
From: Colin MacKenzie
Sent: 11 March 2008 13:20
To: Graeme Bissett; Andrew Holmes; Duncan Fraser; Andy Conway; Donald McGougan; Rebecca Andrew; Alan Coyle; Gill Lindsay
Cc: Andy Conway; Nick Smith
Subject: RE: Close Report and DLA Report

Importance: High

Graeme,

Many thanks for the various documents sent on to us.

The B team met this morning to go over these documents. Time has not allowed a line by line consideration, but suffice to say we are not yet in a position to advise our Directors and Heads of Service that they can make a positive recommendation to the Chief Executive, enabling him to exercise his delegated authority. We are looking forward to our Briefing Meeting with you later this afternoon, and to the opportunity of a further update from **tie**, together with questions and answers. I would like to be able thereafter to make a positive recommendation to the Directors.

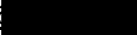
In the meantime I wish to set out the crucial points which are outstanding. There will be other matters, more minor, which we can cover this afternoon.

- * we require more details on price and Value Engineering
- * we need to know the settled position with SDS Novation
- * a final run of the QRA is essential
- * new text on the Network Rail PPA document needs to be inserted
- * we need more detail on the NR Framework Agreement in recognition of its primacy
- * there is no mention of the Tramco Bond in the Close Report (significant re advance purchase)

I hope this gives you a head start for this afternoon's meeting.

Regards,

Colin MacKenzie
for Council Solicitor

From: Graeme Bissett [mailto:graeme.bissett@
Sent: 10 March 2008 23:48
To: Andrew Holmes; Duncan Fraser; Andy Conway; Donald McGougan; Rebecca Andrew; Alan Coyle; Gill Lindsay; Colin MacKenzie
Subject: Close Report and DLA Report

Colleagues, here are the approval supporting documents as discussed in recent days. They comprise :

1. Close Report
2. DLA Report + Letter + Risk matrix.

Some explanation.

Generally the material in these documents is in final form but you are aware that negotiations on a range of issues continue and some further updating will be required. The documents will also bear a thorough QC on format, cross references etc but hopefully are in reasonable order. The Close Report is in similar format to the version reviewed in January. The main exception is that the sections on the Infraco contract suite and the Council Guarantee (previously sections 2 and 3) have now been presented as part of the DLA Report to accommodate a description of the legal underpinning to the final contractual positions without the threat of losing confidentiality. This should also minimise duplication. In addition, the paper on management of design and consents risk has now been included as an Appendix.

The main outstanding areas in the DLA documents are 1) comment on the alignment of the Infraco Proposal / ERs / SDS Design ; 2) an update on the Tramco contracts ; and 3) a careful assessment of the content on procurement challenge to ensure it is properly balanced. The DLA letter is an update of the earlier draft and the risk matrix is also an update with the track changes retained to illustrate the movement from the previous version. This is being revisited by Stewart in the context of the risk contingency and QRA. The final form of the DLA documents will be in the form of a formal report from DLA as opposed to the attached draft format. Appropriate caveats on FOISA will be reflected also.

Within the Close Report the main outstanding areas are 1) the section on the pricing schedule (being finalised) ; 2) the third party agreements are evolving to conclusion and this section will be updated to reflect changes ; 3) the Appendix on design and consents will require to be updated to the final position on submission and consent status ; and 4) some appendices to be attached, notably a capital cost analysis linked to the Infraco pricing information. You will also note the commercial confidentiality of some sections.

The section in the Close Report on procurement challenge has been retained in the same form as in the January version. This is a high-level process description and the more detailed advice on this matter is contained in the DLA Report.

Regards
Graeme

Graeme Bissett

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