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asx & media release

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AGL to purchase output from QGC's Condamine Power Station

AGL Energy Limited (AGL) today announced that it has signed an agreement with Queensland Gas Company Limited (QGC) to secure 66 per cent of the output from the 130MW Condamine combined cycle gas power station in Queensland currently under construction.

AGL's Managing Director Michael Fraser said that the deal worth approximately \$80 million over three years¹ would take effect in the first quarter of calendar 2009 and further bolster the company's strong Queensland position. The transaction has been structured as a financial derivative with no upfront capital requirements.

"This transaction enhances our already strong position in the Queensland energy market. Complementing our investments in QGC, Sun Gas and Powerdirect, this transaction builds on AGL's purchase of the dispatch rights from the Oakey and Yabulu power stations, the latter being a key component of the AGL-Arrow joint venture that last week acquired Enertrade's gas merchant business," Mr Fraser said.

"The structure of this transaction delivers value for both AGL and our strategic partner QGC. By setting a three-year price for 66 per cent of the capacity, QGC has essentially locked-in its financing costs for the entire plant for this period and is well positioned to take advantage of any price volatility with the residual capacity.

"For AGL this transaction provides a near base load hedge and complements our existing Queensland portfolio which includes the dispatch rights to Oakey peaking and Yabulu base to intermediate power stations and a large portfolio of financial hedges purchased prior to and shortly after the Powerdirect acquisition.

"Our portfolio is essentially hedged for most foreseeable market conditions for a number of years at a market competitive cost and we are very comfortable with our combined portfolio of derivative positions and physical generation as we move into the key summer months," Mr Fraser added.

This transaction has no impact on AGL's revised 2008 earnings guidance.

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About AGL

AGL is one of Australia's leading integrated energy companies. Drawing on 170 years of experience, it includes retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has Australia's largest retail energy and dual fuel customer base. This includes customers supplied with gas and electricity through AGL's joint venture partnership with ActewAGL. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. One of Australia's largest renewable energy producers, AGL is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.

¹ \$80m represents the aggregate face value of AGL's estimated fixed price obligations under the derivative over the three year period.

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