

**Schedule 8**

**Payment Mechanism**

## Schedule 8

### Payment Mechanism

#### Part 1 - General

##### 1 Definitions

In each part of this Schedule 8 the following expressions (in addition to those specified in Schedule 1 (Definitions, Interpretations and Construction)) shall have the meanings given to them below:

**Adjusted CIPP Forecast Electricity Consumption means** the figure for the CIPP Forecast Electricity Consumption as adjusted from time to time to take account of any Accruals and De-Accruals in accordance with paragraph 4 of Part 1 of this Payment Mechanism

**Adjusted Forecast Electricity Consumption means** the figure for the Forecast Electricity Consumption in Kwh for the relevant Contract Year as adjusted from time to time to take account of any Accruals and De-Accruals in accordance with paragraph 4 of Part 1 of this Payment Mechanism, divided by twelve (12)

**Base Date** means [♦]

**CIPP Forecast Electricity Consumption** means the forecast for the consumption of electricity as set out in Table 1<sup>1</sup> of Appendix 1 of this Payment Mechanism

**Electricity Cost Adjustment** and **ECA** means the adjustment of the Electricity Costs calculated in accordance with paragraph 3.1 of Part 1 of this Payment Mechanism

**Electricity Costs** shall have the meaning given to it in paragraph 1.1 of Schedule 9 (Electricity Procurement)

**Indexation Review Date** shall have the meaning given to it in paragraph 2.6 of Part 1 of this Payment Mechanism

**Forecast Electricity Consumption** means the forecast for the consumption of electricity as set out in Table 2<sup>2</sup> of Appendix 1 of this Payment Mechanism

**Management Information System Accuracy** shall have the meaning given to it in paragraph 4.5 of Part 2 of this Payment Mechanism

**Milestone Default Termination Points** and **MDTP** means a default termination point accrued in accordance with paragraph 6.1 of Part 1 of this Payment Mechanism

---

<sup>1</sup> Where the energy contract in place is based on more than one electricity tariff band this Table should be split into the appropriate number of sections, each of which identifies the consumption forecast for the period of the relevant electricity tariff band

<sup>2</sup> Where the energy contract in place is based on more than one electricity tariff band this Table should be split into the appropriate number of sections, each of which identifies the consumption forecast for the period of the relevant electricity tariff band

**Notional Adjustment** shall have the meaning given to it in paragraph 4.4 of Part 1 of this Payment Mechanism

**Prescribed Period for Response** shall have the meaning given to it in the Output Specification

**Reporting Failure** shall have the meaning given to it in paragraph 7.4 of Part 2 of this Payment Mechanism

**Reporting Failure Adjustment** shall have the meaning given to it in paragraph 7.2 of Part 2 of this Payment Mechanism

**Service Default Termination Points** and **SDTP** means a default termination point accrued in accordance with paragraphs 5.4 and 5.5 of Part 1 of this Payment Mechanism

[**Temporary Deemed to Comply Apparatus** means those Deemed to Comply Apparatus specified in ♦]

[**Upgrade Roads** means those roads containing Temporary Deemed to Comply Apparatus]

## 2 Unitary Charge and Monthly Unitary Charge

### 2.1 Adjustment of Unitary Charge

The Unitary Charge and the Monthly Unitary Charge shall be adjusted, from time to time, in accordance with this Payment Mechanism, clause 26 (Payment and Financial Matters) of the Contract and any other express provisions of the Contract.

### 2.2 Determination of Unitary Charge

From time to time during the Contract Period the Unitary Charge shall equal the amount referred to as such in cell [♦] of worksheet [♦] in the Base Case and following the first indexation Review Date shall equal NUC as defined in paragraph 2.6 of this Payment Mechanism.

### 2.3 Monthly Unitary Charge

Subject to paragraph 2.4, the Monthly Unitary Charge payable by the Authority to the Service Provider shall be the Unitary Charge applicable during each Payment Year of the Contract Period divided by twelve (12).

### 2.4 Incomplete Months

With respect to the first and last Month of the Contract Period, the Monthly Unitary Charge shall be calculated in accordance with the following formula:

$$MUC = (A/C) \times B$$

Where:

- A** = Unitary Charge as applicable and as defined and calculated in paragraphs 2.2 and 2.6 of this Payment Mechanism;
- B** = Number of days the Service is provided in the relevant Month;
- C** = 365 (or 366 in a leap year).

## 2.5 Monthly Payment

The Monthly Payment shall be calculated in accordance with the following formula, such payment to be made in accordance with clause 26 (Payment and Financial Matters) of the Contract:

$$\text{Monthly Payment} = MUC - A1(a) - A1 - A2 + A3 + A4 - A5 + A6 - A7 + A8 + A9 + ECA$$

Where:

- MUC** = Monthly Unitary Charge for the current Month as calculated in paragraphs 2.3 to 2.4 (inclusive) of this Payment Mechanism;
- A1(a)** = any Adjustments due under this Payment Mechanism in accordance with PS1 as at the end of the Month prior to that which MUC relates as such Adjustment shall be calculated in accordance with paragraph 1 of Part 2 of this Payment Mechanism;
- A1** = any Adjustments due under this Payment Mechanism in accordance with PS2 to PS7 in respect of the Month prior to that which MUC relates or in accordance with PS8 in respect of the previous year as such Adjustments shall be calculated in accordance with paragraphs 2 to 8 of Part 2 of this Payment Mechanism;
- A2** = any adjustments to reflect previous overpayments;
- A3** = any adjustments to reflect previous underpayments;
- A4** = any other amounts payable by the Authority to the Service Provider under the Contract;
- A5** = any other amounts payable by the Service Provider to the Authority under the Contract;
- A6** = any interest payable by the Authority to the Service Provider under the Contract;
- A7** = any interest payable by the Service Provider to the Authority under the Contract;
- A8** = any positive or negative adjustment due in respect of the Sub-Contractors in the Construction Industry Scheme. For the avoidance of doubt any deductions made in respect of the Sub-Contractors in the Construction Industry Scheme shall be treated as a negative adjustment under this definition A8;
- A9** = any adjustment to take account of any Accrued Apparatus or De-Accrued Apparatus incorporated within or removed from the Service calculated in accordance with paragraph 4 of Part 1 of this Payment Mechanism since the most recent

Indexation Review Date;  
**ECA** = the Electricity Costs Adjustment calculated in accordance with paragraph 3 of Part 1 of this Payment Mechanism for the current Month.

## 2.6 Calculation and Indexation of Unitary Charge

The Unitary Charge shall be reviewed on the 1st April in each year following the Planned Service Commencement Date (the **Indexation Review Date**) until the earlier of the Expiry Date or the Termination Date, in accordance with the following formula:

**NUC** = the new Unitary Charge following review in accordance with this paragraph 2.6 which shall be calculated in accordance with the following formula:

$$NUCx + NUCy$$

Where:

**NUCx** = the new Unitary Charge excluding amounts for Accrued Apparatus and De-Accrued Apparatus included within or removed from the provision of the Service in accordance with paragraph 4 of Part 1 of this Payment Mechanism which shall be calculated in accordance with the following formula:

$$OUCx \times (1 + (X \times (RPIXn - RPIXm) / (RPIXm)));$$

**OUCx** = the Unitary Charge immediately preceding the relevant Indexation Review Date excluding amounts for Accrued Apparatus and De-accrued Apparatus included within or removed from the provision of the Service in accordance with paragraph 4 of Part 1 of this Payment Mechanism;

**X** = *[factor to be bid or set by Authority prior to the bid stage but no greater than 1];*

**RPIXn** = RPIX as at the end of January of the calendar year in which the Indexation Review Date falls;

**RPIXm** = *RPIX as at the end of [month and year two (2) Months prior to the Base Date] for the review on the 1st April [first year when April is after the price base date] and RPIX as at the end of January of the previous calendar year for all other reviews;*

