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Ms. Rochelle Ladd,
Strategy and Corporate Transactions Manager
Office of Gas and Electricity Markets (Ofgem)
9 Millbank
London SW1P 3GE

Dear Ms Ladd

**Centrica's completed acquisition of Dynegy Storage Limited and Dynegy Onshore
Processing UK Limited**

In response to the consultation paper issued by Ofgem on 2nd December regarding the above subject, Marathon has the following comments.

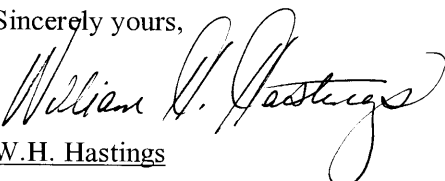
Marathon shares some of the concerns expressed by Ofgem in relation to the potential for a lessening of competition in the storage and peak supply market as a consequence of the change of ownership of the Rough and Easington assets, though we believe reasonable mitigating measures can be taken to manage these concerns.

Marathon has no fundamental objection in principle to Centrica's acquisition, provided that there are appropriate undertakings made by Centrica with regard to access to capacity by third parties as well as a regulatory framework that permits market dynamics to determine the availability of storage capacity. These should include the following:

- 1) The Rough capacity should be available on an open, transparent and non-discriminatory basis to all users.
- 2) Capacity should be made available to users as required by market demand. In particular there should only be limited artificial restraints on the term and quantity of storage booked thus enabling the market to determine the shape of storage requirements.
- 3) Provision should be made for stimulation of secondary markets whereby storage users can trade capacity bilaterally, with "Use It Or Lose It" principles incorporated. Consideration should be given to establishing an electronic, screen-based system to facilitate secondary market development on a transparent basis.
- 4) Pricing of capacity and information relating to utilisation levels should be open and visible to the market allowing storage to reach its own value according to demand.
- 5) The storage and processing corporate entity(ies) should be kept entirely separate from the remainder of the Centrica's business and that there should be no opportunities for the transfer of information or staff outside the storage business unit.

We would be delighted to meet with Ofgem and explain our comments further should you find this useful.

Sincerely yours,



W.H. Hastings