From: allan.ross@sgn.co.uk
Sent: 14 April 2010 11:50
To: John Casserly

Subject: Re: Final Account Meeting/Discussion

John

Apologies for not responding sooner, I am busy on another matter at present.

Below is a headline estimate of additional costs incurred by SGN, and passed onto Tie, regarding the additional resources that SGN has had to deploy to provide assurances on the assets being constructed and commissioned for future adoption by SGN. It is our opinion that if Carillion had undertaken robust quality control measures and practices during their site operations then these additional costs would not have been necessary.

For the avoidance of doubt, these are additional incurred costs over and above what SGN would have reasonably expected to deploy to oversee the contract if undertaken by a competent, quality Contractor.

## Additional Project Management Costs

SGN anticipated that we would require a PM to work 2.5 to 3.0 days per week (on average) to oversee the MUDFA Contract. Due to on-going quality issues, concerns and corrective actions, the PM has been employed (on average) 3.5 - 4.0 days per week.

An estimate of the additional PM costs are:

2007/9	10 weeks	1 additional day per week	Av Cost per day £300	£3000
2008/9	44 weeks	1 additional day per week	Av Cost per day £330	£14500
2009/10	12 weeks	1 additional day per week	Av Cost per day £330	£4000

SGN staff costs (including myself) have also had to be involved with Carillion quality issues and rectifications works. This impact is assessed at:

2007/8	24 hours	Av cost of £40 per hour	£960
2008/9	88 hours	Av cost of £42 per hour	£3700
2009/10	56 hours	Av cost of £43 per hour	£2400

Total SGN additional costs Approx £28,500

Regards,

Allan Ross Contracts Manager Scotia Gas Networks

Incholm House, 11 West Shore Rd, Edinburgh, EH5 1RH

From: John Casserly < John.Casserly@tie.ltd.uk>
To: "allan.ross@sgn.co.uk" < allan.ross@sgn.co.uk>

Date: 13/04/2010 12:21

## Allan

I have left a message on your answer service to arrange to meet/discuss a final account for MUDFA and also regarding staff/supervision costs incurred by SGN.

We are currently working through a commercial process with Carillion in order to establish/agree a final account for the works they have undertaken. One of the issues which has been raised by the other utilities is the additional/prolonged supervision/staff/overhead costs incurred by the individual SUC's as a result of Carillion's own actions ie poor quality/resolution of quality issues/re-inspections, failure of tests, cleaning/swabbing ducts/mains etc. We have advised Carillion that these costs have been incurred by SUC's and have requested from each of the affected SUC's an initial high level assessment of the SUC costs incurred as a result of Carillion's actions to allow us to quantify the potential associated costs and action accordingly. Please can you provide an initial high level assessment of the SGN costs incurred, if any. A one line e-mail confirming your high level assessment of any additional costs incurred as a result of Carillion quality/specification/testing issues would suffice in the first instance.

Please give me a call to discuss the above and to arrange to meet re a final account.

**Thanks** 

John

John Cassserly Commercial Manager

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Find us online (click below):



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