**NUCy** = an amount for Accrued Apparatus and De-Accrued Apparatus included within or removed from the Service in accordance with paragraph 4 of Part 1 of this Payment Mechanism between the date of the Contract and the relevant Indexation Review Date:

$$(y_1 \times (n_1 - m_1)) + (y_2 \times (n_2 - m_2)) + (y_3 \times (n_3 - m_3)) + (y_4 \times (n_4 - m_4)) + (y_5 \times (n_5 - m_5)) + (y_6 \times (n_6 - m_6));$$

**y<sub>1</sub>, y<sub>2</sub>, y<sub>3</sub>, y<sub>4</sub>, y<sub>5</sub> and y<sub>6</sub>** = the values of **y** defined in paragraph 4.1 of Part 1 of this Payment Mechanism;

**n<sub>1</sub>, n<sub>2</sub>, n<sub>3</sub>, n<sub>4</sub>, n<sub>5</sub> and n<sub>6</sub>** = the total number of units of Apparatus (in each category as set out in Table 3 in paragraph 4.1 of Part 1 of this Payment Mechanism) Accrued in accordance with paragraph 4 of Part 1 of this Payment Mechanism between the Service Commencement Date and the relevant

$m_1, m_2, m_3, m_4, m_5$  and  $m_6$  = Indexation Review Date;  
 = the total number of units of Apparatus (in each category as set out in Table 3 in paragraph 4.1 of Part 1 of this Payment Mechanism) De-Accrued in accordance with paragraph 4 of Part 1 of this Payment Mechanism between the Service Commencement Date and the relevant Indexation Review Date.

## 3 Electricity Costs

3.1 Subject to paragraphs 3.6 and 3.7 of Part 1 of this Payment Mechanism, the Electricity Costs Adjustment for each Month shall be calculated in accordance with the following formula:

(a) Where the Authority has entered into a contract and pays directly for the supply of electricity to the Apparatus:

$$ECA = \sum_{1toZ}^{ETB} (ap \times (afc - mac))$$

(b) Where the Service Provider has entered into a contract and pays directly for the supply of electricity to the Apparatus;

$$ECA = \sum_{1toZ}^{ETB} (ap \times afc)$$

Where:

- ETB** = the relevant electricity tariff band as included under the current energy contract from Band 1 to Band Z, where Z is the number of bands under the current energy contract;
- ap** = subject to paragraph 3.7, the actual price of electricity for the relevant Month in pence per Kwh (for each ETB), including, without limitation, all fixed and standing charges, all associated metering and data management charges, the climate change levy (and any replacement levy or charge) and any premium charged for any specific terms and conditions related to the supply of electricity to the Apparatus;
- mac** = the actual monthly electricity consumption in Kwh (for each ETB) paid for by the Authority for the relevant month, as shown on the relevant electricity invoice or other documentation where consumption is not shown on the electricity invoice received by the Authority;
- afc** = SFC - AltLFCA
- SFC** = the standard forecast consumption (for each ETB) being the Adjusted Forecast Electricity Consumption (for each ETB) except for the duration of the Core Investment Programme Period in which case it shall equal AC FEC (for each ETB). Where the Month for which SFC is

# Street Lighting Procurement Pack – Model Documentation

required is not a full calendar month, SFC shall be pro rated so that it only represents the consumption for the appropriate proportion of the calendar month;

**AltLFCA** = The Alternative Lighting Forecast Consumption Adjustment (for each ETB) as calculated in accordance with paragraph 3.2 below

**ACFEC** =  $[pfc_{m-1} + ((pfc_m - pfc_{m-1}) \times ((AR_p - PR_{m-1}) / (PR_m - PR_{m-1})))]$

save where  $AR_p$  is greater than or equal to  $PR_p$  in which case ACFEC shall equal  $pfc_p$ <sup>3</sup>

or

[the Adjusted CIPP Forecast Electricity Consumption in KWh]<sup>4</sup>

Where:

**p** = the actual Month of the Core Investment Programme Period for which the calculation of ACFEC is being carried out and, for the avoidance of doubt, the Month in which the Service Commencement Date occurs shall be considered Month 1 of the Core Investment Programme Period;

**m** = the lesser of p or the Month in which  $PR_m$  is closest to, but greater than,  $AR_p$ ;

**$AR_p$**  = cumulative number of CIP Apparatus Removed by the Service Provider as Certified by the Independent Certifier pursuant to clause 13 (Inspection and Completion) of the Contract from the Service Commencement Date up to and including the last day of the Month p;

**$PR_m$**  = cumulative number of CIP Apparatus the Service Provider proposes to have Certified as being Removed by the Independent Certifier pursuant to clause 13 (Inspection and Completion) of the Contract from the Service Commencement Date up to, and including, the last day of the Month m, as set out in Table 1 of Appendix 1 of this Payment Mechanism;

**$PR_{m-1}$**  = cumulative number of CIP Apparatus the Service Provider proposes to have Certified as being Removed by the Independent Certifier pursuant to clause 13 (Inspection and Completion) of the Contract from the Service Commencement Date up to, and including, the last day of the Month immediately preceding m, as set out in Table 1 of Appendix 1 of this Payment Mechanism, ;

<sup>3</sup> This option is more appropriate where the forecast energy consumption increases throughout the Core Investment Programme Period as it ensures that the Authority does not pay for additional energy where the Service Provider is behind schedule. It calculates the appropriate level of forecast consumption for the level of progress made up to a maximum of that planned in the Core Investment Programme.

<sup>4</sup> This option is more appropriate where the forecast energy consumption decreases throughout the Core Investment Programme Period as it ensures that the Authority does not pay for additional energy where the Service Provider is behind schedule. It ensures the Authority pays for the forecast consumption as expected in the Core Investment Programme even if the Service Provider is behind schedule.

# Street Lighting Procurement Pack – Model Documentation

<b>PR<sub>p</sub></b>	=	cumulative number of CIP Apparatus the Service Provider proposes to have Certified as being Removed by the Independent Certifier pursuant to clause 13 (Inspection and Completion) of the Contract from the Service Commencement Date up to, and including, the last day of Month <b>p</b> , as set out in Table 1 of Appendix 1 of this Payment Mechanism;
<b>pf<sub>c<sub>m</sub></sub></b>	=	the CIPP Forecast Electricity Consumption for the Month <b>m</b> as shown in Table 1 of Appendix 1 of this Payment Mechanism;
<b>pf<sub>c<sub>m-1</sub></sub></b>	=	the CIPP Forecast Electricity Consumption for the Month immediately preceding <b>m</b> as shown in Table 1 of Appendix 1 of this Payment Mechanism;
<b>pf<sub>c<sub>p</sub></sub></b>	=	the CIPP Forecast Electricity Consumption for the month <b>p</b> as shown in Table 1 of Appendix 1 of this Payment Mechanism;

3.2 The Alternative Lighting Forecast Consumption Adjustment (AltLFCA) (for each ETB) shall be calculated from time to time whenever the Authority elects to require a change to the current lighting regime. Where during the Contract Period the Authority requires the Service Provider to make a change to the current lighting regime the value of **afc** shall be adjusted by the sum calculated in accordance with the following formula:

$$\mathbf{AltLFCA} = \text{SwitchLA} + \text{DimLA}$$

Where:

$$\text{SwitchLA}^5 = \sum_{1 \text{ to } N} (s \times n \times h)$$

**s** = the relevant value in kWh (as applicable) from Table [x] below dependent on the category of Apparatus from category 1 to N;

**n** = the number of units of each category of Apparatus from category 1 to N for which the new regime relates;

**h** = the number of hours for which each item of Apparatus from category 1 to N is switched off in excess of the period under the current switching regime

<sup>5</sup> The Authority may wish to consider the introduction of a negative side to this calculation if they perceive there may be a need to increase the length of the lighting regime for any category of Apparatus

