer service and sales & marketing functions completely segregated from AGL
 - currently finalising QLD Acquisition Plan (i.e. system product & channel capability in QLD)
 - currently deploying regional acquisition & retention plans for VIC, NSW & SA.
- ▶ Sun Gas & Powerdirect Sales* operations now managed as one entity
 - On track to fully integrate employee relations, legal, regulatory, finance, IT & wholesale into AGL by end of FY07
 - AGL integrating branded residential and small business into AGL sales & marketing – business readiness for pro-active campaigning
 - Employee presence in QLD will be predominantly customer facing sales roles

Powerdirect continues to operate effectively, winning customers across existing markets

* Powerdirect Sales comprises ex Energex franchise customers north of Brisbane River & Ergon I&C customers.

driving operational efficiency

delivering sustainable benefits



Corporate restructuring, process re-engineering and head count reduction deliver increased KPI's across the group:

- ▶ 5.4% reduction in LTIFR (lost time injury frequency rate)
- ▶ 70% reduction in billing backlogs (Feb 06 v Dec 06)
- ▶ 54% reduction in electricity account transfers
- ▶ 42% improvement in handling time of customer requests on back of 53% increase in volumes
- ▶ Generation portfolio start reliability & availability continue to perform well

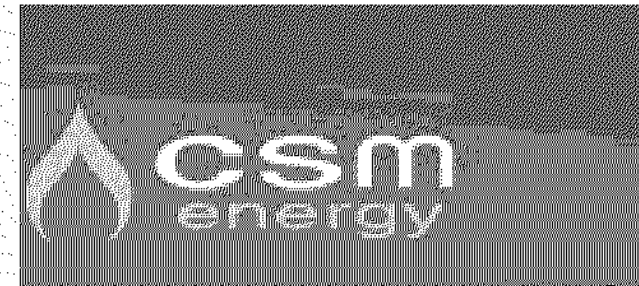
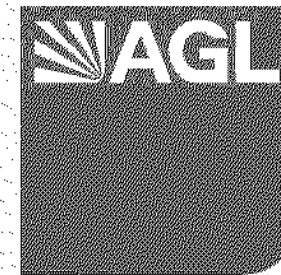
business re-engineering delivers >50% reduced head count and improved performance metrics

creative strategic execution

upstream gas

AGL to take 35% stake in CSM Energy Limited

- ◆ Initial cash outlay of \$3 million
- ◆ Strong leverage to CSM business upside
- ◆ CSM Energy's strategic focus
 - acquiring coal mine methane ("CMM") gas and project rights; and
 - providing CMM extraction & commercialisation services
- ◆ AGL has secured exclusive rights to acquire all gas and power produced from CMM projects
- ◆ Further option to acquire a minimum 35% direct equity stake in all projects pursued by CSM energy
- ◆ CMM industry has large growth potential in response to ongoing environmental pressures on Australia's coal industry



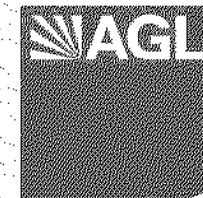
competitive leadership

chicago climate exchange initiative

- ▶ First utility outside North America to join Chicago Climate Exchange
- ▶ Avenue to liquid market to trade excess carbon credits
- ▶ Additional incentive to further invest in domestic emission reduction projects
 - ~AUS \$2 billion invested in renewable and environmentally friendly generation sources
- ▶ Provides expertise in global carbon trading ahead of introduction of domestic emissions trading scheme in 2010
- ▶ Delivers additional revenue stream



