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**From:** Graeme Bissett (external contact)  
**Sent:** 26 January 2007 09:58  
**To:** Matthew Crosse; Susan Clark; Willie Gallagher  
**Subject:** ETN report

Colleagues, my comments on the version received at c7am this morning are :

1. Overall, I suspect TS will find this more uncomfortable than they anticipate. Its certainly tighter than I had expected based on the general comments over this week. The 1a number they see first in the table in 2.2 is 545.5 which is described as normalised. Their first impression is therefore that 1a has no headroom. To create headroom we apply the " level 1" adjustments which move 545.5 to 517. two things emerge :

A) we should explain clearly upfront what normalised means to ensure a tone of confidence is set right away. These adjustments should be unarguable.

B) the 28m level 1 adjustments become crucial to the evaluation. We will need to explain them rigorously and I do not believe that simply attributing them to normal negotiation wins will be sufficiently convincing. Specific examples will be needed, though i'd recommend not in writing in this report. you're right to reset anticipation to a sensible "new project estimate" but we must be very clear on why we are confident about these adjustments.

2. My second main point is that we do not say enough about 1b. See below.

3. We should also be more convincing on the ability to deliver the level 2 reductions which take 1a down to 477.

4. Section 2.3 should include a table for 1a / 1b. This will show negative headroom of 65m and risk of 57m. We should point out that 1b is plumb on where we expected it to be. The corollary is that there is no obvious trade off in the bids between ramping 1a and lower 1b. If we see any evidence of this we should mention it as it implies more fat in the 1a bids.

5. Both 1a and 1a/1b are c20m above our estimate. This looks like it can be explained net by the risk premia attached to structures. Can we say more about the likelihood of this being removed and reduce the new estimate to below 517 ?

6. S3.1 bring into the body of the report clear evidence of the rigorous process, team depth / experience, SW review etc. Compute number of hours devoted to the analysis ?

7. Do Sw agree with all material conclusions - if so emphasise here.

8. S4.2 expand on opportunities for VE, again possibly verbally.

9. S4.3 reword if you agree with my point 1 above.

10. S5.6 does the 2.2m allow for inflation increase on 1b capital cost if delayed ?

11. App B what is the purpose of showing "free land" at the foot assuming this is part of CEC contribution within 545m funding ?

12. Were there any additional dimensions worth mentioning eg offers to deliver more than 1a/b at a fixed price or other sweeteners ?

13. 1b : the bids don't help us but they don't make 1b look worse if 1a can be brought in between the 477 and 517 range. The idea of 1b should therefore be kept firmly in the frame and i'd recommend that words to this effect be included.

I expressed concern last week about the implications of creating and disseminating so much detail. I have little doubt now that we can expect serious follow up investigation line by line if this structure goes out. Before we press the button can we have one last think about a slimmed down version followed by verbal explanation.

I won't be able to join the 12 noon conference call but will call c10.30.

Regards

Graeme

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Graeme Bissett

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