# Street Lighting Procurement Pack – Model Documentation

Table [x]: Summary of variables used in the calculation of SwitchLA

Category of Apparatus	Apparatus description [categories to be defined on a project specific basis]	Forecast energy saving in Kwh for each hour that the item of Apparatus is switched off (s)	Number of Apparatus in that Category which are subject to the revised switching regime (n)	Number of hours that Category of Apparatus is switched off in excess of the period under the current switching regime (h)
1				
2				
3				
4				
5				
N				

And where:

$$\text{DimLA}^6 = \sum_{1 \text{ to } N} (d \times n \times h \times (1 - \text{perc}))$$

d = the relevant value in Kwh (as applicable) from the Table [y] below dependent on the category of Apparatus from category 1 to N;

n = the number of units of each category of Apparatus from category 1 to N for which the new regime relates;

h = the number of hours for which each item of Apparatus from category 1 to N is dimmed in excess of the period under the current dimming regime;

perc = the percentage of output that the Apparatus is dimmed to under the revised dimming regime (as a percentage of the output for that item of Apparatus under the original dimming regime)

<sup>6</sup> The Authority may wish to consider the introduction of a negative side to this calculation if they perceive there may be a need to 'dim up' the lighting regime for any category of Apparatus

**Table [y]: Summary of variables used in the calculation of DimLA**

Category of Apparatus	Apparatus description [categories to be defined on a project specific basis]	Forecast energy saving in Kwh for each hour that the item of Apparatus is dimmed (d)	Number of Apparatus in that Category which are subject to the revised dimming regime (n)	Number of hours that Category of Apparatus is dimmed in excess of the period under the current dimming regime (h)	Percentage of output that the Apparatus is dimmed to under the revised dimming regime (perc)
1					
2					
3					
4					
5					
N					

3.3 Prior to any amendment to the switching or dimming regime the Parties need to agree the appropriate entries for Table [x] and/or Table [y]. The Council should advise the Service Provider no less than [ten (10)] Working Days in advance of the Monthly Monitoring Meeting the details of any changes it wishes to make to the lighting regime. The Service Provider shall provide the Council with details of the proposed impact of the changes (including but not limited to the appropriate entries for Table [x] and/or Table [y] for which the Service Provider shall give due consideration to BSCP 520 and other industry standard information) no less than [five (5)] Working Days in advance of the Monthly Monitoring Meeting. The Parties shall discuss and agree the changes required as a result of the proposed lighting regime at the Monthly Monitoring Meeting following which any changes can be implemented by the Service Provider. If the Parties are unable to agree the changes required they shall be determined in accordance with the Dispute Resolution Procedure.

3.4 In the event that one of the impacts of a change in the lighting regime is the likely breach of the terms of the current energy contract (including the likelihood that default prices may be incurred under such contract) the Parties will consider the extent of additional costs and may agree that it is appropriate to carry out an Electricity Market Test (in accordance with Schedule [ ] of the Project Agreement). Any additional costs incurred as a result of such Electricity Market Test, taking account of the costs already included in the Base Case for regular Electricity Market Tests required under the Project Agreement, shall be for the account of the Council.

[Note:

The drafting provided in respect of the AltLFCA adjustment assumes the Parties agree to calculate a forecast impact to consumption prior to the change in the lighting regime being implemented. However it is important to note that:

1. The method of measurement should be agreed by the parties prior to entering into contract. This is likely to be a contentious issue until the use of remote monitoring technologies has been agreed as an acceptable method for calculating electricity charges. This issue is currently being debated by UMSUG.
2. This method could be based on information on either the changes to 'actual' consumption or to 'forecast' consumption as a result of the introduction of dimming/switching regimes. Different measuring regimes will have different risk profiles which will need to be considered on a case by case basis. It is recommended that authorities take technical and commercial advice on this issue.
3. Where the measurement method is based on changes to 'actual' consumption the Council will need to be satisfied that the functionality of the remote monitoring technology and equipment enables the Service Provider and the Council to accurately analyse electricity consumption changes solely associated with dimming/switching and not with more general lighting performance including:
  - the incidence of faults (outages etc);
  - switch on and switch off times, and
  - the broader performance of the electricity distribution system (power cuts, surges etc.)

Arrangements will also need to be negotiated where the remote monitoring technology fails, data is lost etc.

4. Where consumption is based upon forecasts this should be based on the consumption information contained in BSCP520 (as amended) or other recognised industry standards.
  5. The Service Provider should also be under an obligation to report on other potential consequences that might be reasonably foreseeable as a result of the changes.
  6. In both cases it is important that there is a simple, quick and objective method established as it is anticipated that dimming/switching will be used extensively throughout these contracts.]
- 3.5 Should the Contract commence with a switching off and/or dimming regime in place this will be reflected in the forecast electricity consumption in Tables 1 and 2 of Appendix 1 as at the date of the Contract and the adjustment AltLFCA will not be utilised for that particular switching off and/or dimming regime. The Authority will inform the Service Provider when the switching off

and/or dimming period is to end, if the timing is any different to that in place as at the date of the Contract, and the Service Provider shall provide updated versions of Tables 1 and 2 of Appendix 1. All updated forecasts are subject to the review and approval of the Authority who reserves the right to request a revision or determination in accordance with the Dispute Resolution Period.

- 3.6 In the event of any change in the Balancing and Settlement Code Procedure 520 or the rates shown in such code, provisions of clause 25.7 (Change in BSCP 520) of the Contract shall apply.
- 3.7 To the extent that the Service Provider fails to fulfil its obligations in relation to paragraphs 14 of the Output Specification (Performance Standard 4) which results in an increase in the actual price of electricity then **ap** will be adjusted such that the Service Provider compensates the Authority for such increase.
- 3.8 Upon receipt of the Draft Monthly Payment Report to paragraph 4.2 of Schedule 9 (Electricity Procurement), any savings shall be calculated in accordance with the following formula:

**Cs** = Authority share of the Service Provider's energy consumption savings (if any) provided that where this is a negative value it shall be zero, calculated in accordance with the following formula:

$$(((Z \times fc) - ac) \times wap) / 2$$

Where:

**Z** = [0.95;

**fc** = the annual total of afc, as defined in paragraph 3.1 of Part 1 of the Payment Mechanism in KWh for the relevant Payment Year;

**ac** = the annual Actual Electricity Consumption in KWh for the relevant Payment Year;

**wap** = the weighted average actual Electricity Costs for the relevant Payment Year in pence per KWh.

- 3.9 If at the time ac and fc are calculated, ac is greater than ninety five per cent (95%) of fc then the provisions of this paragraph 3 shall not apply for that Payment Year.
- 3.10 The value of cs (if any) shall be paid pursuant to paragraph 2.5 of Part 1 of the Payment Mechanism as a one off annual adjustment to the Monthly Payment related to the Actual Monthly Payment Report in which cs is included.

## 4 Accruals and De-Accruals

4.1 Subject to paragraph 4.4 of Part 1 of this Payment Mechanism, where during the Contract Period the Authority requires the Service Provider to provide the Service to an increased or reduced number of units of Apparatus in accordance with Schedule 15 (Accrual and De-Accrual of Apparatus) the Monthly Unitary Charge shall be adjusted until the next Indexation Review Date by the sum calculated in accordance with the following formula:

$$(y_1/12 \times (n_1 - m_1)) + (y_2/12 \times (n_2 - m_2)) + (y_3/12 \times (n_3 - m_3)) + (y_4/12 \times (n_4 - m_4)) + (y_5/12 \times (n_5 - m_5)) + (y_6/12 \times (n_6 - m_6))$$

Where:

- y** = the relevant value (as applicable) from Table 3 below dependent on the category of Apparatus;
- n** = the number of units of Apparatus Accrued for each category of Apparatus;
- m** = the number of units of Apparatus De-Accrued for each category of Apparatus.

