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LAWYERS

29 December 2008

By fax | 6 pages

To Company Announcements Office
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000
Fax 1300 135 638

Gilbert + Tobin

2 Park Street
Sydney NSW 2000
Australia

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Sydney NSW 2001

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Dear Sir/Madam

Notice of Initial Substantial Holder – Sydney Gas Limited

We act for AGL Energy Limited and attach ASIC Form 604 (Notice of change of interest of substantial holder) issued by AGL in relation to shares in Sydney Gas Limited.

Yours faithfully
Gilbert + Tobin

A handwritten signature in cursive script that reads "Gilbert + Tobin".

This facsimile is solely for the use of the addressee and may contain information which is confidential or privileged. If you receive this facsimile in error, please notify us immediately and we will arrange for its return at our expense. Liability limited by a scheme approved under Professional Standards Legislation.

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International associate

The logo for King & Wood, featuring a stylized graphic of horizontal lines to the left of the text "金杜律师事务所" (King & Wood Law Firm), "KING & WOOD", and "INTERNATIONAL AND FINANCIAL LAWYERS".

金杜律师事务所
KING & WOOD
INTERNATIONAL AND FINANCIAL LAWYERS

Form 604Corporations Act 2001
Section 671B**Notice of change of interests of substantial holder**

To Company Name/Scheme Sydney Gas Limited (SGL)
ABN 003 324 310

1. Details of substantial holder (1)

Name AGL Energy Limited (AGL) and its related bodies corporate (as set out in Annexure A) (AGL Group).
ACN/ARSN (if applicable) ACN 115 061 375

There was a change in the interests of the substantial holder on 24 December 2008
The previous notice was given to the company on 24 December 2008
The previous notice was dated 24 December 2008

2. Previous and present voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in when last required, and when now required, to give a substantial holding notice to the company or scheme, are as follows:

| Class of securities (4) | Previous notice | | Present notice | |
|-------------------------|-----------------|------------------|----------------|------------------|
| | Person's votes | Voting power (5) | Person's votes | Voting power (5) |
| Ordinary shares | 79,570,523 | 19.8% | 104,453,229 | 25.9% |

3. Changes in relevant interests

Particulars of each change in, or change in the nature of, a relevant interest of the substantial holder or an associate in voting securities of the company or scheme, since the substantial holder was last required to give a substantial holding notice to the company or scheme are as follows:

| Date of change | Person whose relevant interest changed | Nature of change (6) | Consideration given in relation to change (7) | Class and number of securities affected | Person's votes affected |
|------------------|--|--|---|---|-------------------------|
| 24 December 2008 | AGL | Increase in relevant interest of AGL as a result of stock market acquisitions made by AGL on 24 December 2008 pursuant to on-market transactions (as defined in the Corporations Act). | \$0.425 per share | 24,882,706 fully paid ordinary shares | 24,882,706 |

4. Present relevant interests

Particulars of each relevant interest of the substantial holder in voting securities after the change are as follows:

| Holder of relevant interest | Registered holder of securities | Person entitled to be registered as holder (8) | Nature of relevant interest (6) | Class and number of securities | Person's votes |
|-----------------------------|---------------------------------|--|---------------------------------|--------------------------------|----------------|
|-----------------------------|---------------------------------|--|---------------------------------|--------------------------------|----------------|