Chicago Climate Exchange



Renewable generation : ~1,030MW

Under review : ~430MW

Clean burn gas generation : ~1,530MW

Under review : ~1,930MW

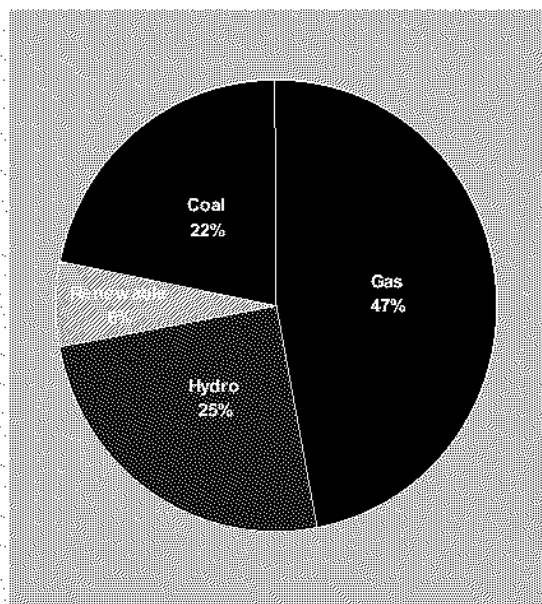
growth projects – status

Generation	95MW Hallett wind :	Ahead of schedule & on budget, due for completion 1H08
	140MW Bogong hydro:	Ahead of schedule & on budget, due for completion 2H09
	380MW Townsville gas :	Option over site, currently negotiating off-take agreements
	70–100MW Mica Creek expansion gas :	AGL/CS Energy negotiating with off-take customers. Mica Creek redevelopment feasibility studies underway
	330MW Macarthur wind :	Project feasibility currently under review vs other development options
	Initial 300MW Leafs Gully gas:	Option over site, development application submitted
	71MW Hallett Hill wind:	Development options acquired, final investment decision due 2008
Upstream Gas	Sydney Basin JV:	Sales now approaching 5.5 PJ pa (gross); Plant capacity now increased to ~13PJ pa
	Moranbah equity gas:	Current exploration plans targeting additional 150PJ certified 2P reserves (net) in FY08
	QGC equity gas:	Current exploration plans targeting additional 200PJ certified 2P reserves (QGC 100% basis) over next 24 months
	PNG equity gas :	Entered into Data Purchase Agreement to enable comprehensive evaluation by AGL of ExxonMobil – led LNG project initiative; decisions over next 2 months on project way forward

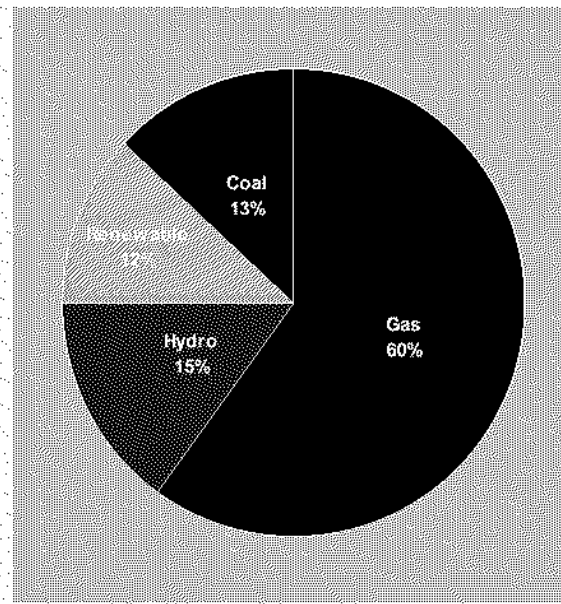
building carbon effective generation

a leading renewable position

Current generation ~ 3,300MW¹



Potential generation post development projects ~ 5,700²



Post Development Projects

~60% of generation clean-burn, gas-fired

~27% of generation renewables and hydro

both the current & potential agl generation portfolios are well structured to deliver ongoing benefits in a carbon constrained environment

¹ Equity generation including off-take agreements and plant under construction

² Generation including off-take agreements, plant under construction, 100% of JV's & development projects

in summary

clearly defined, 'four corners' integrated strategy

- ◆ Driving consolidation in a fragmented market to deliver first mover advantage and ultimately deliver ongoing, sector leading sustainable returns
- ◆ Clearly identified, 'locked in' growth opportunities supporting the four corners strategy

a diverse upstream generation portfolio

- ◆ Robust model with a balance of equity (physical) generation and hedge positions delivering effective risk mitigation and profit maximization opportunities
- ◆ Generation diversity across type and fuel source

strong ongoing operational performance

- ◆ Upside potential from hydro - Kiewa Scheme benefiting from recent snow and rain falls ~68% full, 140MW Bogong expansion on track - delivers additional Kiewa Scheme capacity
- ◆ Phoenix on budget and well advanced to meet implementation targets
- ◆ Corporate restructuring continues to deliver improved performance across business

strategic projects to deliver business opportunities forward

- ◆ Ongoing, disciplined and creative strategy execution across gas and generation
- ◆ Industry leading position to benefit in a carbon constrained environment