**Table 3: 'y' values for Accrual or De-Accruals**

Category of Apparatus	Apparatus description [categories to be defined on a project specific basis]	Value
Y <sub>1</sub>		£[to be bid] (Indexed)
Y <sub>2</sub>		£[to be bid] (Indexed)
Y <sub>3</sub>		£[to be bid] (Indexed)
Y <sub>4</sub>		£[to be bid] (Indexed)
Y <sub>5</sub>		£[to be bid] (Indexed)
Y <sub>6</sub>		£[to be bid] (Indexed)

4.2 Where an Accrual or De-Accrual of Apparatus pursuant to Schedule 15 (Accrual and De-Accrual of Apparatus) is expected to cause an increase or decrease in aggregate electricity consumption by the Apparatus, the **afc** (as defined in paragraph 3.1) shall be varied by the addition or reduction of the forecast electricity consumption of each Accrued or De-Accrued unit of Apparatus (in kilowatt hours) calculated in accordance with the Balancing and Settlement Code Procedure 520 (or any successor procedure) to determine the energy consumption of un-metered Apparatus and the Burn Hours as appropriate to the use of such Apparatus.

## Street Lighting Procurement Pack – Model Documentation

- 4.3 The adjustment to the Monthly Unitary Charge shall take effect from the first day of the Month following the date on which the relevant Accrual and/or De-Accrual occurred.
- 4.4 Paragraphs 4.1 to 4.3 (inclusive) of Part 1 of this Payment Mechanism shall not apply:
- (a) in respect of any inaccuracies identified from time to time between the number and types of Apparatus for which the Service Provider is responsible at the Service Commencement Date and the Inventory Reference Date, for which neither the Service Provider nor the Authority shall be compensated. Provided that a single adjustment shall be made for each unit of Apparatus installed or removed by, or on behalf of, the Authority between the Inventory Reference Date and the Service Commencement Date, which shall be agreed between the Authority and the Service Provider as soon as reasonably practicable after the Service Commencement Date or determined pursuant to the Dispute Resolution Procedure, and for which the Service Provider or the Authority shall be compensated by an adjustment to the Monthly Unitary Charge in accordance with paragraph 4.1. Such adjustment to be backdated, if necessary, to the Service Commencement Date;
  - (b) to the extent that any Accrual or De-Accrual would result in the Service Provider either:
    - (i) becoming responsible for units of Apparatus that require, or by reason of the condition of those units of Apparatus at the date on which it would Accrue would require Capital Expenditure to bring them into compliance with the Output Specification; or
    - (ii) ceasing to be responsible for units of Apparatus that required Capital Expenditure yet to be expended by the Service Provider to bring them into compliance with the Output Specification,and
  - (c) to the extent that:
    - (i) the net increase in the aggregate number of Apparatus which have been Accrued or De-Accrued in accordance with paragraphs 4.1 to 4.3 (inclusive) at any time since the Service Commencement Date is greater than [five per cent (5%)]<sup>7</sup> of the total number of Apparatus as at the Service Commencement Date; or

---

<sup>7</sup> Authority to insert appropriate percentage

- (ii) the net decrease in the aggregate number of Apparatus which have been Accrued or De-Accrued in accordance with paragraphs 4.1 to 4.3 (inclusive) at any time since the Service Commencement Date is greater than [two per cent (2%)]<sup>8</sup> of the total number of Apparatus as at the Service Commencement Date,

provided that in the case of paragraph 4.4(c)(i), the parties may agree pursuant to the provisions of paragraph 1.14 of Schedule 15 (Accruals and De-Accruals) not to refer the matter to Schedule 16 (Change Protocol) but continue to apply the **y** values set out in Table 3 in paragraph 4.1 of Part 1 of this Payment Mechanism.

### 5 Performance Measurement

- 5.1 A Business Day shall have the meaning given to it in Schedule 1 (Definitions, Interpretation and Construction) of the Contract and for the purposes of this Payment Mechanism the length of a Business Day (and as appropriate a day) shall be the full twenty-four (24) hour period. For example, where it is stated that a fault must be rectified within three (3) Business Days and the fault is notified at 13:00:00 on a Friday, rectification must have occurred by the commencement of the same hour of the third Business Day i.e. 13:00:00 on the following Wednesday. Any period expressed in terms of an hour or part hours shall be deemed to mean the full hour.
- 5.2 All adjustments will be derived from the date and time at which the event of non-compliance or failure (as defined by reference to the Performance Standards contained within the Output Specification and this Payment Mechanism) was first notified to or came to the attention of the Service Provider and shall include all events where non-compliance or failure were first notified to or came to the attention of the Service Provider in a Month previous to which an Adjustment is applied. For the avoidance of doubt, and subject to the remainder of the provisions of this Payment Mechanism, Adjustments shall continue to apply Month by Month until such time as the event of non-compliance or failure is resolved.
- 5.3 Throughout this Payment Mechanism the time to rectify, or to attend and commence rectification, shall be counted from the time and date that the Service Provider first received notification, or became aware of, the relevant event of non-compliance or failure.
- 5.4 Where the maximum cap for Adjustments is reached in Performance Standard 6, the Service Provider shall continue to monitor and measure performance of the Service as if this Payment Mechanism were continuing to operate and calculate the Adjustments that would (save for the maximum Adjustment cap) have been made in relation to each relevant Month (a **Notional Adjustment**). The Notional Adjustments value will contribute to the

---

<sup>8</sup> Authority to insert appropriate percentage

calculations made pursuant to paragraphs 6.2 and 6.3 of Part 1 of this Payment Mechanism.

- 5.5 All calculations made within this Payment Mechanism shall be solved to two decimal points.

## 6 Milestone Default and Service Default Termination Points

### Performance Standard 1 (PS1)

- 6.1 If the Core Investment Programme is not progressed in accordance with the Milestones set out in clause 12.7 (Milestones) of the Contract, the provisions of clause 12.10 (Failure to complete Milestones on time) of the Contract shall apply and may result in the accrual of Milestone Default Termination Points.

### Performance Standard 2 to Performance Standard 8 (inclusive) (PS2 to PS8)

- 6.2 Where in any one (1) Month the total Adjustments and Notional Adjustments in respect of PS2 to PS8 (inclusive) are in excess of twenty-five per cent (25%) of the Monthly Unitary Charge payable for that Month less the applicable PS1 Adjustment (if any) in that Month then a Service Default Termination Point shall accrue to the Service Provider.
- 6.3 If, in any three (3) consecutive Months, the total Adjustments and Notional Adjustments for each individual Month in respect of PS2 to PS8 (inclusive) exceed twenty per cent (20%) of the Monthly Unitary Charge payable for each relevant individual Month less the applicable PS1 Adjustment (if any) in each relevant individual Month, then a Service Default Termination Point shall accrue to the Service Provider.
- 6.4 For the avoidance of doubt, the calculation of the percentage used in paragraphs 6.2 and 6.3 for Month 'm' shall be carried out as follows:

Total Adjustments and Notional Adjustments for PS2 to PS8 (inclusive) in Month 'm' / (MUC for Month 'm' – PS1 Adjustment for Month 'm')

An example of how Service Default Termination Points may accrue under paragraphs 6.2 and 6.3 is shown below.

Month	Adjustments & Notional Adjustments under PS2 to PS8 (inclusive) (as a % of MUC less Adjustments in respect of PS1)	Service Default Termination Point (SDTP)
1	23%	No
2	24%	No
3	24%	Yes - SDTP 1 (by reference to Months 1, 2 & 3)
4	22%	Yes - SDTP 2 (by

Month	Adjustments & Notional Adjustments under PS2 to PS8 (inclusive) (as a % of MUC less Adjustments in respect of PS1)	Service Default Termination Point (SDTP)
		reference to Months 2, 3 & 4)
5	19%	No
6	21%	No
7	26%	Yes - SDTP 3
8	23%	Yes - SDTP 4 (by reference to Months 6, 7 & 8)

### **No Double Counting**

6.5 Notwithstanding the provisions of paragraphs 6.2 and 6.3, a twenty per cent (20%) Service Default Termination Point shall not in any event accrue to the Service Provider in the same Month as a twenty-five per cent (25%) Service Default Termination Point accrues to the Service Provider and, where but for the operation of this paragraph 6.5, both a twenty per cent (20%) Service Default Termination Point and a twenty-five per cent (25%) Service Default Termination Point would accrue to the Service Provider, only a twenty-five per cent (25%) Service Default Termination Point shall accrue to the Service Provider.

