

Gate two query process

Strategic solution(s)	Severn Trent Sources
Query number	STS007
Date sent to company	15/12/2022
Response due by	19/12/2022

Query


1. Do you have any Opex figures for the estimated utilisation of the asset?
2. In the main submission, are the fixed and variable Opex figures in table 8.1 for maximum utilisation of the asset?
3. Please outline how you have considered indirect costs within your CAPEX cost estimations.
4. Have you considered annual operational maintenance costs by considering common assumptions used across the water industry for such infrastructure? E.g. with civil maintenance being calculated as 0.30% of the infra and non-infra civil costs, whilst mechanical and electrical (M&E) maintenance being calculated as 1.5% of infra and non-infra M&E costs.

Solution owner response

Q1 Do you have any Opex figures for the estimated utilisation of the asset?

A1 Yes, we do have OPEX figures for the estimated utilisation of the asset. Our approach and assumptions are presented on page 14 of Annex A5 Cost Report of the STS Gate 2 submission. The fixed and variable OPEX costs associated with our preferred option (Option 2) are presented on page 47.

- Q2** In the main submission, are the fixed and variable Opex figures in table 8.1 for maximum utilisation of the asset?
- A2** The OPEX costs in Table 8.1 are presented as a fixed annual cost which apply regardless of the level of utilisation, and a variable cost based on flow. These costs can be applied to all levels of utilisation and are presented as detailed in our response to Q1.
- Q3** Please outline how you have considered indirect costs within your CAPEX cost estimations.
- A3** Indirect costs, both Client & Contractor related, either form part of our cost models or are a percentage addition to items which are costed on a ‘bottom-up’ basis. Please refer to pages 25 to 33 of Annex 5 Cost Report of the STS gate 2 submission.
- Q4** Have you considered annual operational maintenance costs by considering common assumptions used across the water industry for such infrastructure? E.g. with civil maintenance being calculated as 0.30% of the infra and non-infra civil costs, whilst mechanical and electrical (M&E) maintenance being calculated as 1.5% of infra and non-infra M&E costs.
- A4** Yes, we have considered annual operational maintenance costs, but we have not used common assumptions used across the water industry for such infrastructure. Annual operational maintenance costs have been calculated on a ‘bottom-up’ basis based on an assessment of labour and material costs and are included in the fixed OPEX component shown on page 47 Annex 5 Cost Report of the STS Gate 2 submission.

Date of response to RAPID	19/12/2022
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