Dear Madam/Sir,

Open Country responds to questions 12.1 to 12.3 in the Commerce Commission's consultation letter dated 27 July 2021 as follows.

12.1. Do you agree that the methodology used by MPG to identify the firms in the core and full comparator sets would satisfy the new DIRA s 150C(4) requirements (even though Fonterra is not required to apply s 150C(4) for this review)? Please explain why or why not.

It is unfortunate that a more transparent process was not used for the MPG's selection of firms. It was left to CEPA to guess the firms that might have been left out, and it has identified possible additional firms. This suggests some gaps in the methodology.

12.2. Do you consider that an asset beta estimate for the notional processor of between 0.45 (MPG's estimate) and 0.53 (CEPA's core comparator set estimate) would meet the requirements of DIRA? In particular, is a downward adjustment of the asset beta from the comparator set estimate justified? Please explain why or why not.

Open Country supports the view that the evidence presented by the MPG is not robust, and that there is no justification for a downward adjustment of the asset beta from the sample average.

12.3. Do you agree that any non-systematic stranding risk faced by the notional processor can be managed using the rules in Fonterra's Milk Price Manual and does not require upfront compensation at this stage (subject to an appropriate asset beta)?

Open Country agrees with CEPA's assessment on the specific risk premium points. The asset stranding risk of the notional processor can be dealt with through asset lives and depreciation.

Yours truly,

Malikah Mitha

CFO

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