### **Performance Standard 4 (PS4)**

6.6 Where in any one (1) Month the percentage of time during which the Customer Care System is available is less than or equal to fifty per cent (50%) of the time it should be available as required by paragraphs 14.2 and 15.1(e) of the Output Specification, a Service Default Termination Point shall accrue to the Service Provider, in addition to the relevant Adjustment due in accordance with paragraph 4.12 of Part 2 of this Payment Mechanism.

6.7 Where in any one (1) Month the percentage of time during which the Management Information System is available pursuant to paragraphs 14.1 and 15.1(d) of the Output Specification is less than or equal to fifty per cent (50%) a Service Default Termination Point shall accrue to the Service Provider, in addition to the relevant Adjustment due in accordance with paragraph 4.11 of Part 2 of this Payment Mechanism.

## **7 Monitoring and Reporting**

The Draft Monthly Payment Report and Actual Monthly Payment Report shall be prepared by the Service Provider in accordance with clauses 26.5 (Draft Monthly Payment Report) and 26.7 (Actual Monthly Payment Report) of the Contract in the form attached in Appendix 2 or such other form as the parties, acting reasonably, may from time to time agree.

## Schedule 8

### Payment Mechanism

#### Part 2 Performance Standard Adjustments

##### 1. Performance Standard 1 (PS1) - Lighting Installation - Core Investment Programme Period

During the period commencing on the Service Commencement Date and expiring upon the completion of the Core Investment Programme in accordance with PS1, Adjustments shall be made as follows:-

##### 1.1 Adjustment Formula

Apparatus which fails to comply with the requirements of the PS1 Performance Target A at the end of each Month shall lead to Adjustments to the Monthly Payment in accordance with the following formula<sup>9</sup>:-

$$\text{Adjustment} = MUC \times 0.4 \times (1 - (Y / X))$$

Where:-

- X** =  $X_1 + [\text{multiplier to be inserted by Authority}]^{10}X_2$
- Y** =  $Y_1 + [\text{multiplier to be inserted by Authority}]Y_2$
- X<sub>1</sub>** = [ ] being the initial number of Lighting Columns that are not Deemed to Comply at the Service Commencement Date;
- X<sub>2</sub>** = [ ] being the initial number of Illuminated Traffic Signs that are not Deemed to Comply at the Service Commencement Date;
- Y<sub>1</sub>** = being the aggregate number of Lighting Columns Removed by the Service Provider as Certified by the Independent Certifier pursuant to Clause 13 (Inspection and Completion) of the Contract from the Service Commencement Date up to and including the last day of the Month for which the Adjustment is being calculated.
- Y<sub>2</sub>** = being the aggregate number of Illuminated Traffic Signs Removed by the Service Provider as Certified by the Independent Certifier pursuant to Clause 13 (Inspection and Completion) of the Contract from the Service Commencement Date up to and including the last day of the Month for

<sup>9</sup> On a project specific basis, an Authority may wish to differentiate between different items of CIP Apparatus for the purposes of the PS1 adjustment. The example above assumes that Illuminated Traffic Signs are treated separately from Lighting Columns.

<sup>10</sup> The X<sub>2</sub> and Y<sub>2</sub> multiplier (which may be smaller than 1 or greater than 1) should be decided on a project-specific basis and should be based on the capital value placed on the different categories of CIP Apparatus represented by X<sub>2</sub> and Y<sub>2</sub> relative to X<sub>1</sub> and Y<sub>1</sub>.

which the Adjustment is being calculated.

For the avoidance of doubt, in this calculation, if  $Y_1$  is greater than  $X_1$ ,  $Y_1$  shall be deemed to equal  $X_1$ . On completion of the Core Investment Programme,  $Y_1$  shall be deemed to equal  $X_1$ . The same rules shall apply with respect to  $Y_2$  with regards to  $X_2$ .

## 2. Performance Standard 2 (PS2) - Lighting Performance And Planned Maintenance

### PS2 Performance Target A

#### Adjustment Formula

2.1 Failures to comply with PS2 Performance Target A during any Month shall lead to Adjustments to the Monthly Payment in accordance with the following formula:

$$\text{Adjustment} = \text{MUC} \times 0.2 \times M$$

Where:

**MUC** = the Monthly Unitary Charge for the relevant Month;

**M** = the factor from PS2 Table 1.

**PS2 Table 1**

% of Lighting Points In Light during the Lighting Up Periods	M
> 99% and ≤ 100%	Nil
> 98.5% and ≤ 99%	0.110
> 98 and ≤ 98.5%	0.150
> 97.5% and ≤ 98%	0.200
> 97% and ≤ 97.5%	0.310
> 96.5% and ≤ 97%	0.420
> 96% and ≤ 96.5%	0.625
> 95.5% and ≤ 96%	0.875
> 95% and ≤ 95.5%	1.200
> 93% and ≤ 95%	2.000
≤ 93%	2 and a Service Provider Default Event pursuant to clause 42.2(l)(i) (Service Provider Default) of the Contract

## Adjustment Formula

- 2.2 The percentage of Lighting Points In Light during the Lighting Up Periods shall be calculated by the following formula:

$$\text{Percentage of Lighting Points In Light during the Lighting Up Periods} = (A + B) / 4$$

Where:

**A** = the sum of each of the previous three (3) Months In Light during the Lighting Up Periods Percentages; \*

**B** = the In Light during the Lighting Up Periods Percentage for the current Month.

and where:

$$\text{In Light during the Lighting Up Periods Percentage} = 100 - ((Y / T) \times 100)$$

Where:

**Y** = the total number of occasions on which Lighting Points are not In Light during the Lighting Up Period as monitored by the Outage Detection Cycle and other reported outages during the relevant Month. For the avoidance of doubt each Lighting Point may not be In Light on more than one occasion during the relevant Month;

**T** = the total number of Lighting Points included in the Outage Detection Cycle undertaken in the relevant Month;

**\*** = the figure for each of the Lighting Points In Light during the Lighting Up Periods Percentage for the three (3) Months preceding the Service Commencement Date will be [figure to be provided by the Authority prior to the ITN or to be agreed between the parties prior to Financial Close]%.

## PS2 Performance Target B

- 2.3 Failures to comply with the PS2 Performance Target B during any Month shall lead to Adjustments to the Monthly Payment in accordance with the following formula:

$$\text{Adjustment} = MUC \times 0.03 \times P$$

Where:

**MUC** = the Monthly Unitary Charge for the relevant Month;

**P** = the factor from PS2 Table 2.

# Street Lighting Procurement Pack – Model Documentation

PS2 Table 2

% of Lighting Points (excluding Lighting Points due to be replaced pursuant to the CIP) meeting the Specific Lighting Standard during the Lighting Up Periods as set out in the Output Specification	P
> 95%	Nil
> 90% and <95%	0.5
> 80% and <90%	1.0
> 70% and <80%	2.0
> 60% and <70%	3.0
> 50% and <60%	4.0
<50%	4.0 and a Service Provider Default pursuant to clause 42.2(l)(ii) (Service Provider Default) of the Contract

## PS2 Performance Target C

2.4 Failure to comply with the requirements of PS2 Performance Target C in relation to all Apparatus as identified in Table 2 in paragraph 11.1(c) of the Output Specification as items 3, 4 and 5 shall lead to an Adjustment to the Monthly Payment in accordance with the following formula:

$$\text{Adjustment} = \text{Number of Failures} \times X + Y$$

Where:

**Number of Failures** = the number of relevant units of Apparatus which have not been either cleaned, painted and/or maintained at the times specified in items 3, 4 and 5 in Table 2 in paragraph 11.1(c) of the Output Specification;

**X** = £25 (Indexed) for the first day of the Month following the Month during which the relevant failure arose;

**Y** = in relation to items 3, 4 and 5 in Table 2 in paragraph 11.1(c) of the Output Specification £1 for each day thereafter.

