

**From:** [David Leather](#)  
**To:** [Thieu Hue Lam](#)  
**Cc:** [Sam Wolyniec](#); [David Steele](#); [Michael Kennedy](#); [Tim Calver](#)  
**Subject:** Gilbert Bennett meeting  
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**Attachments:** [Nalcor Gilbert Bennett meeting.docx](#)  
[image003.jpg](#)

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Thieu Hue

I attach some draft notes from our meeting with Gilbert.

Similar to the internal audit meeting notes that I sent yesterday, Mike may have some amendments when he gets a chance to have a look at them.

Regards

David



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**Nalcor - Gilbert Bennett Meeting****19 January 2016**

<p><b>Attendees:</b>  <b>Nalcor</b>  Gilbert Bennett  Steve Pellerin</p>	<p><b>EY</b>  David Leather  Mike Kennedy</p>
<p>What are the key management information reports used to to keep you informed and ensure that you can make appropriate decisions?</p>	<p>Gilbert receives a 12 page dash board report with the key project information each month</p>
<p>What reports do the Nalcor board receive?</p>	<p>The Board is briefed via a power point presentation, which enables the Executives to explain the key issues</p>
<p>What reports go to the Premier's office and to the Oversight Committee?</p>	<p>The OC Committee also receive a similar power point presentation.</p>
<p>What are the governance arrangements for sign off ie the scheme of delegation?</p>	<p>The scheme of delegation document will be made available for EY review</p>
<p>When do decisions have to go to the main Board rather than the Project?</p>	<p><b>This was presented as all decisions being taken at the Project level, but should be compared to the actual scheme of delegation</b></p>
<p>Do decisions ever have to go to the Oversight Committee or is there role to scrutinise the decisions retrospectively?</p>	<p>Their role is to review and scrutinise not to make decisions</p>
<p>How did the decision to change the role of SC Lavlin get made?</p>	<p>This changed mid 2012 – it was a project decision which was reported to the Nalcor Board. It was not a Board decision. Gilbert believes that there is a better understanding of the project and suppliers by not having SNC – he believes that it was the right decision. SNC were believed not to be delivering what in line with expectations or providing an appropriate quality of experienced staff.</p>
<p>Was there any transfer of risk to SC Lavlin when they were appointed – was their remuneration linked to a suite of KPIs and/or achievement of project milestones?</p>	<p>Advised that EY would have to check the contract, but Gilbert wanted to focus the discussion on the future rather than understand the past. DL rationalised the question as it being helpful for EY to understand what services SNC should have provided to ie that the Project Team have now had to put in place and gear up for themselves.</p>
<p><i>Observation – the Monthly Progress report is very voluminous and often does not quantify the impact of issues, and risks ie impact on the critical path and on cost.</i></p>	<p>Gilbert reads the full report each month – he appeared familiar with the detail of the project – stakeholders tend to use the power point presentations and dashboard.</p>
<p>Are there any concerns re the financial stability of any contractors other than Astaldi?</p>	<p>No – not aware of any other issues or concerns regarding financial stability of contractors</p>

	If so – what are the mitigations?	n/a
	What is Brian Crawley’s role?	A key aspect is to collate all of the information needed by the 6 different Boards
	What concerns do you have if any about the review that we are undertaking?	None identified
	Are there any specific areas that you would like us to focus on as part of this review – ie that you would find helpful?	A fresh set of eyes looking at the risks the project is exposed to would be helpful
	Do you feel that the focus of reporting can be improved?	He appeared to be content with the quality of reporting
	<b>Contractor performance</b>	
	<p>A number of contractors are identified as not performing, in addition to Astaldi; ie Alstom, Andritz and Valard.</p> <p>What are the issues – can they be quantified in terms of programme and cost?</p>	<p>There are day to day challenges with Valard. The current intention is to rely on the incentives provided by the LDs in the contract. This will be kept under review but there is no intention to renegotiate any aspects of the contract.</p>
	<b>Risks</b>	
	What do you see as the major risks for the project now?	<p>An overall evaluation of risk is currently being undertaken on a bottom up basis, which will result in a revised project outturn by the end of March.</p> <p>The engineering and procurement is largely complete. it is therefore all about delivery ie managing the contractors to deliver, commissioning the new power lines and transmission stations, followed by completing and commissioning the power house itself and then integrating and operating the new assets. There are no remaining geotechnical issues for example. Gilbert presented this optimistically ie implying that the harder to control risks were largely behind the project now and it is really now up to the project team to manage their contractors to deliver on programme and then commission and integrate the new assets. There appears to be a lot of confidence in the integration team given that experienced people have been seconded in from Nalcor at an early stage of the project to influence the specification for procurement. The substantive roles of the secondees have been back-filled rather than people new to Nalcor being brought into the project team. (This should result in fewer integration challenges.)</p>
	Risk of other supplier failures?	None identified
	Risk of productivity issues?	<p>There are productivity challenges with a number of contractors – Astaldi and Valard. Astaldi productivity improved significantly in 3 months leading up to the shut down and the same rate of productivity is expected on resumption of activity at the end of March. Valard</p>

	<p>productivity is being closely monitored, and Gilbert believes that the Lds in the contract will help to focus their senior management on achieving the programme end dates.</p> <p>(The value of the potential upside between using the Churchill Falls power on 'Newfoundland island' for 18 months ie displacing the more expensive power from existing sources was estimated by Gilbert to be approximately \$100 million. Note - this was described as a very rough estimate.)</p>
<p>Risk of over optimism of extent to which change orders will result in additional costs.</p>	<p>There was no sense from Gilbert that he is concerned about additional overruns as a consequence of over optimism – he believes that the risk review process currently being undertaken should identify the issues in a transparent way</p>
<p>There are 125 change requests, currently going through the system – 94 at end Nov were ' under review' – 18 on hold, 13 created. What is the value and potential impact?</p>	<p>To be covered in the 'claims meeting'</p>
<p>Claims risk? – Is there a claims log that we can review?</p>	<p>Yes – and is available for review</p>
<p><b>Cost</b></p>	
<p>What do you see as the major areas that could result in costs increasing above the current estimate?</p>	<p>It is envisaged that any changes in the outrun cost will 90% relate to Astaldi directly, [REDACTED]</p>
<p>Given the amount of work still to do how confident are you that the project will be delivered in line with the current outturn estimate?</p>	<p>The current estimate will be revised as a consequence of the Astaldi negotiations. This will be the material adjustment.</p>