

ASX and Media release

AGL and APA to develop new Mt Isa gas fired power station.

AGL signs ten year contract to supply gas.

6 October 2011

AGL Energy Limited ("AGL") and APA Group ("APA") today announced the signing of a long term Energy Supply Agreement with Xstrata Mount Isa Mines (Xstrata) and a Power Purchase Agreement with Ergon Energy Queensland (Ergon), a Queensland Government Owned Corporation, underpinning the joint development of a 242 MW gas-fired power station in Mt Isa Queensland.

AGL will supply the new Diamantina Power Station (DPS) with 138 PJ of gas from its wholesale portfolio for the first 10 ½ years of the project, after which Xstrata and Ergon are able to commence a tolling arrangement with DPS. AGL's gas supply arrangements to DPS will initially involve the supply of interim gas for Xstrata from May 2013, coinciding with the expiry of Xstrata's current gas supply contracts. The supply arrangements will utilise AGL's existing gas transportation arrangements and recently commissioned Silver Springs Gas Storage facility. In addition APA will supply gas transportation services to DPS along the Carpentaria Gas Pipeline.

AGL's Managing Director Michael Fraser said "This is a significant development project for AGL which will provide energy supply security for the Mt Isa region well into the next decade. I am delighted that the AGL and APA proposal was selected by two key Mt Isa customers to deliver a low carbon emission energy supply solution for the region".

The DPS will be an air-chilled high-efficiency, combined cycle gas turbine suitable for remote area heavy duty operations, and is expected to become fully operational in March 2014, with the first 121 MW unit operational in December 2013.

AGL and APA have selected CTEC as the EPC contractor for this project with the fixed price turnkey contract supported by a sub-contract with Siemens, who will provide the majority of the power station equipment.

Financial Impact to AGL

The total capital expenditure for the DPS power station development is expected to be approximately \$500 million (before project financing costs), which is expected to be funded by implementing a limited-recourse project financing facility and by equity contributions by AGL and APA. AGL will fund its equity contribution, which is expected to be about \$100 million, from cash reserves.

AGL's investment in DPS and the supporting gas sales agreement will be earnings accretive from FY2013.

Transaction Highlights

- > Energy Supply Agreement with Xstrata for 17 years, involving an interim gas supply period from May 2013, a bundled energy supply and capacity supply arrangement through to 2023, followed by a 7 year capacity supply tolling arrangement through to 2030;
- > Power Purchase Agreement with Ergon for 17 years, the State owned regional electricity supplier, involving a bundled energy supply and capacity supply arrangement through to 2023, followed by a 7 year capacity supply tolling arrangement through to 2030. Ergon is in the process of seeking Ministerial approval to enter into this Agreement (which is a condition precedent to the Power Purchase Agreement and to the Energy Supply Agreement with Xstrata coming into effect);
- > AGL to supply DPS with 138PJ of natural gas under a 10 ½ year gas supply agreement from May 2013 through to 2023;
- > AGL to utilise gas supply from AGL's wholesale gas portfolio involving the supply of gas from QGC under AGL's existing gas sale agreement;
- > AGL to utilise existing gas transportation arrangements in the Berwyndale-Wallumbilla Pipeline, South West Queensland Pipeline and Silver Springs Gas Storage Facility;
- > AGL has entered into a gas transportation agreement with APA for use of the Carpentaria Gas Pipeline from Ballera to Mt Isa and for gas compression services at Ballera;
- > DPS has entered into an EPC contract with CTEC utilising Siemens technology. CTEC is a global provider of projects to the energy and utilities sectors headquartered in Perth.

Media

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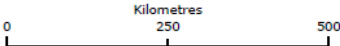
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About AGL

AGL is one of Australia's leading integrated renewable energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on over 170 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has Australia's largest dual fuel customer base. 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. AGL is Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.

Diamantina Power Station Mt Isa Location Map



	Author: Upstream Gas	 Scale 1:9,000,000 Geocentric Datum of Australia 1994	Legend  Gas Pipeline  Capital City  Town	
	Date: 04/10/2011			
	Ref: 2824			


 Disclaimer: While AGL has taken great care and attention to ensure the accuracy of the data represented on this map, no liability shall be accepted for any errors or omissions. No part of this map may be reproduced without prior permission of AGL.

Sources: AGL Energy Limited, MapData Sciences, SKM