2.5 Failure to comply with the requirements of PS2 Performance Standard C in relation to Apparatus specified as items 1, 2, 6 and 7 in Table 2 in paragraph 11.1 of the Output Specification shall lead to an Adjustment to the Monthly Payment in accordance with the following formula:

$$\text{Adjustment} = \text{Number of Failures} \times X$$

Where:

**Number of Failures** = the number of relevant units of Apparatus which have not been either inspected and/or tested in accordance with the Relevant Standards set out in PS2 of the Output Specification at the times specified in items 1, 2, 6 and 7 in Table 2 in paragraph 11.1(c) of the Output Specification;

**X** = £25 (Indexed).

### 3. Performance Standard 3 (PS3) - Operational Responsiveness And Reactive Maintenance

#### PS3 Performance Target A

#### Adjustment Formula

3.1 Each failure to comply with the requirements of the PS3 Performance Target A shall lead to an Adjustment to the Monthly Payment in accordance with the following formula:

$$\text{Adjustment} = Y \times M$$

Where:

**Y** = £1,100 (Indexed);

**M** = a Multiplier from PS3 Table 1 below.

An Adjustment shall be made where a failure to comply with the requirements of the PS3 Performance Target A exists in any Month irrespective of whether such failure is rectified in that Month. Where a failure to comply with the requirements of the PS3 Performance Target A is not rectified in any Month the Hours required to calculate the Multiplier in PS3 Table 1 shall be based on the period until end of the Month for which the Adjustment is being calculated.

**PS3 Table 1**

Hours (or part hours rounded up) exceeding one (1) hour in accordance with paragraph 13.1 of the Output Specification	Multiplier (M)
1	1
2	2
3	4
4	8
> 4	8 and the Authority shall be entitled to exercise its rights under clause 40 (Step In Rights) of the Contract

3.2 For the avoidance of doubt:

- (a) if an Emergency Fault continues in to the following Month (or beyond) the Adjustment for that (and each following) Month (until the Emergency Fault is fully remedied or rendered a Non-Emergency Fault) shall be calculated as in paragraph 3.1, with the relevant M factor being calculated in accordance with PS3 Table 1 in paragraph 3.1 and the number of hours in that table continuing to be based upon the date and time when the Emergency Fault was first notified

or first came to the attention of the Service Provider (that is the M factor shall continue to increase until it reaches eight (8), or remain at eight (8) and shall not be reduced by virtue of the commencement of the following Month);

- (b) each part hour will be regarded as a full hour for the purposes of this Performance Standard PS3. Therefore if an Emergency Fault is not remedied for 1 hour 20 minutes after the specified response time, then this counts as two (2) hours for the purposes of PS3 Table 2 in paragraph 3.1.

- 3.3 The sum of the Adjustments for failures to comply with the requirements set out in PS3 Performance Target B shall be the total Adjustments under the Adjustment formula set out in paragraph 3.1 for the Month.<sup>11</sup>

## PS3 Performance Target B

### Adjustment Formula

- 3.4 Each failure to comply with the requirements of PS3 Performance Target B shall lead to an Adjustment to the Monthly Payment in accordance with the following formula:

$$\text{Adjustment} = Y \times M$$

Where:

$$Y = \text{£50 (Indexed);}$$

$$M = \text{the relevant Multiplier from PS3 Table 2 below; and}$$

$$X = \text{is 1 or 2 or 4 or 10 or 20 Business Days (or in respect of a Snagging Item any other period prescribed by the Independent Certifier) as determined by the type of Fault defined in Table 3 (PS3 Rectification Period) set out in paragraph 13.1 of the Output Specification.}$$

An Adjustment shall be made where a failure to comply with the requirements of the PS3 Performance Target B exists in any Month

---

<sup>11</sup> Example for PS3 Performance Target A (similar example could be used for:

31 January 2008 at 9pm – rectification period expires

1 February 2008 at 12.01am – failure corrected

Adjustment for January under PS3A = £1,100 x 4 = £4,400

- M is 4 because Adjustments are calculated on a Monthly basis and under paragraph 3.1 the Adjustment is calculated using the hours in excess of the rectification period. The problem isn't fixed in January but the failure to comply still exists and as at the end of the Month (i.e. midnight on 31/1/08) it has existed for 3 hours which equates to a Multiplier of 4.

Adjustment for February under PS3A = £1,100 x 8 = £8,800

- M is 8 because the failure was fixed after 3 hours and 1 minute. – The M factor for Feb 2008 is calculated on the date the failure started (as per 3.2(a) – "continuing to be based upon the date and time when the Emergency Fault was first notified or first came to the attention of the Service Provider")

- Under PS3 Table 2 and paragraph 3.2(b) the hours are rounded up. Hence the failure was for 4 hours and so the appropriate Multiplier is 8.

# Street Lighting Procurement Pack – Model Documentation

irrespective of whether such failure is rectified in that Month. Where a failure to comply with the requirements of the PS3 Performance Target B is not rectified in any Month the Business Days required to calculate the Multiplier in PS3 Table 2 shall be based on the period until end of the Month for which the Adjustment is being calculated.

**PS3 Table 2**

$1 \leq X < 2$	$2 \leq X < 4$	$4 \leq X < 10$	$10 \leq X < 20$	$20 \leq X$	Multiplier (M)
<b>Business Days (whole or part of days rounded up) in excess of X</b>					
1	1	1	2	3	1
2	2	2	4	6	2
3	3	3	6	9	4
$\geq 4$	$\geq 4$	$\geq 4$	$\geq 8$	$\geq 12$	8

- 3.5 In PS3 Table 2, the Multiplier for an Adjustment for any Fault or Snagging Item shall be the single M factor corresponding to the number of Business Days in excess of the relevant X until the Fault or Snagging Item is rectified.
- 3.6 For the avoidance of doubt, if the Fault or Snagging Item continues into the following Month (or beyond) the Adjustment for that (and each following) Month (until the Fault or Snagging Item is rectified) shall be calculated as in paragraph 3.4, with the relevant M factor being calculated in accordance with PS3 Table 2 and the number of Business Days in such Table 2 continuing to be based upon the date and time that the Fault or Snagging Item was first notified or first came to the attention of the Service Provider (that is the M factor shall continue to increase until it reaches eight (8), or remain at eight (8) and shall not be reduced by virtue of the commencement of the following Month).
- 3.7 The sum of the Adjustments for all failures to comply with the requirements of PS3 Performance Target B shall be the total Adjustments under the Adjustment formula set out in paragraph 3.4 of Part 1 of this Payment Mechanism for the Month.

## 4. Performance Standard 4 (PS4) - Contract Management And Customer Interface

### PS4 Performance Target A - Response Times

#### Adjustment Formula

---

This may seem harsh on the Service Provider but this example shows an exceptional position for them. The need for repeat Adjustments on a Monthly basis is driven by the need to keep some incentivisation for the Service Provider after a failure has reached the maximum multiplier.

# Street Lighting Procurement Pack – Model Documentation

- 4.1 Each failure to comply with the requirements of PS4 Performance Standard A as set out in paragraph 15.1(a) of the Output Specification shall lead to Adjustments to the Monthly Payment in accordance with the formulae set out in paragraphs 4.2 or 4.3 below (as applicable).

## Response Periods

- 4.2 Adjustments in respect of the Service Provider's failure to answer telephone calls within five (5) rings shall be calculated according to the PS4 Table 1.

