
Gate three query process

Strategic solution(s)	SESRO
Query number	SER005
Date sent to company	04/09/2025
Response due by	09/09/2025

Query

In Appendix A3, sub appendix A, table 5a and table 5b set out cost over the life of the asset.

Table 5b sets out the expected replacement cost of assets over the reservoir lifecycle, but table 5a is less clear.

Can you please provide greater detail on what information is being shown in this sub-appendix, particularly around table 5a, and how this relates to the overall cost estimate for the project (£6.6bn)?

Solution owner response

Tables 5a and 5b submitted in Gate 3 Appendix A3 Cost Report, sub appendix A have been prepared in accordance with RAPID Gate 3 Guidance – revision 3 dated January 2024.

Both these tables include capital delivery and operational costs, with the capital delivery period running from 2019-20 to 2039-40 (inclusive) and the operational period running from 2040-41 to 2104-05 (inclusive). For clarity, this 65-year operational period is used in accordance with WRMP guidance.

The delivery and operational costs in both tables come to the same totals. Table 5a also includes additional information such as Financing and Discounting to allow the calculation of a Net Present Cost.

Table 5a

Table 5a includes the following rows of data that relate to the overall cost estimate of the project:

- Row 1 – Capex: this includes the base cost estimate for the development and delivery of the project in the capital delivery period. It also includes the base cost of renewing parts of the asset once the project is in the operational period.
- Row 6 – Capex : Costed Risk – this includes an allowance for risks associated with the development and delivery of the project.
- Row 7 – Capex : Optimism Bias - this includes an allowance for optimism bias for the development and delivery of the project in the capital delivery period. It also includes an allowance for renewing parts of the asset once the project is in the operational period.

The cost estimate for the development and delivery of the scheme can be derived from Table 5a by adding the three rows above for the capital delivery period from 2019-20 to 2039-40. The calculation is as follows:

Table 5a row number	Cost for period 2019-20 to 2039-40 (£m 22/23 prices)
Row 1 - Capex	4,293.84
Row 6 - Capex: Costed Risk	1,212.03
Row 7 - Capex: Optimism Bias	1,098.17
Total (£m 22/23 prices)	£6,604.04m

The total shown above matches the capex total shown in the Gate 3 Cost Report Table 7.

Table 5a also includes rows such as Financing and Discounting to allow the calculation of a Net Present Cost.

Table 5b

Table 5b includes the same capex cost data as Table 5a broken down differently, into asset types and includes the following rows of data:

- Rows 3 to 34 of Table 5b includes the base cost estimate and optimism bias for the development and delivery of the project in the capital delivery period. It also includes the renewing of parts of the asset once the project is in the operational period.
- Row 35 of Table 5b includes an allowance for risks associated with the development and delivery of the project in the capital delivery period and matches Row 6 of Table 5a.

The cost estimate for the development and delivery of the scheme can be derived from Table 5b by adding the rows above for the capital delivery period 2019-20 to 2039-40. The calculation is as follows:

Table 5b row number	Cost for period 2019-20 to 2039-40 (£m 22/23 prices)
Rows 3-34 - Capex & Optimism Bias	5,392.01
Row 35 - Capex: Costed Risk	1,212.03
Total (£m 22/23 prices)	£6,604.04m

Table 5b also includes rows for fixed and variable Opex that are totalled in Row 2 of Table 5a.

Attached Files

Tables 5a and 5b have been submitted in accordance with the Gate 3 guidance as PDF files. To allow for easier review an Excel version of the tables is attached to this response.

Attachment: Excel file of Tables 5a & 5b

Date of response to RAPID	09/09/2025
Strategic solution contact / responsible person	