

DRAFT SDS PROGRAMME INCENTIVES

1.0 Objective

- 1.1 The objective is to provide a positive incentive for SDS to deliver their designs to programme, thereby securing the Infraco delivery programme.
- 1.2 Background points to this are:-
- BBS have advised that they wish to include an incentivisation arrangement within the SDS novation agreement.
 - The SDS detailed design stands at approximately 80% complete (based on detailed design notifications).
 - The remaining activities are completion of the remaining 20% of detailed design, IDC checks, obtaining CEC prior approval and technical approval.
 - There are a number of instances where prior and technical approval dates are close to the construction dates.
- 1.3 The incentive arrangement is to reward SDS for
- Delivering completed and approved design packages in accordance with the agreed programme.
 - Completed and approved in this context means that the design package has an unqualified Design Assurance Statement in accordance with the Design Assurance Process for a package that contains all of the elements that the agreed programme states that it will.
 - Avoid creating perverse incentives e.g. to seek relief or changes in order to maintain an incentive entitlement.
- 1.4 The arrangement is to also encourage SDS to focus effort on delivering those designs to which the construction programme is most sensitive.

2.0 Mechanism

- 2.1 The mechanism for the incentive would operate as follows:-
- A sum is allocated as an incentive to the delivery of the remaining design programme for Phase 1a.
 - The trigger for release of an incentive payment is the delivery of a Design Assurance Certificate for a design package and its acceptance by **tie**
 - A proportion of the total incentive sum is allocated to each design package. This allocation is weighted depending on the criticality of the design package to the construction programme and the proximity of the date for delivery of a Design Assurance Certificate to the Infraco Contract award date . Critical design packages being weighted double that of the remainder.

- If the due date as set out in the incentive schedule is missed then none of the amount allocated to that package is paid to SDS.
- Similarly if the Design Assurance Certificate and supporting package are deficient i.e. it is not in accordance with the Design Assurance process or the SDS contract then the incentive for that package will only be paid if the Certificate and package is resubmitted and correct by the date stated in the incentive schedule.
- The entitlement to an incentive payment is not preserved by Changes or other entitlements to relief under the SDS contract.

2.2 Appended is an example of the proposed mechanism. The amount allocated is purely notional for the purposes of the example.

2.3 The incentive sum will be decided by tie depending on the level of programme risk (for delivery of each completed package – i.e. an accepted Design Assurance Certificate).