on track to deliver scheme booklet FY07 net profit of \$321 million

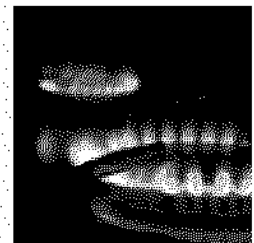
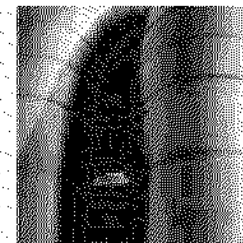
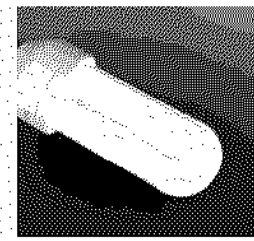
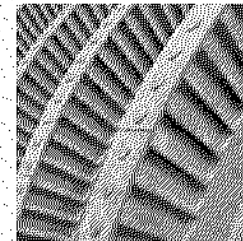
further information/contacts

a range of information on AGL Energy Limited including asx & media releases, presentations, the inaugural 2007 interim result as well as historical 'The Australian Gas Light Company' scheme booklets, annual reports, sustainability reports, presentations and financial results are all available from our website: www.agl.com.au

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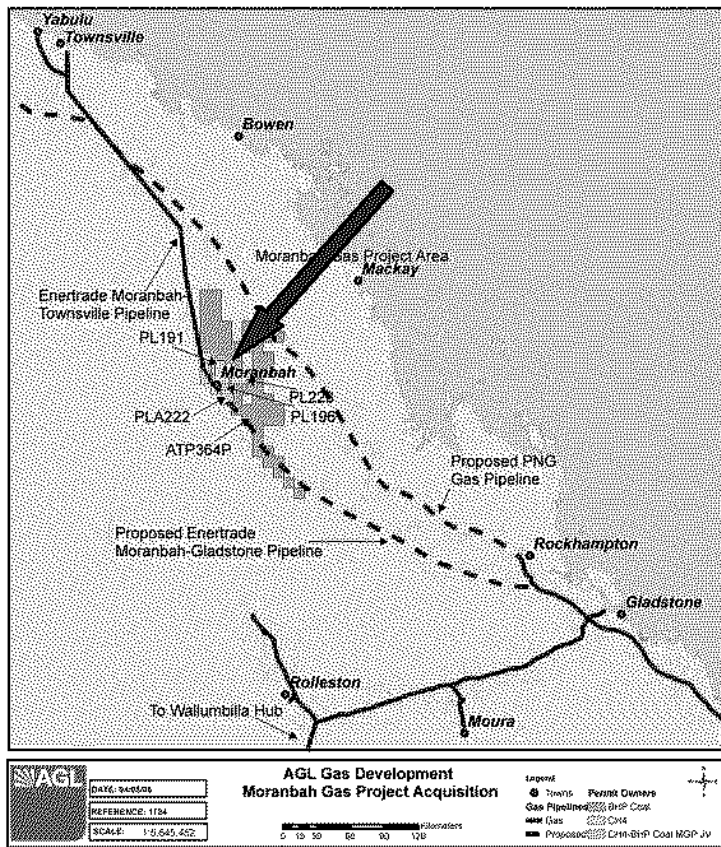
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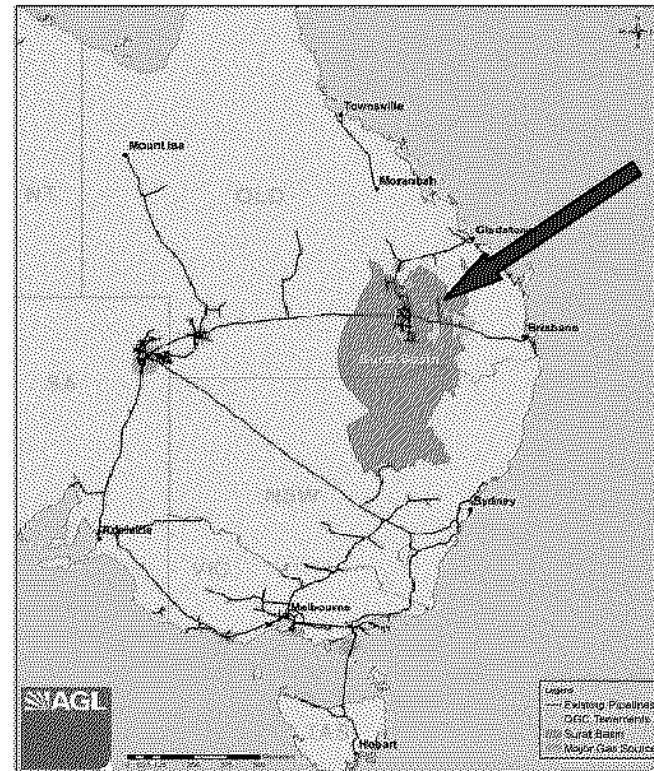
building the natural hedge

upstream gas

Moranbah (Arrow)



