

MEMORANDUM

To: Mark Forrester
cc: Simon Lewis
From: Kerry Booth
Date: 28th November 2016
Subject: Mercia LTA Construction Progress Summary – November 2016

Organisation: Worcestershire County Council
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Our Ref: S1291-2300-0009KSB
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1 INTRODUCTION

Mercia Waste Management Limited ("Mercia") is constructing the 200,000 tonnes/year, 18 MWe Mercia EnviRecover EfW Plant in Hartlebury, Worcestershire. Fichtner Consulting Engineers Ltd (Fichtner) has been appointed as lender's technical advisor (LTA) for the construction phase of the plant. This summary memo covers relevant activities and progress based on review of latest available reports from the Owner's Engineer (OE) and Mercia (covering 1st – 31st October 2016).

2 PROJECT PROGRESS

The latest programme provided to the LTA for review shows that the facility should achieve Take Over by the contractual Take Over date of 28th February 2017. Current progress suggests this is achievable, though it is at risk due to delays in installation of building services.

First firing of the boiler took place on 5th October 2016. Some downtime was experienced in October due to blockage of the bottom ash extractor. This issue was investigated and resolved, and design steam conditions were achieved on 31st October 2016.

The installation of building services in the administration block is ongoing. The latest information provided for review indicates that these works will be completed in January 2017.

3 KEY PROJECT RISKS AND OBSERVATIONS

The Take Over date is directly related to commissioning activities. The latest reports provided to the LTA for review indicate that commissioning is proceeding as planned. Completion of the administration block building services have the potential to delay Take Over.

Given the time now available for commissioning, it is important to prioritise the delivery of work to the appropriate quality and safety standards. Both Mercia and the technical consultants will continue to review these areas to ensure they are not compromised while working towards the planned takeover date.

4 FINANCIAL AND COMMERCIAL

The cumulative amount which has been certified to date is £103,359,568.68. The LTA has issued ten payment certificates to allow drawdown on the senior loan. We note that the reports provided to the LTA indicate that further payments have been applied for. However, the LTA has not received any payment requests, and has not issued a payment certificate since 24th May 2016.

Two additional Variation Orders were issued in October. To date forty-one Variation Orders have been issued. To date the net addition to the contract price is £739,824, which covers all Variation Orders. The largest component of the new Variation Orders related to the provision of additional strategic spares. There has been no extension of time for any Variation Orders issued to date.

5 HEALTH AND SAFETY

Health and safety standards have been maintained in recent months. There is still room for improvement, and the owner's engineer will continue to monitor standards.

Two yellow cards and two red cards were issued in October, which is an improvement compared to previous months. The yellow and red cards related to unsafe work activities, inappropriate behaviour on site, and entering the site without a permit to work.

6 PLANNED ACTIVITIES NEXT PERIOD

The following activities are planned from November 2016:

- Completion of civil engineering works;
- Completion of snagging items; and
- Continuation of commissioning activities.

Yours sincerely
FICHTNER Consulting Engineers Limited



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Associate Senior Consultant



Phin Eddy
Commercial Director