

Marathon Oil UK Ltd
Capital house
25 Chapel Street
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NW1 5DQ

24th June 2005

Office of Gas and Electricity Markets
9 Millbank
London
Attention: Sonia Brown - Director, Markets

Dear Ms Brown,

Modification Reference Number UNC 006 (727) – Impact Assessment

Whilst in our e mailed response to your Consultation Document on the above Modification, dated 7th March 2005, we expressed our willingness to co-operate with appropriate disclosure of further information in principle, we also expressed our general concerns, with the implementation of this Modification Proposal as currently drafted.

In response to your subsequent Impact Assessment (IA) relating to the above Mod, we do not wish to repeat those concerns. We do however wish to make the following additional comments.

- Our support for information disclosure (generally) remains subject to our commercial position not being prejudiced. We do not believe that the IA takes adequate account of this commercial sensitivity. The inappropriate publication of commercially sensitive information could expose producers to legal claims and as such they would have to take whatever remedies were available to protect their position.
- We find it difficult to understand how the conclusions of the IA can be reached in the absence of a proper assessment following the full implementation of the DTI initiative on information disclosure, particularly as the third phase has yet to be implemented.

- We believe the IA underestimates the financial (significant costs involved in installing suitable IT systems) and contractual (for producers attempting to renegotiate existing long term sales contracts) impacts. In this context, the net benefit which you have quantified at ~£6m is, in our view, trivial and may well be overstated given that Phase 3 of the DTI initiative has not yet been implemented. There would be, in addition, further uncertainty as to where this drive for information was going to end. We believe this would be a negative factor in future UK upstream investment decisions.

Our final point is of a more general nature, but nonetheless we believe it should be noted by Ofgem in the context of this Modification Proposal. For some time now, many industry players have believed that whilst the forward gas market lacks liquidity and depth and may not reflect the physical fundamentals, the prompt market for natural gas in the UK is in good health with many counterparties actively participating daily. The proposed changes in UNC 006 (727) will not, in our view, make the slightest difference to the behaviour of the forward market.

In conclusion, we believe that the appropriate way forward is to fully implement Phase 3 of the DTI initiative. After a suitable period, a full evaluation of its impact should be carried out before consideration is given to whether further information disclosure is appropriate. Particular consideration should be given to the need to preserve commercial confidentiality.

Yours Sincerely,

M J Ash
Manager Energy Sales and Trading

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