

Submission

Hedge Market Enhancements Market Making consultation paper

Fonterra is a major electricity user with consumption of approximately 1,160 GWh per annum, and is also an active user of the ASX hedge market. We welcome the opportunity to submit on the Hedge Market Enhancements Market Making consultation paper.

Fonterra support the strengthening of the electricity hedge market and believe changes to the status quo are needed to improve confidence and efficiency in the market going forward.

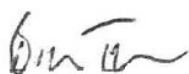
To this effect, we are supportive of changes to improve the number and diversity of market makers. In our view, this is key to improving liquidity and active participation in the market. We support fair compensation to market makers for this service. Broadening the mix of market makers may aid in tensioning bid-offer spreads as well as spreading the cost burden across participants making the forward curve more robust and reliable.

From our perspective, it is important that the design solution is such that it can operate and withstand the rigors of future stress events, so we see a firm backstop in the form of regulatory or financial penalties as a necessary element of the design.

Additionally, we would like to see a solution that can respond to future changes in the industry with speed and flexibility.

Overall, we see this design solution as a key opportunity for the EA to make the hedge market more robust and transparent, which if successful is likely to attract new participation.

Yours sincerely,



Bruce Turner
Director Central Portfolio Management

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You, me, us, together
Tātou, Tātou**