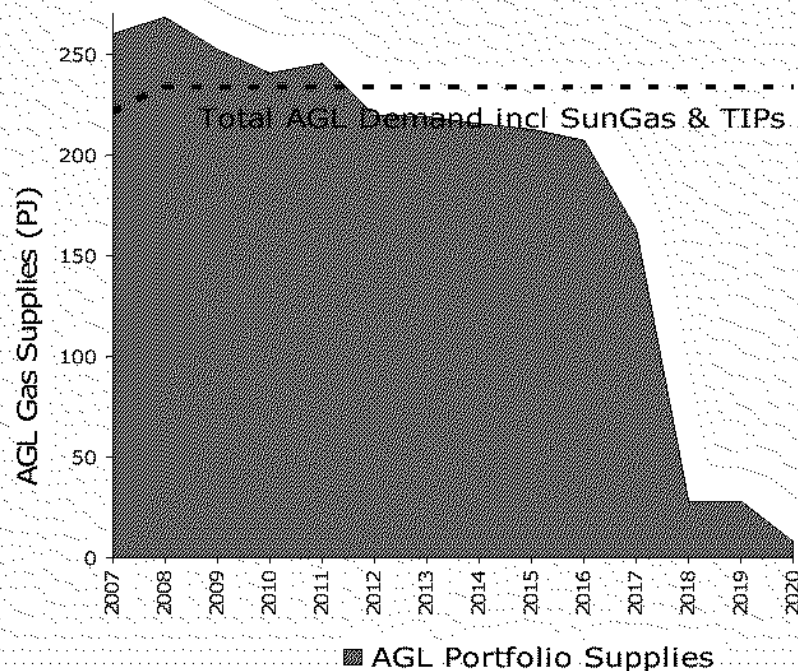
QGC



gas: fuel of choice

existing portfolio duration & flexibility

- ▶ current gas demand fully contracted for next 10 years
- ▶ extensive portfolio flexibility within both equity and contract gas
 - annual contract quantity (ACQ) 'up & down', maximum daily quantity (MDQ), take-or-pay (ToP) and flexible delivery points
- ▶ rolling 'buy long / sell short' portfolio strategy
- ▶ no shortage of gas – of Eastern Australia's remaining ~16,000 PJ (2P) gas reserves ~ 50% remain uncontracted