**PS4 Table 1**

<b>% of telephone calls in any Month dealt with within 5 rings</b>	<b>Adjustment</b>
>95% and ≤100%	£nil
>85% and ≤95%	£300 (Indexed)
>70% and ≤85%	£600 (Indexed)
>50% and ≤70%	£1,250 (Indexed)
≤50%	£5,000 (Indexed)

- 4.3 Where the Service Provider fails to achieve the Prescribed Period for Response required and specified for all other items set out in Table 4 (PS4 Responsiveness Targets) in paragraph 15.1(a) of the Output Specification:
- (a) the Adjustment shall be £250 (Indexed) for each instance of failure;
  - (b) if there is a failure to respond within a further five (5) Business Days a further Adjustment of £300 (Indexed) per failure shall be made;
  - (c) for each subsequent period of five (5) Business Days during which the failure is not rectified a further Adjustment of £300 (Indexed) shall be made;
  - (d) where a failure continues from one Month to another Month, Adjustments shall continue to be made with each period of five (5) Business Days of continuing failure to respond being counted as occurring in the Month in which it expires.

## PS4 Performance Target B - Accuracy of the Management Information System

### Adjustment Formula

# Street Lighting Procurement Pack – Model Documentation

- 4.4 Adjustments in respect of Management Information System Accuracy pursuant to the PS4 Performance Target B as set out in paragraph 15.1(b) of the Output Specification as at the end of the previous Month shall be calculated according to PS4 Table 2A or PS4 Table 2B as applicable pursuant to paragraph 4.6.

**PS4 Table 2A - Management Information System Accuracy (Year 1)**

Management Information System accuracy in respect of errors or omissions in Contractor's updates only <sup>12</sup>	Adjustment
>99% and ≤100%	Nil
>96% and ≤99%	0.05% of Monthly Unitary Charge
>90% and ≤96%	0.1% of Monthly Unitary Charge
>80% and ≤90%	0.5% of Monthly Unitary Charge
>70% and ≤80%	1% of Monthly Unitary Charge
>60% and ≤70%	2% of Monthly Unitary Charge
>50% and ≤60%	4% of Monthly Unitary Charge
≤50%	4% of Monthly Unitary Charge and the Authority shall be entitled to exercise its rights under clause 40 (Step In Rights) of the Contract

**PS4 Table 2B - Management Information System Accuracy (Year 2 onwards)**

Management Information System Accuracy	Adjustment
>99% and ≤100%	Nil
>96% and ≤99%	0.1% of Unitary Charge
>90% and ≤96%	0.5% of Unitary Charge
>80% and ≤90%	0.75% of Unitary Charge
>70% and ≤80%	1% of Unitary Charge
>60% and ≤70%	2% of Unitary Charge
>50% and ≤60%	4% of Unitary Charge
≤50%	4% of Unitary Charge and the Authority shall be entitled to exercise its rights under clause 40 (Step In Rights) of the Contract

- 4.5 Management Information System Accuracy means the number of accurate entries divided by the total of the number of entries added to the number of entries that

<sup>12</sup> The Council may wish to test all updates by reference to a predefined "Core Data Set" which has a narrower definition than "Data Set". NB. This would require a Change to the Output Specification.

should have been made but were not. In the first twelve (12) Months following the Service Commencement Date an entry comprises an entry into or a change to a Data Set. On the 13th Month following the Service Commencement Date an entry comprises the data defined in the elements comprising the Data Set.

- 4.6 The Management Information System shall be tested as follows:
- 4.6.1 Management Information System Accuracy shall be tested once each Month in the first twelve (12) Months following the Service Commencement Date. It shall continue to be tested Monthly from the 13th Month following the Service Commencement Date and thereafter until Management Information System Accuracy is greater than, or equal to, 99%.
- 4.6.2 Adjustments made as a result of testing the Management Information System Accuracy in the first twelve (12) Months following the Service Commencement Date shall be made in accordance with PS4 Table 2A.
- 4.6.3 Adjustments made as a result of testing the Management Information System Accuracy from the 13th Month following the Service Commencement Date and thereafter shall be made in accordance with PS4 Table 2B.
- 4.6.4 On the date which is the earlier of:
- (a) the Service Provider certifying in writing that Management Information System Accuracy is greater than, or equal to, 99%; or
  - (b) the date [one (1)]<sup>13</sup> year after the Service Commencement Date
- no further Adjustments shall be made pursuant to this paragraph 4.6 and paragraph 4.8 shall thereafter apply.
- 4.7 Save when arising as a consequence of any act or omission of the Service Provider, the testing of the Management Information System Accuracy in accordance with paragraphs 4.4 to 4.6 (inclusive) shall not take place at any time that the Management Information System is not fully functional as a consequence of any external virus or equivalent systems failure. In such circumstances the testing shall be conducted as soon as reasonably practicable but in any event within twenty-four (24) hours of such virus or systems failure having been rectified.

## PS4 Performance Target C - Updates to the Management Information System

### Adjustment Formula

- 4.8 Adjustments in respect of any failure of the Service Provider to carry out updates to the Management Information System pursuant to PS4 Performance Target C as set out in paragraph 15.1(c) of the Output Specification, shall be calculated in accordance with the following formula:

$$\text{Adjustment} = Y \times M$$

Where:

$$Y = \text{£6 (Indexed);}$$

$$M = \text{the relevant Multiplier from PS4 Table 3 below.}$$

---

<sup>13</sup> This period should be the "grace period" during which the Service Provider builds up the accuracy of the MIS.

**PS4 Table 3**

Business Days (or part of rounded up) exceeding 1 that the relevant update is outstanding or inaccurate	Multiplier (M)
1	1
2	2
3	3
≥4	8

- 4.9 The Management Information System shall be tested for updates pursuant to PS4 Performance Target C from the Month following the Month in which no Adjustments have accrued in respect of Management Information System Accuracy in accordance with paragraphs 4.4 to 4.6 (inclusive).
- 4.10 For the avoidance of doubt, if updates of the Management Information System continue to be outstanding or inaccurate in to the following Month (or beyond) the Adjustment for that (and each following) Month (until the Management Information System is accurately updated) shall be calculated as in paragraph 4.8, with the relevant M factor being calculated in accordance with PS4 Table 3 and the number of Business Days in that table continuing to be based upon Service Provider (that is the M factor shall continue to increase until it reaches eight (8) or remain at eight (8) and shall not be reduced by virtue of the commencement of the following Month).

**PS4 Performance Target D - Availability of the Management Information System**

**Adjustment Formula**

- 4.11 Adjustments in respect of the availability of the Management Information System pursuant to PS4 Performance Target D as set out in paragraph 15.1(d) of the Output Specification shall be calculated in accordance with PS4 Table 4 below.

**PS4 Table 4**

% of time in any Month during which the Management Information System is available pursuant to paragraph 14.1 of the Output Specification	Adjustment
>95% and ≤100%	£nil
>85% and ≤95%	£300 (Indexed)
>70% and ≤85%	£600 (Indexed)
>50% and ≤70%	£1,250 (Indexed)
≤50%	£5,000 (Indexed) and a Service Default Termination Point shall be awarded

## PS4 Performance Target E - Availability of the Customer Care System

- 4.12 Adjustments in respect of the availability of the Customer Care System pursuant to PS4 Performance Target E as set out in paragraph 15.1(e) of the Output Specification during the Month shall be calculated in accordance with PS4 Table 5:

**PS4 Table 5**

<b>% of time in the Month during which the Customer Care System is available pursuant to paragraph 14.2 of the Output Specification</b>	<b>Adjustment</b>
>95% and ≤100%	£nil
>85% and ≤95%	£300 (Indexed)
>70% and ≤85%	£600 (Indexed)
>50% and ≤70%	£1,250 (Indexed)
≤50%	£5,000 (Indexed) and a Service Default Termination Point shall be awarded

## 5. Performance Standard 5 (PS5) - Strategic Assistance and Reporting

### PS5 Performance Targets A - C - Provision of Information and Response Times

#### Adjustment Formula

- 5.1 Failures to comply with the requirements of PS5 Performance Target A, PS5 Performance Target B and PS5 Performance Target C as set out in paragraph 17.1 of the Output Specification shall lead to Adjustments to the Monthly Payment in accordance with PS5 Table 1 in paragraph 5.3.
- 5.2 A failure shall be determined as a failure to provide relevant, accurate and complete information or to report within the timescales set out within paragraph 16 of the Output Specification, or if no timescale is indicated within a reasonable time, (even to the extent that such information or response comprise a nil return).
- 5.3 If the failure to provide the required information in accordance with PS5 Performance Target A, PS5 Performance Target B and PS5 Performance Target C is not rectified by the end of the following Month then the Adjustments set out in PS5 Table 1 shall be doubled. Adjustments will continue to be doubled from the previous Month's Adjustment each Month until all the required information is provided.

