



19/20th May, 2003
File: 4/2264

Mr. Mike Percival,
Commission for Energy Regulation
Plaza House
Belgard Road
Tallaght
Dublin 24

Re: Energy Capacity at Inch – A Discussion Paper

Dear Mr. Percival,

I refer to the above referenced discussion paper (CER/03/096 dated 29th April 2003).

In section 6.1 of the document, the Commission requested a response with respect to the appropriate capacity definition applicable at the Inch entry point.

- Offshore gas field developments are by their nature very capital intensive and the funds necessary to provide for even a moderately sized development can amount to several hundred million Euro.
- Assured access to the marketplace is therefore a prerequisite to the sanctioning of any offshore development project. This access can only be assured by the availability of firm capacity at the entry point to the transmission system.
- Marathon, for its part, would not sanction any offshore development which it considered to be dependent to any significant degree on the use of interruptible entry point capacity. In this regard, we do not support the Commission's preferred option which provides for the sale of both firm and interruptible transportation capacity.

Referring specifically to the Inch entry point:

- Late last year, Bord Gáis confirmed the entry capacity at Inch to be 8 mscmd and a Connected Systems Agreement is being developed by the operators (Bord Gáis and Marathon) on the premise that such 8 mscmd of capacity at Inch is no different in nature than that currently available at Moffat.
- Marathon believes that the 8 mscmd of 'firm' capacity is adequate to satisfy the projected demand for capacity at Inch. Furthermore, we believe that the natural decline in the rates of gas production through Inch will release sufficient spare capacity to provide for the requirements of future offshore developments. If, despite this, additional capacity proves necessary, Marathon believes that this must be provided on a firm basis.

In section 6.2 of the document, the Commission requested a response with respect to the appropriate method of capacity allocation at the Inch entry point.

- Notwithstanding the firm nature of entry capacity into the gas transmission system, appropriate rules are still necessary at all entry points to provide for the apportionment of curtailments between shippers in the event of, for instance, a Restricted Capacity Day, a Difficult Day or even an Emergency.
- A curtailment at Moffat is allocated between shippers on the basis of the matched nominations provided to the matching agent.
- However, the nominated quantity at Inch will be used, on the day, to determine the source of the gas to be produced as well as its quantity. Despite this difference in the nomination process, the end result will not differ significantly from that which currently prevails at Moffat.
- Marathon believes that any curtailment should be allocated pro-rata to booked capacity. However, our preference is that, as at Moffat, the definitive methodology should be determined by those currently engaged in commercial activities at the Inch entry point. We believe that any such methodology should be subject to the approval of the Commission.

The discussion paper raised a number of issues in the context of the Inch entry point which Marathon believes should have been raised in a more generic manner. For instance, should a constraint arise at Midleton (section 4.2), it is more likely to have resulted from the need to modulate transmission system operating pressures to accommodate changes in nominated flows from existing and future entry points. This serves to demonstrate the need for the allocation of curtailments in the first instance between entry points and thereafter between shippers at the affected entry points.

Thank you for the opportunity to participate in this process and please don't hesitate to give me a call should you wish to further discuss this matter.

Yours truly



Kieron M Carroll
Business Development Manager