

15 November, 2004.

Nathalie Burton  
Centricia Storage Ltd.,  
Venture House,  
42-54 London road,  
Staines  
Middlesex TW18 4HF,  
U.K.

Dear Nathalie,


Marathon Oil Ireland Limited, in consultation with our national energy regulator, are evaluating the feasibility of offering a storage service to third parties in Ireland and in this regard, we would like to offer the following general comments on the two ERGEG papers – the position paper and the proposed guidelines. Our comments are not confidential.

1. The right of access to storage provided by Article 19(1) of the Directive is conditional on such access being “**technically and/or economically necessary** for providing efficient access to the system for the supply of customers, as well as for the organisation of access to ancillary services”. Either or both of the papers should elaborate on what ERGEG believe is intended by “**technically and/or economically necessary**” and, thereby ensure that the storage facilities (and SSOs) which ERGEG consider as falling under the scope of the Directive can be clearly identified.
2. This conditional right of access afforded by Article 19(1) of the Directive also applies to linepack, an alternate source of flexibility and as such a competing product to storage. However, neither paper makes any reference to accessing linepack. The papers should, as a minimum, recognise the fact that, in most instances, transmission companies provide access to linepack as a bundled transportation product. The papers should further offer an opinion as to whether this approach to accessing linepack is acceptable in the longer term as a more competitive gas market evolves.
3. The position paper proposes that storage capacity can only be excluded from TPA with the approval of the national regulatory authorities “**with the publication of substantiated reasons**”. Unfortunately, the particular paragraph is unclear as to whether the SSO or the regulatory authority is responsible for the publication of the substantiated reasons. We believe it impractical to expect any entity evaluating the feasibility of developing a storage facility to publish such substantiated reasons and, as a consequence, we believe that this responsibility must rest with the national regulatory authority. The ambiguity should be removed from the paper.

4. The position paper would benefit from a discussion of the role that storage plays in the gas supply chain. However, since storage is just one of many competing sources of flexibility, this discussion should, of necessity, also consider the competing alternatives to storage. It is important that this discussion should include an evaluation of the scale of all sources of flexibility since, in many cases, the commercial alternatives to storage may be much better placed to offer the degree the flexibility contemplated in the papers. Such alternatives to storage include:-
  - Gas production, both onshore and offshore
  - Gas supplies both with and without swing
  - Seasonal gas production
  - Interruption, both self imposed and for commercial gain
  - Financial hedging and
  - Virtual storage.
5. We believe the papers to be deficient in that they do not address how the costs of implementing the proposed guidelines are to be funded. Are the costs to be funded by way of a public service levy or is the individual SSO expected to bear the cost. This latter option can be discriminatory in that some larger SSOs (including some virtual storage providers) may be in a position to pass such costs through to their customers whereas the smaller service providers are unlikely to have this capability.
6. We do not believe that the target implementation date of April '05 is practical and we are concerned that its inclusion compromises the credibility of the papers.

In summery, we believe that either the position paper or the GGPSSO should include a clear and unambiguous description of those storage facilities (and SSOs) which ERGEG consider as falling under the scope of the Directive. We also believe, to the extent practical, that competitive forces be fostered as the preferred means of enabling all customers to access all sources of flexibility and, in this regard, we would particularly welcome the publication by ERGEG of its vision of a well functioning gas market.

Yours truly,



Kieron M Carroll  
Business Development Manager

c.c. Claire Madden, CER