

MEMORANDUM

To: Mark Forrester
cc: Simon Lewis
From: Lekan Omoniwa
Date: 11-02-2015
Subject: Mercia LTA Construction Progress Summary – January 2015

Organisation: Worcestershire County Council
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Our Ref: S1291-2300-0001LO
No. of Pages: 3

Dear Mark,

1 INTRODUCTION

Mercia Waste Management Limited ("Mercia") is constructing the 200,000 tonnes/year, 18 MWe Mercia EnviRecover EfW Plant in Kidderminster, 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 – 30th November 2014), and from the EPC Contractor (HZI) (covering 1st December 2014 to end of January 2015).

2 PROJECT PROGRESS

The new site welfare/office compound has been completed and is now occupied by the workforce. The waste bunker piling work has been completed. Installation of piles for the perimeter secant wall and load bearing piles for the boiler hall has been completed. Phase 3 bulk excavation works have been completed, while phase 4 is ongoing. See the attached site photos taken on 5th January 2015.

HZI has been submitting civil and process design documents to the OE for review, comment and/or approval. HZI has been placing orders for major subcontractor packages within this period.

A new revision of the construction Programme which complies with the contract specification was submitted by HZI and was accepted as the Approved Programme on 28th November 2014.

At present the plant is due for Take Over on 28th February 2017. However, HZI is targeting early completion by 22nd December 2016.

3 KEY PROJECT RISKS AND OBSERVATIONS

HZI has indicated that it anticipates that there will be a delay of more than 4 weeks to the civil hand over date, due to delays caused by its civil subcontractor, Interserve. HZI is working to mitigate the impact of this delay and has in turn revised its target early completion date from 16th November 2016 to 22nd December 2016. We consider that while it is possible that the target early completion date may slip, the contractual Take Over date still remains achievable.

A number of changes have been made to the permitted planning drawings, which will require the approval of the Local Planning Authority (LPA). Mercia indicated that it expects these changes to be approved as non-material amendments (section 96A) to the Planning Consent. The OE has advised that the majority of the proposed amendments have been informally discussed with the LPA, and feedback from these discussions indicates that the proposed amendments are likely to be accepted as non-material. This means that they can be signed-off by the LPA using its delegated powers. HZI has indicated that it issued the proposed amendment drawings to Mercia on 17th January 2015, and that Mercia is targeting submission of the amendment application to the LPA by end of February 2015.

We note that it is not guaranteed that the proposed amendments will be accepted as non-material amendments, and it remains a significant risk to the project that the revised drawings have not yet been submitted or approved by the LPA.

4 FINANCIAL AND COMMERCIAL

Mercia advised that it has made payments for one process milestone (equivalent to 5.5% of the total process element cost) and two civil milestones (equivalent to 6% of the total civil element cost) to date. Due to various delays, six milestones payments are currently outstanding because HZI did not achieve those milestones in line with their original due dates. The due dates have now been revised in accordance with current progress and expectations. Since the start of the project, we have not certified any drawdown requests on the senior loan.

Mercia has advised that it has not received any claim for additional payment from HZI.

Mercia has indicated that 13 Variation orders have been issued against Technical Queries which led to changes to the Specification as at 30th November 2014, and only two of these resulted in an adjustment and reduction to the contract price.

Mercia noted that that it has instructed HZI to provide proposals for installation of a redundant pneumatic transport system and application of inconel cladding material in specific plant areas. Mercia noted that these proposed changes will be treated as cost Variations which will be subject to the approval of Mercia's shareholders.

5 HEALTH AND SAFETY

There has been no Reporting of Injuries, Diseases and Dangerous Occurrences (RIDDOR) incidents since the start of construction.

During this period, HZI reported that a steel fixing operative sustained a "back injury when bending and twisting to pick up a piece of paper". This resulted in 2 days of absence. HZI noted that no manual handling was involved and the incident report has been closed.

The first hazard and operability (HAZOP) session was held on 27th and 28th January 2015.

6 PLANNED ACTIVITIES NEXT PERIOD

At present the following activities are planned from February 2015 onwards:

- complete construction of perimeter retaining wall;
- commence reinforced concrete works for some of the plant areas;
- commence construction of access ramp works;
- complete installation of remaining diversion pipework
- re-direct flows from ground water discharge and construct silt trap; and
- procurement of formwork, reinforcement and concrete for bunker superstructure, curtail walling, lifts, building services, earthing and lightning protection, fire sprinkler systems, and pre-cast concrete.

Yours sincerely
FICHTNER Consulting Engineers Limited

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Consultant

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Consultant

Site photos

