
From: Nick Smith
Sent: 29 April 2009 09:09
To: Colin MacKenzie
Subject: FW: Strategic Options Update - Private & Confidential
Attachments: 09 04 09 P1 QRA SMG_SC.xls; CEC Range Review 130409.doc

FYI

Kind regards

Nick

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Please note that I am not in the office on a Monday

From: Stewart McGarrity [mailto:Stewart.McGarrity@tie.ltd.uk]
Sent: 28 April 2009 16:33
To: Alan Coyle
Cc: Marshall Poulton; Nick Smith; Andy Conway; Donald McGougan
Subject: RE: Strategic Options Update - Private & Confidential

PRIVATE & CONFIDENTIAL

Alan –you have everything which has been produced so far. The paper I provided for you and Marshall on 13th April (attached) is the latest state of play – nothing has changed since then which would give rise to a revision to the expected outcome. We need to work through the Strategic Options Workstreams and engage with the consortium over May – June to deliver increased certainty of outcome.

What I have provided you gives you the range as it currently stands ie including Ph1b cancellation costs in all cases:

Lowest	£533.3m - incl risk allowance of £39.3m (Note 1)
Medium	£559.8m - incl risk allowance of £59.9m (Note 2)
Highest	£572.5m - incl risk allowance of £72.6m (Note 3)

Note 1 – This is based upon the Risk Allowances per the P10 QRA plus some additional provisions for delay costs and unachievable VE layered over the tiop by myself and Steven. This formed the basis of what we reported to our Board in January and have been reporting to TS.

Note 2 – This includes a Risk Allowance determined with reference to the first version an updated and more conservative QRA prepared by Mark Himill in consultation with as the first stage of the cost updates in the Strategic option workstreams. The QRA and the adjustments made to it is on the attached spreadsheet. This is at a confidence level of P80 – a high confidence level and the same as at financial close. So the QRA you are expecting was actually delivered with a great deal of work by 13th April so that you could report to Donald and Tom as requested. The only person who did not endorse it before we provided it was Steven

because he was on leave. If you want to go through the detail of this QRA please see Mark Hamill. This also included an additional provision for resource costs of £5m as noted in the 13 April paper.

Note 3 – This again uses the updated P80 QRA above but assumes the worst outcome on the risks associated with delay, design changes and ground conditions – essentially paints the picture of the outcome if we were to lose all the principal commercial disagreements hands down.

Mark has prepared the updated QRA at three different confidence levels (P30 Low, P50 Medium, P80 High) but I think the absolute range or outcomes on these risks paints a better picture of the range of outcomes eg on the Design changes (BDDI to IFC) risk our Lowest £533.3m outcome includes a risk allowance of £6.1m based on our own convictions of our commercial position. The highest £572.5m includes a risk allowance of £23.3m – unadulterated by the wonders of statistic probability and that's why I've used it. The reality will most probably fall between the two – hopefully close to the £6m. The Strategic Options workstreams – additional internal and legal analysis plus infracore engagement and DRP if necessary – is the route to finding where in the range we are.

Just to reiterate - what you got on 13th April is what you would have got this week (27th April) but we went for the 'hurry up' so that you could report to Donald and Tom in short order. I would not expect any major changes to this until the workstreams and BSC engagement start to deliver outputs - end of May/beginning June with a significant close down of uncertainty and checkpoint on where we are at the July Board as laid out in the workstreams paper.

All of the issues which are being considered for DRP are directly related to one or a group of risks in the QRA/Risk Allowance and do not have individual confidence levels or £ risk allowance and range of outcomes assigned to them.

I know it is the IPG this week and hope this email serves to clarify matters for you as we do not want misunderstandings to arise between us. As ever myself and Steven are happy to assist in briefing or in meeting any additional information needs you have. We are also working to deliver a first draft of the **tie** BP by the end of this week in accordance with your requirements.

Stewart

Stewart McGarrity
Finance Director
tie Limited
Mobile [REDACTED]

From: Alan Coyle [mailto:Alan.Coyle@edinburgh.gov.uk]
Sent: 28 April 2009 09:23
To: Stewart McGarrity
Cc: Marshall Poulton; Nick Smith; Andy Conway - CEC; Donald McGougan; Ailie Wilson
Subject: Strategic Options Update

Stewart

Thanks for the information you provided a couple of weeks ago on Strategic Options. You will recall Marshall and I met with yourself to discuss the information the Council would like to see.

The paper you sent clearly sets out scenario's with the relevant costs attached. However, there are other items, which in some cases you have touched on that we would like to see.

Within the range of numbers presented we would like to see confidence levels. I realise this work may already be in hand. In addition, how is work progressing with the assessment of the QRA and when is this work likely to be completed.

You will recall we also discussed how, as time progresses, the numbers around the strategic options change. Would it be possible to see how the passage of time affects the numbers, as in some cases, uncertainty diminishes with the likes of MUDFA and design being completed.

And finally, of the 8 remaining DRP's what confidence levels do we have over them, and what is the range of numbers we could be hit for.

Call me if you want to discuss.

Regards

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