| | | | | | |
|-----|------------------------|--|--|---------------------------------------|------------|
| AGL | AJ Lucas Group Limited | AGL, subject to terms of AJL Pre-Bid Acceptance Deed | Relevant interest under section 608(1) and 608(8) of the Corporations Act 2001 (Cth) pursuant to the Pre-Bid Acceptance Deed between AGL and AJ Lucas Group Limited ACN 060 309 104 dated 23 December 2008 a copy of which was attached as Annexure B to AGL's Notice of Initial substantial holder dated 24 December 2008 (AJL Deed) | 59,570,523 fully paid ordinary shares | 59,570,523 |
| AGL | [AGL] | AGL, subject to terms of B&B Deed | Relevant interest under section 608(1) and 608(8) of the Corporations Act 2001 (Cth) pursuant to the Pre-Bid Acceptance Deed between AGL and Babcock & Brown Australia Pty Limited ACN 086 149 555 dated 23 December 2008 a copy of which was attached as Annexure C to AGL's Notice of Initial substantial holder dated 24 December 2008 (B&B Deed). | 20,000,000 fully paid ordinary shares | 20,000,000 |
| AGL | AGL | AGL | Pursuant to s608(1) of the Corporations Act, a relevant interest in ordinary shares as a result of stock market acquisitions made by AGL pursuant to on-market transactions (as defined in the Corporations Act). | 24,882,706 fully paid ordinary shares | 24,882,706 |

5. Changes in association

The persons who have become associates (2) of, ceased to be associates of, or have changed the nature of their association (9) with, the persons named in paragraph 4 in relation to voting interests in the company or scheme are as follows:

| Name and ACN/ARSN (if applicable) | Nature of association |
|-----------------------------------|-----------------------|
| None | None |

6. Addresses

The addresses of persons named in this form are as follows:

| Name | Address |
|-----------|--|
| AGL Group | Level 22, 101 Miller Street, North Sydney NSW 2060 |

Signature

print name

GARY LAWLER

capacity Attorney for AGL Energy Limited

sign here

date

29 December 2008

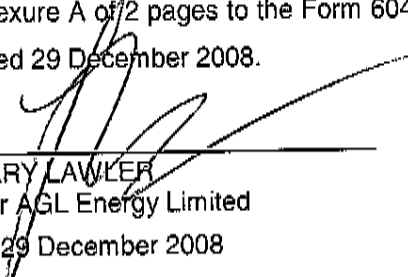
DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 6 of the form.
- (2) See the definition of 'associate' in section 9 of the Corporations Act 2001.

- (3) See the definition of 'relevant interest' in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (6) Include details of:
- (a) any relevant agreement or other circumstances because of which the change in relevant interest occurred. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).
- See the definition of 'relevant agreement' in section 9 of the Corporations Act 2001.
- (7) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.
- (8) If the substantial holder is unable to determine the identity of the person (eg, if the relevant interest arises because of an option) write 'unknown'.
- (9) Give details, if appropriate, of the present association and any change in that association since the last substantial holding notice.

Annexure A

This is Annexure A of 2 pages to the Form 604 Notice of change of interests of substantial holder signed by me and dated 29 December 2008.


