

Dear Sirs,

Marathon Oil Norge AS's (MONAS's) initial representations as a shipper to the Workgroup for **UNC Modification 0461 - Changing the UNC Gas Day to Align with the Gas Day in EU Network Codes** are as follows:

MONAS does not believe it is necessary to implement, in the manner proposed, changes to the definition of the Gas Day within the UNC and its associated documents to facilitate compliance with European legislative changes relating to the requirements of the Capacity Allocation Mechanism (CAM) under the European network code. MOUK believes an alternative approach can be found which leaves in place the intent of the legislation in gas pipeline capacity management without incurring unnecessary costs in areas outside of this which may adversely affect energy consumers in the UK directly and disproportionately to those elsewhere in the EU.

These legislative changes were aimed at further promoting an open European gas market under the third Energy Market Directive and we understood they were to address capacity issues arising on pipelines at borders between member countries which might restrict this aim. We were also given to understand that these changes would apply only to mechanisms dealing with capacity in pipelines and would not be applied to other areas.

There is neither evidence that having differing gas days for the purpose of physical gas flow at the ends of the pipelines crossing borders between the UK and other member states has inhibited the development of an open European gas market in any way nor that to continue to have differing gas days at the ends of these pipelines for this purpose will bring about such inhibition in future. In particular it is not clear a single nomination of gas flows between the neighbouring markets removing the need for separate nomination and matching processes is necessary or desirable in respect of the UK.

These pipelines – BBL to Netherlands, the Interconnector to Belgium and the Moffat-Loughshinny line to Republic of Ireland – differ considerably from those crossing most other borders between member states in being long, large diameter pipelines, with large quantities of line pack available within them. In consequence, robust mechanisms have developed to accommodate the differing timings of the Gas Day and in daylight saving time adjustments during the year at each end of these pipelines without impacting the development of an open European gas market from lack of capacity (or any other reason).

In respect of the cross border pipelines within Ireland, the gas day on both sides of the border is the same, so it would not appear necessary here to change the Gas Day within the UNC and its associated documents to facilitate compliance with European legislative changes relating to the requirements of the Capacity Allocation Mechanism (CAM) under the European network code.

If the UNC Gas Day is required to align with the Gas Day as defined in the CAM code and change from 06:00-06:00 UTC to 05:00-05:00 UTC, MOUK believes its interface with offshore producers at the beach terminal entry points to the National Grid National Transmission pipeline system (NTS) will potentially become unsafe. All the processes at this point (and upstream) are aligned with the existing Gas Day definition under the UNC, giving rise to the possibility of operational difficulties (system over-pressuring or under-pressuring) between 05.00 and 06.00 UTC due to misunderstandings or mistakes.

However, if these processes and the very large number of offshore agreements governing them were required to be changed to align them with a changed UNC Gas Day, MONAS expects there would be a considerable cost associated with this, which would either be passed on to ourselves and ultimately to customers or result in a reduced tax take for the UK Treasury from offshore, together with the running of a high risk that operations at transition in October 2015 would be disrupted. It is also not clear to MONAS why offshore producers would enter into the considerable quantity of work involved in this, for what is essentially a political reason, with no incentive for them to do so.

MONAS has obtained from its upstream arm a first pass estimate of £5 million for changing ONLY the principal Marathon IT systems i.e. metering, production reporting, etc; not including the IT systems of other companies involved with our production e.g. the SAGE terminal at St Fergus, Forties Pipeline System, etc; nor the cost of renegotiating all of its offshore agreements. We intend to refine this estimate for subsequent input to this modification.

To illustrate the wide spectrum of agreements and processes requiring amendment to align with any revised Gas Day, we have produced below a non-exhaustive list:

- Gas sale/purchase agreements
- Offshore transportation/processing agreements
- Associated liquids agreements
- Meter validation/telemetry equipment/metering equipment
- Gas flow nomination and allocation processes
- OCM agreements with Endex
- Claims validation agreements
- IT systems

Accordingly, MONAS seeks for the UNC Modification 0461 process to find an alternative approach to that proposed, one complying with the third Energy Market Directive but not requiring a change to the definition of the Gas Day impacting all the UNC interfaces with the upstream industry and many other gas market service providers, thus avoiding unnecessary costs which may adversely affect energy consumers in the UK directly and disproportionately to those elsewhere in the EU.
Yours faithfully

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