

## PART 2: PRICING DATA

### PSC3 Option A

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## C2.1 Pricing assumptions: Option A

### 1. How work is priced and assessed for payment

Option A is a lump sum form of contract where the work to be done is broken down into well defined activities each listed in the *activity schedule* and priced by the tendering consultant as a lump sum. (See clause 11.2(18)).

Only completed activities which are without Defects are assessed for payment at each assessment date; no part payment is made if the activity is not completed by the assessment date. (See clause 11.2(15)).

The *activity schedule* may change after the Contract Date as a result of compensation events. (See clause 11.2(14)).

### 2. Function of the Activity Schedule

The Activity Schedule is only a pricing document. Clause 53.1 in Option A states: "Information in the Activity Schedule is not Scope". Specifications and descriptions of the service or any constraints on how it is to be done are included in the Scope and per Clause 21.1, "The *Consultant* Provides the Services in accordance with the Scope" and therefore not in accordance with the Activity Schedule.

### 3. Link to the programme

Clause 31.4 states that "The *Consultant* provides information which shows how each activity on the Activity Schedule relates to the operations on each programme which he submits for acceptance". Ideally the tendering consultant will develop a high level programme first then resource each activity on the programme and thus arrive at the lump sum price for that activity both of which can be entered into the *activity schedule*.

### 4. Preparing the activity schedule

Generally it is the tendering consultant who prepares the *activity schedule* by breaking down the work described within the Scope into suitable activities which can be well defined, shown on a programme and priced as a lump sum.

The description of each activity must be sufficient to determine exactly what work is included within it and to know when it has been completed.

The *Employer*, in his Instructions to Tenderers or in a Tender Schedule, may have listed some items that he requires the *Consultant* to include in his *activity schedule* and be priced accordingly.

It is assumed that in preparing his *activity schedule* the *Consultant*:

- Has taken account of the guidance given in the PSC3 Guidance Notes;
- Understands the function of the Activity Schedule and how work is priced and paid for;
- Is aware of the need to link the Activity Schedule to activities shown on each programme which he submits for acceptance by the *Employer*;
- Has listed and priced activities in the *activity schedule* which are inclusive of everything necessary and incidental to Providing the Service in accordance with the Scope, as it was at the Contract Date, as well as correct Defects except correcting a Defect for which the *Consultant* is not liable;
- Has priced work he decides not to show as a separate activity within the Prices of other listed activities in order to fulfil the obligation to complete the *service* for the tendered total of the Prices.
- Understands there is no adjustment to the lump sum Activity Schedule price if the amount, or quantity, of work within that activity later turns out to be different to that which the *Consultant*

estimated at time of tender. The only basis for a change to the Prices is as a result of a compensation event.

However, the *Consultant* does not have to allow in his Prices for matters that may arise as a result of a compensation event.

## **5. Expenses**

*Expenses* are not included in the *activity schedule* items and are assessed separately at each assessment date, unless an additional condition of contract (Z clause) is included which requires that expenses be included within activity Prices and not paid separately.

*Expenses* associated with employing a staff member in Providing the Services are listed separately either by the *Employer* in Contract Data provided by the *Employer* or by the *Consultant* in Contract Data provided by the *Consultant*. As only the *expenses* listed may be claimed by the *Consultant*, all other cost to the *Consultant* associated with Providing the Services must be included within the activity schedule prices or *staff rates*.

Rate adjustment for inflation of *expenses* is explained in the PSC3 Guidance Notes.

## **6. Staff rates**

When a compensation event occurs changes to the affected Activity Schedule item or new priced items in the Activity Schedule are assessed as the actual Time Charge for work already done and the forecast Time Charge for work not yet done. (See clause 63.1 and 63.14 in Option A)

The Time Charge is the sum of the products of each of the *staff rates* multiplied by the total staff time appropriate to that rate properly spent on work in this contract. (Clause 11.2(13))

Tendering consultants are advised to consult the NEC3 Professional Services Contract Guidance Notes and Flow Charts before entering *staff rates* into Contract Data, or in C2.2 below.

This is because *staff rates* can be established in one of three ways:

- rates for named staff,
- rates for categories of staff or
- rates related to salaries paid to staff.

Rate adjustment for inflation, if necessary, can be based either on actual salary adjustments or by using Option X1: Price adjustment for inflation. See pages 13 and 14 in the PSC3 Guidance Notes.

## C2.2 the *activity schedule*

Use this page as a cover page to the *Consultant's activity schedule* or include here in this format:

No.	Items of work priced on a lump sum basis	Price (excluding VAT)(Monthly fixed Price)
1.	<b>Insurance (non-life and life/employee benefits) and related services, including but not limited to:</b>	
	Provide advice on insurance products and services -Ad-hoc	Please quote as reflected above.
	Place insurance covers (including endorsements) in the local and international insurance market -annual (annually renewable policies) unless a need to obtain a new policy arise during the year	
	Provide and monitor the credit ratings of insurers – annually at renewal and quarterly thereafter.	
	Provide advice and recommendation on management of insurance risk -ad-hoc	
	Provide advice on implementation of insurance risk survey recommendations -ad-hoc	
	Liaise with insurers to ensure efficient conduct of insurance risk surveys -quarterly	
	Liaise with insurers to ensure timely settlement of insurance claims -quarterly/ as and when required	
	Provide benchmarking and data analysis -ad-hoc	
	Provide research and updates on developments in the insurance market-ad-hoc	
	Provide insurance training-ad-hoc	
2.	<b>Reinsurance and related services, including but not limited to:</b>	
	Design an appropriate reinsurance strategy -annually	Please quote as reflected above.
	Design an appropriate reinsurance structure -annually	
	Place reinsurance covers (including endorsement) in the local and international insurance market -annual (annually renewable policies) unless a need to obtain a new policy arise during the year	
	Provide and monitor credit rating of reinsurers - annually at renewal and quarterly thereafter.	
	Monitor implementation of risk survey recommendations - quarterly	

	Liaise with insurers to ensure efficient conduct of insurance risk surveys -quarterly	
	Provide research and updates on developments in the reinsurance market -ad-hoc	
	Provide benchmarking and data analysis -ad-hoc	
	Assists with reinsurance claims administration -quarterly and as and when required	
	Provide reinsurance training-ad-hoc	
		R
	<b>Total Price Excluding VAT (1+2)</b>	<b>R</b>

**NB:** Frequency of activities provided above is just for guidance purposes however suppliers must provide a monthly quotation/fee.

**Excluded from fees**

All travel, accommodation and expenses will be agreed with Eskom and/ or Escap in advance and reimbursed monthly; these are not included within the fee structure. All expenses are to be reimbursed in accordance with the National Treasury Regulations.

**Fee / Remuneration**

The basis of remuneration is fees based.

The following additional points regarding remuneration are noted:

- The broker will disclose and rebate to Eskom and/or Escap the amount of brokerage commission it receives from insurers and reinsurers earned as a result of placing Eskom's and / or Escap's business with the insurance and reinsurance markets. These will include subscription market brokerage and will be disclosed to Eskom and / or Escap. Any and all other services on behalf of insurers, reinsurers and/or third parties related to Eskom's and / or Escap's placements are excluded.
- Save and except for the exclusions listed above, the broker warrants that it does not earn any undisclosed brokerage commission, in respect of the Eskom and / or Escap placements.
- All commissions as referred to above will be reimbursed to Eskom and / or Escap as arranged.