 Name: GARY LAWLER
 Attorney for AGL Energy Limited
 Date: 29 December 2008

| | |
|--|--------------------|
| AGL Energy Limited | ABN 74 115 061 375 |
| AGL Limited | N/A (New Zealand) |
| AGL ACT Retail Investments Pty Limited | ABN 53 093 631 586 |
| AGL Corporate Services Pty Limited | ABN 98 093 015 724 |
| AGL Electricity (VIC) Pty Limited | ABN 62 070 182 099 |
| AGL Energy Limited | N/A (New Zealand) |
| AGL Energy Sales & Marketing Limited | ABN 18 076 092 067 |
| AGL Energy Services Pty Limited | ABN 57 074 821 720 |
| AGL Energy Services (Queensland) Pty Limited | ABN 80 104 759 471 |
| AGL Gas Developments (Hunter) Pty Limited | ABN 32 073 928 631 |
| AGL Gas Developments (PNG) Pty Limited | ABN 37 001 389 939 |
| AGL Gas Developments (Sydney) Pty Limited | ABN 64 086 013 505 |
| AGL Gas Production (Camden) Pty Limited | ABN 58 115 063 744 |
| AGL Gas Trading Pty. Limited | ABN 70 068 827 038 |
| AGL Gloucester MG NL | ABN 53 075 137 218 |
| AGL Gloucester LE Pty Limited | ABN 96 092 684 010 |
| AGL HP1 Pty Limited | ABN 86 080 429 901 |
| AGL HP2 Pty Limited | ABN 75 080 810 546 |
| AGL HP3 Pty Limited | ABN 22 080 735 815 |
| AGL Hydro Operations Pty Limited | ABN 21 080 797 824 |
| AGL Hydro Partnership | ABN 86 076 691 481 |
| AGL Pipelines Investments Pty Limited | ABN 86 091 258 418 |
| AGL Pipelines Investments (QLD) Pty Limited | ABN 98 091 258 472 |
| AGL Power Generation (NSW) Pty Limited | ABN 11 118 099 451 |
| AGL Power Generation (QLD) Pty Limited | ABN 85 119 438 756 |
| AGL Power Generation (Victoria) Pty Limited | ABN 45 086 586 192 |
| AGL Power Generation (Wind) Pty Limited | ABN 13 120 355 213 |
| AGL Retail Energy Limited | ABN 21 074 839 464 |
| AGL SA Generation Pty Limited | ABN 84 081 074 204 |
| AGL Sales Pty Limited | ABN 88 090 538 337 |
| AGL Sales (Queensland) Pty Limited | ABN 85 121 177 740 |
| AGL Sales (Queensland Electricity) Pty Limited | ABN 66 078 875 902 |
| AGL Share Plan Pty Limited (50%) | ABN 78 080 609 749 |
| AGL (SHL) Pty Limited | ABN 39 116 830 285 |
| AGL South Australia Pty Limited | ABN 49 091 105 092 |
| AGL Southern Hydro Holdings Pty Limited | ABN 78 104 646 424 |
| AGL Southern Hydro Investments Pty Limited | ABN 98 104 071 829 |
| AGL Southern Hydro Pty Limited | ABN 89 088 976 327 |
| AGL Southern Hydro (NSW) Pty Limited | ABN 73 056 452 601 |
| AGL Torrens Island Pty Limited | ABN 67 081 074 197 |
| AGL Torrens Island Holdings Pty Limited | ABN 96 071 611 017 |
| AGL Utility Services Pty Limited | ABN 72 081 834 826 |
| AGL Wholesale Gas Limited | ABN 26 072 948 504 |
| AGL Wholesale Gas (SA) Pty Limited | ABN 13 094 384 291 |
| Australian Energy Ltd | ABN 72 083 183 028 |
| Australian Plains Wind Farm Pty Ltd | ABN 99 116 978 039 |
| Ben Lomond Wind Farm Pty Ltd | ABN 23 105 363 853 |
| Box Hill Wind Farm Pty Limited | ABN 18 110 666 021 |
| Coopers Gap Wind Farm Pty Limited | ACN 126 594 714 |
| Crows Nest Wind Farm Pty Limited | ABN 75 105 363 255 |
| Dollar Wind Farm Pty Limited | ABN 56 107 251 285 |
| Dual Fuel Systems Pty Limited | ABN 58 001 499 314 |

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|--|--------------------|
| Energy Infrastructure Management Pty Ltd (50%) | ABN 75 100 946 389 |
| Essential Energy Services Pty Ltd | ABN 58 090 072 889 |
| Geogen Pty Limited | ACN 113 102 686 |
| Geogen Australia Pty Limited | ACN 134 542 082 |
| Geogen Victoria Pty Limited | ACN 121 810 160 |
| H C Extractions Pty Limited | ABN 70 002 945 655 |
| Highfields Wind Farm Pty Limited | ABN 85 109 821 114 |
| Macarthur Wind Farm Pty Ltd | ABN 19 106 134 507 |
| MWF JV Pty Limited (50%) | ACN 129 819 852 |
| Oaklands Hill Wind Farm Pty Limited | ACN 126 595 935 |
| PGI Pty Limited | ABN 52 127 185 826 |
| Powerdirect Pty Limited | ABN 28 067 609 803 |
| Victorian Energy Pty Limited | ABN 97 069 892 379 |
| Worlds End Wind Farm Pty Ltd | ABN 98 100 729 780 |