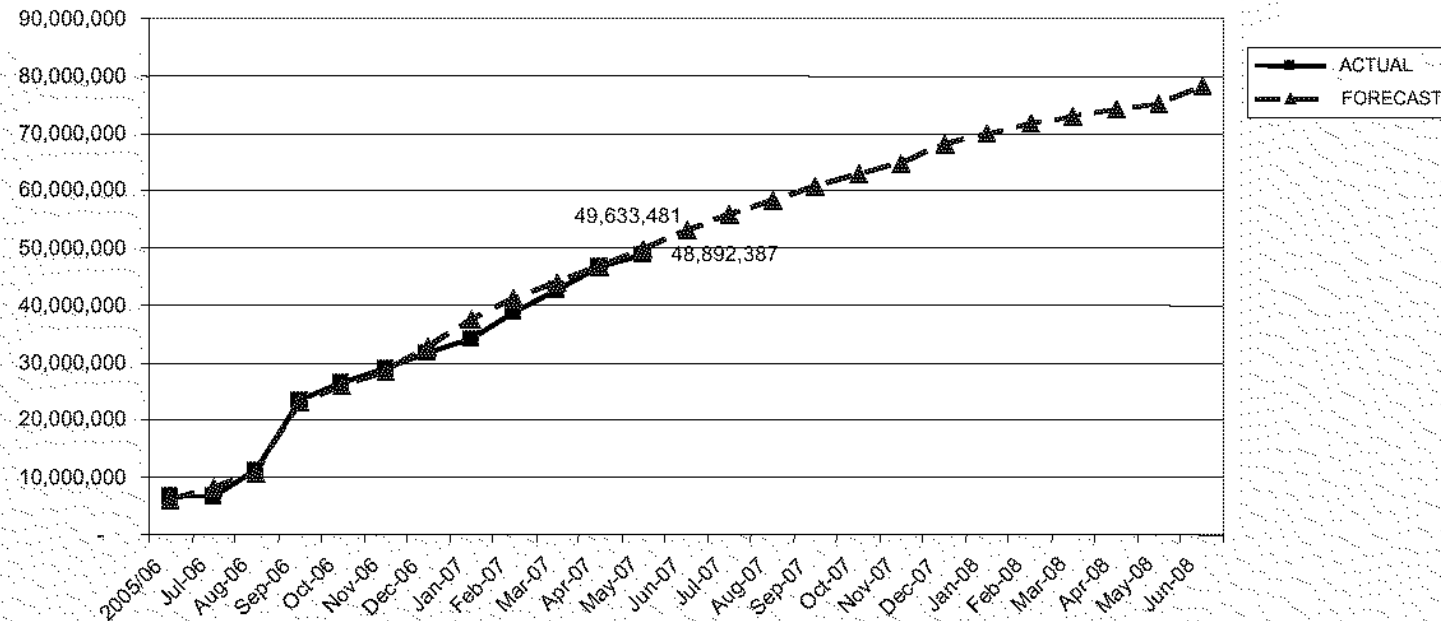
Targeting portfolio of 50% equity gas

- ▶ Profit from future price appreciation
- ▶ Substitute fuel of choice for generation
- ▶ Substitute fuel of choice for heavy haulage transport

project phoenix

budget - on track

Total Project Phoenix

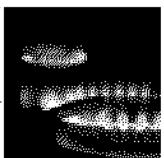
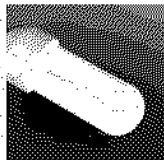
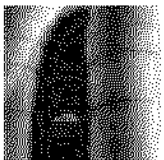
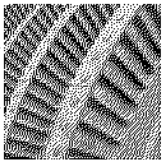
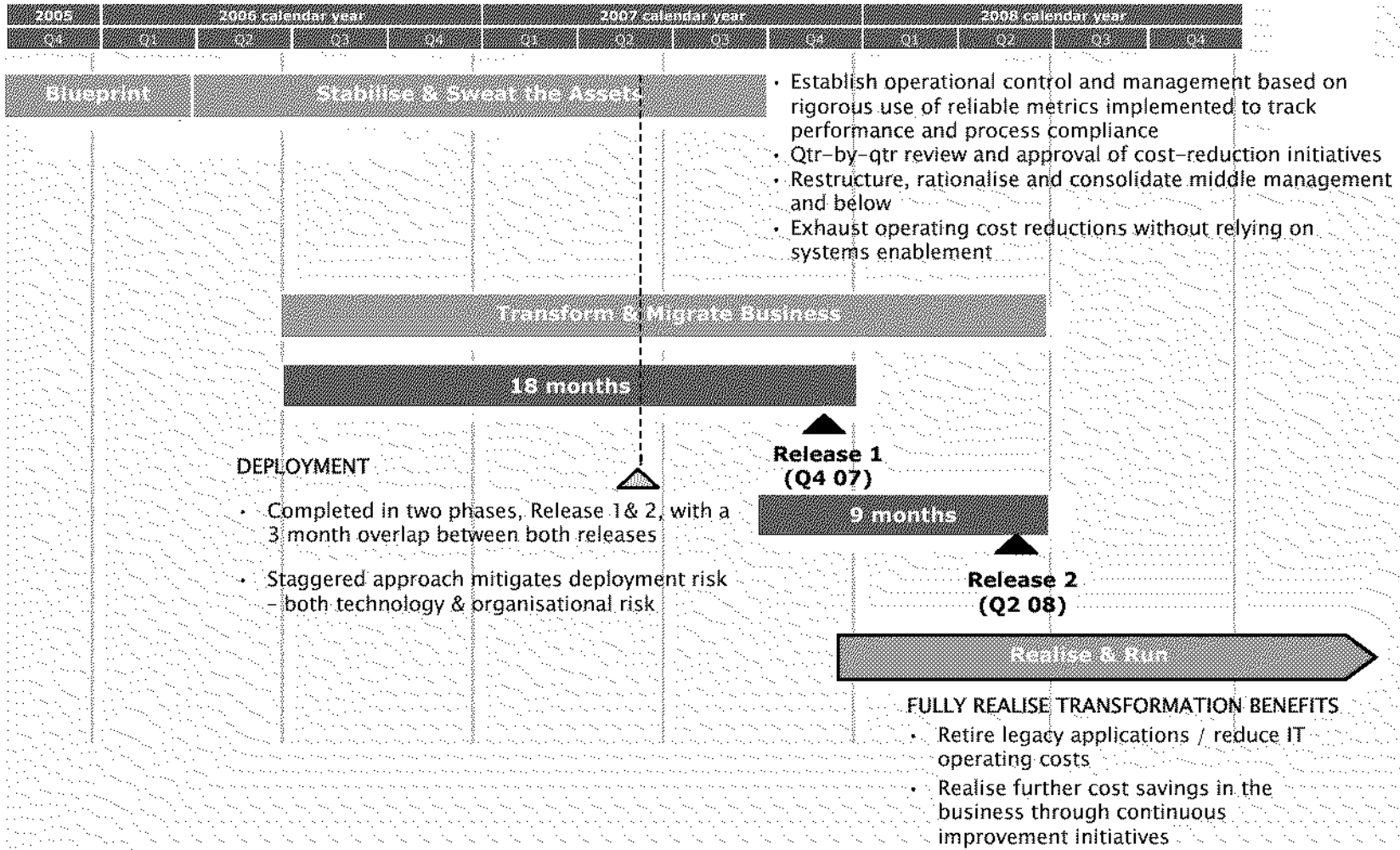


