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From: Mark Hamill
Sent: 28 February 2008 18:06
To: Stewart McGarrity
Subject: FW: QRA
Attachments: 08.02.28 QRA Review4.xls

Stewart,

Further to our discussion re P90 v P80 the information on tab *"QRA Output DO54"* shows a P90 of £34.4m, with the Phase 1A allocation being £31m. The P80 value is £31.0m and would give a Phase 1A value of £28m.

The P90 figure assumes a higher confidence level (90%) in delivering within the capital costs budget (including risk) i.e. £498m. Reverting to P80 would require us to convince CEC that being 80% confident was satisfactory; however I suspect they would be uncomfortable about essentially becoming 10% less confident about delivering to budget.

From a starting point, making a case for P80 would be quite easy as most people would accept a confidence level of 80%. Moving from 90% to 80% would, in my opinion, be hard to justify. The only justification I can think of would be that we (**tie**) are so confident that we have secured a fixed-price deal that the risk has been minimised to the extent that the higher monetary value associated with the P90 figure is now unnecessary and therefore, as a result of minimising so much risk through the contract, we can reduce the risk allocation figure to the P80 figure.

I fully appreciate the need to reduce costs where possible in order to get the deal done however, given we have reduced the figure by a considerable amount so far, I recommend manipulating the current information to an acceptable P90 figure rather than go through the hassle of trying to persuade CEC of the 'benefits' of a P80 figure.

Let me know if you want to discuss.

Mark

From: Mark Hamill
Sent: 28 February 2008 17:11
To: Stewart McGarrity; Susan Clark; Steven Bell
Subject: QRA

Please see attached. I have tried to explain through the various sheets how the risk profile has changed.

Please note the following points:

- The profile is based upon confirmation that all risks in the *"Risk Closed @FC"* sheet can indeed be closed
- Risk profile is based on a uniform P90 spread and not activity based
- The risk value increases towards the end as this is for the general delay risk and expenditure would occur post-January 2011
- The graph represents a risk exposure profile – <u>not a spend profile.</u>

Let me know if anyone wants to discuss.

<u>Can I please ask that we don't forward any excel sheets on to CEC. If we need to give them anything can we please PDF the document or give a hard copy.</u>

Mark

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