

AGL Energy Limited

RE: PROPOSED ACQUISITION OF MACQUARIE GENERATION (A CORPORATION ESTABLISHED UNDER THE ENERGY SERVICES CORPORATIONS ACT 1995 (NSW))

Statement of: Philip Laurence Williams

Address: 395 Collins Street, Melbourne, in the State of Victoria

Occupation: Economist

Date: 26 March 2014

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I, Philip Laurence Williams of 395 Collins Street, Melbourne, in the State of Victoria, Economist, make oath and say as follows:

QUALIFICATIONS AND EXPERIENCE

1. I am the Executive Chairman of Frontier Economics Pty Ltd (**Frontier Economics**), an economics consulting firm based in Melbourne and I have held this position since 2002.
2. My key area of expertise is the relationship between economics and the law. In this regard, I provide economic advice to clients in the areas of trade practices, valuing damages, intellectual property and contractual disputes. I also consult on access and regulatory issues.

Filed on behalf of (name & role of party) AGL Energy Limited, Applicant
Prepared by (name of person/lawyer) Liza Carver
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CLC PLW

3. I have advised the Australian Competition and Consumer Commission, the National Competition Council and the New Zealand Commerce Commission. From time to time, I have been retained by all of the leading law firms in Australia and New Zealand to give advice on disputes relating to access and regulatory issues, as well as competition and general commercial litigation.
4. Prior to joining Frontier Economics in 2002, I taught full-time at the University of Melbourne from 1978 to February 2002. At the time I resigned from the University, I was Professor of Law and Economics in the Melbourne Business School.
5. In addition to my role at Frontier Economics, I am a member of the Competition and Consumer Committee of the Law Council of Australia. I was made a Member of the Order of Australia in January 2014.
6. A copy of my curriculum vitae is annexed to this affidavit and marked "**PW-1**".
7. I acknowledge that the opinions I express in these sections are based wholly or substantially on the specialised knowledge I have as a result of the qualifications and experience I set out above.

MY REPORT

8. I, together with my colleague Daniel Enoch Price (co-owner and Managing Director of Frontier Economics), have been requested by Ashurst Australia, lawyers for AGL Energy Limited (**AGL**), to prepare a joint expert report in these proceedings which addresses matters relating to the impact of AGL's proposed acquisition of Macquarie Generation on competition in relevant markets.
9. Ashurst Australia requested that Daniel Price and I prepare a report which identifies, in relation to AGL's proposed acquisition of Macquarie Generation:
 - (a) probable counterfactual scenarios to the proposed acquisition;
 - (b) the economic principles relevant to market definition and the markets relevant to determining the effect or likely effect on competition of the proposed acquisition;
 - (c) the economic principles relevant to determining the effect or likely effect on competition of "horizontal" and "vertical" mergers or acquisitions;
 - (d) any "horizontal" or "vertical" effects on competition (or likely effects), or efficiencies (or likely efficiencies), arising from the proposed acquisition.
10. Specifically, I have prepared sections 2.2, 4.1, 5.2, 6.2 and 8.1 of that joint report; Daniel Price has prepared the other sections of that report.
11. Annexed to this report and marked "**PW-2**" is a copy of the joint report dated 26 March 2014.
12. On 14 March 2014, I was provided with a copy of Practice Note CM7, entitled "Guidelines for Expert Witnesses in Proceedings in the Federal Court of Australia", by AGL's solicitors Ashurst Australia. I confirm that I have read Practice Note CM7 and that I have complied with the terms of Practice Note CM7 in preparing the report.

13. I have made all the inquiries that I believe are desirable and appropriate for the purpose of preparing the report. No matters of significance that I regard as relevant have, to my knowledge, been withheld from the Court.

Affirmed at Melbourne

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in the State of Victoria

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this 26th day

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of March 2014

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Philip L. Williams
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before me:

Alice Muijlebach
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Name:

ALICE MUIJLEBACH

Ashurst Australia

181 William Street, Melbourne Vic. 3000

An Australian legal practitioner within the
meaning of the Legal Profession Act 2004