- ◆ estimated to be 40% through the retail billing solution implementation & under budget
- ◆ full program costs ~\$80-90m incurred over FY07 & FY08

Phoenix will deliver AGL a single, scalable, world class customer management & billing platform together with an unassailable market leading cost to serve

project phoenix

full timetable



project phoenix

transforming retail

Complete

- ◆ Timely completion of Detailed design and Build phase:
 - Design and configuration of 130 strategic AGL Retail Business processes; design encompasses end to end Retail capabilities, from Marketing and Sales through Customer acquisition to Customer Service
 - Design and build of AGL Retail strategic Voice architecture, Interfaces, Reports & Industry regulated enhancements
 - Design & Build of Data Conversion architecture geared at migrating AGL Retail customer base and enabling the decommissioning of current IT applications & infrastructure
 - Definition of Change Enablement & Workforce transition approach

Current

- ◆ Progress to schedule on Testing and Deployment preparation:
 - AGL Retail Solution Product test in completion, with focus on core AGL Retail Solution capabilities
 - Integration Test in progress, focusing on connectivity with Industry Market Participants and 3rd parties integration
 - Conversion Trials and Data Cleanse in progress, focusing on migration of SA Gas and Victorian Gas & Electricity customer base
 - QLD capability assessment completed, with Implementation planning activities in finalisation
 - Build & Test of capabilities focused on enabling separation of Alinta & AGL Retail
 - Focus on Business Readiness activities, the scope of which includes workforce transition, organisational and process readiness, and Cut Over readiness
 - Selection Of Applications Management Outsourcing (AMO) provider

Next

- ◆ Two stage deployment planned for Q4 2007 & Q2 2008
 - Release 1 – Q4 2007 – is focused on mass market Victorian electricity & gas and SA gas capabilities & customers
 - Release 2 – Q2 2008 – is focused on remaining mass market for NSW electricity & gas and SA electricity capabilities and customers capabilities & customers
 - Further releases – QLD and I&C capabilities and customers

powerdirect integration

on track – budget & cost

- ▶ Powerdirect Pty Ltd (SME business) will continue to operate as stand alone brand & business operating out of Victoria
 - IT, billing, customer service and sales & marketing functions completely segregated from AGL
 - AGL will leverage & provide its benefits of scale in wholesale purchasing & portfolio management
 - currently finalising QLD Acquisition Plan (i.e. system product & channel capability in QLD)
 - currently deploying regional acquisition & retention plans for VIC, NSW & SA.
 - continues to operate effectively, winning customers across existing markets

- ▶ Sun Gas & Powerdirect Sales* operations now managed as one entity
 - On track to fully integrate employee relations, legal, regulatory, finance, IT & wholesale into AGL by end of FY07
 - AGL integrating branded residential and small business into AGL sales & marketing - business readiness for pro-active campaigning
 - Employee presence in QLD will be predominantly customer facing sales roles
 - AGL currently implementing Hansen IT HUB solution for dual fuel mass market FRC for 1 July with all customers migrating to project phoenix by end March 08

*Powerdirect Sales comprises ex Energex franchise customers north of Brisbane River & Ergon I&C customers.