**PS5 Table 1**

Failure to provide the information required under PS5 of the Output Specification	Adjustment for the first Month of failure
Provision of information etc to enable Authority to report on PI's and BVPI's (PS5 Performance Target A)	£1,200 (Indexed)
Provision of Part 2 of each Monitoring Report and the Annual Service Report (PS5 Performance Target B)	£850 (Indexed)
Provision of any other information requested or required as listed in paragraphs 16.7, 16.13, 16.14 and 16.15 of the Output Specification (PS5 Performance Target C)	£500 (Indexed)

**PS5 Performance Target D - Customer Satisfaction Survey**

**Adjustment Formula**

- 5.4 Failure to comply with the requirements of PS5 Performance Target D as set out in paragraph 17.1(d) of in the Output Specification shall lead to Adjustments to the Monthly Unitary Charge in the Month following the Month in which the results of Customer Satisfaction Survey have been or should have been presented to the Authority.
- 5.5 A failure shall be determined as a failure to comply with any of the provisions of paragraphs 16.8 to 16.12 (inclusive) of the Output Specification.
- 5.6 Each event of failure to comply with a provision of paragraphs 16.8 to 16.12 (inclusive) of the Output Specification shall result in an Adjustment calculated in accordance with PS5 Table 2.

**PS5 Table 2**

Failure to carry out Customer Satisfaction Surveys in accordance with the Output Specification	Adjustment
Any breach of paragraphs 16.9 and/or 16.10	£500 (Indexed)

- 5.7 If the failure to carry out Customer Satisfaction Surveys in accordance with paragraphs 16.9 and/or 16.10 of the Output Specification continues beyond the end of the Month following the date when the information should have been provided or the task should have been carried out then the Adjustments set out in PS5 Table 2 shall be doubled from the previous Month's Adjustment each Month until the required information has been provided or required task completed.

**6. Performance Standard 6 (PS6) - Working Practices**

**PS6 Performance Target A - Response & Rectification of Service Failures**

## Adjustment Formula

6.1 Failures to comply with the requirements of PS6 Performance Target A as set out in paragraph 20.1 of the Output Specification shall lead to Performance Points and Adjustments to the Monthly Payment as set out in this paragraph 6.

6.2 Each Service Failure shall be categorised as an Urgent Service Failure, a Serious Service Failure or a Routine Service Failure in accordance with PS6 Table 1 set out in paragraph 19.1 of the Output Specification.

### Urgent Service Failures

6.3 For each Urgent Service Failure where the Service Provider fails to comply with paragraph 19.3 of the Output Specification or where such Urgent Service Failure is not capable of rectification there shall be an Adjustment of £10,000 (Indexed).

### Serious Service Failures

6.4 For each Serious Service Failure where the Service Provider fails to comply with paragraph 19.4 of the Output Specification or where such Serious Service Failure is not capable of rectification there shall be an Adjustment of £5,000 (Indexed).

### Routine Service Failures

6.5 If the Service Provider has been awarded more than twenty-five (25) Performance Points in a Month pursuant to paragraph 19.9 of the Output Specification then an Adjustment of £50 (Indexed) for each Performance Point in excess of twenty-five (25) shall be applied.

### NRSWA Routine Service Failure

6.6 If the Service Provider has been awarded more than twenty-five (25) Performance Points in a Month pursuant to paragraph 19.10 of the Output Specification then an Adjustment of £50 (Indexed) for each Performance Point in excess of twenty-five (25) shall be applied.

### Maximum Adjustments

6.7 The maximum in aggregate of all Adjustments that may be made in accordance with this PS6 in any one Month shall be:

6.7.1 £10,000 (Indexed) for all Service Failures excluding Routine Service Failures of the type described in paragraph 18.5 of the Output Specification; and

6.7.2 £10,000 (Indexed) for Routine Service Failures of the type described in paragraph 18.5 of the Output Specification.

The Service Provider shall continue to monitor and measure its compliance with the requirements of PS6 in the Output Specification and calculate the Adjustments notwithstanding that its maximum liability for Adjustments in accordance with this PS6 for the Month has been reached. Any Notional Adjustments for the Month in respect of this PS6 shall contribute to the calculations made pursuant to paragraphs 6.2 and 6.3 of Part 1 of this Payment Mechanism.

## No Double Counting

- 6.8 Where an Adjustment can apply under PS2 to PS5 (inclusive) and PS7 to PS8 (inclusive) of this Payment Mechanism and also under PS6 in respect of the same event, such Adjustment shall be made under PS2 to PS5 or PS7 to PS8 as is appropriate and no Adjustment shall be made under PS6.
7. Performance Standard 7 (PS7) - Monitoring and Reporting to the Authority

## PS7 Performance Target A - Accurate Reporting

### Adjustment Formula

- 7.1 Where there has been at least one (1) Reporting Failure in any Month which is not corrected by the Service Provider prior to the payment of the Monthly Payment in respect of that Month; and then there shall be a one off Adjustment of £50 (Indexed).
- 7.2 Each occurrence of a Reporting Failure shall be included in the next Draft Monthly Payment Report and the Monthly Payment related to the corresponding Actual Monthly Payment Report shall be reduced by the amount that would have been a valid Adjustment had the Reporting Failure not occurred. In addition a further Adjustment of a sum equal to fifty per cent (50%) of the valid Adjustment (a **Reporting Failure Adjustment**) shall be shown in the same Draft Monthly Payment Report (and corresponding Actual Monthly Payment Report) and the relevant Monthly Payment shall be reduced accordingly.
- 7.3 If there has been a Reporting Failure which has affected the calculation of the Monthly Payment in respect of a Month which is corrected by the Service Provider prior to payment of the Monthly Payment in respect of that Month, no Reporting Failure Adjustment shall be made.
- 7.4 For the purposes of this PS7, a **Reporting Failure** shall mean any failure by the Service Provider, which was not as a result of reasons outside of the control of the Service Provider (acting at all times in accordance with Good Industry Practice), to meet the requirements of PS7 Performance Target A (whether or not the Authority was aware of such failure and whether or not calculation of the Monthly Payment or any Adjustment is affected by such failure).
8. [Performance Standard 8 (PS8) - Post Core Investment Programme Period (PCIPP)]

## PS8 Performance Target A and PS8 Performance Target B - Installation

### Adjustment Formula

- 8.1 Any Adjustments under PS8 shall apply only on one (1) occasion each Payment Year after the final Milestone Completion Date and shall be shown as an Adjustment to the Monthly Payment for the Month following the end of the previous Payment Year.
- 8.2 Failure to satisfy PS8 Performance Target A or PS8 Performance Target B of the Output Specification by the period indicated in the relevant Annual Investment Programme shall lead to an Adjustment to the first Monthly Payment of the relevant Payment Year in accordance with the following formula i.e.:

$$\text{Adjustment (if positive)} = \text{Number of failures to Upgrade Roads} \times X$$

Where:

# Street Lighting Procurement Pack – Model Documentation

**Number of failures to Upgrade Roads** = the number of roads indicated in the relevant Annual Investment Programme for the relevant Payment Year which at the end of such Payment Year have not been upgraded in accordance with such Annual Investment Programme

**X** = £1,000 (Indexed)]

# Street Lighting Procurement Pack – Model Documentation

## Schedule 8

### Payment Mechanism

#### Appendix 1: Forecast Electricity Consumption

Table 1 - Monthly Electricity Consumption during the CIPP

Month of CIPP from Service Commencement Date (p)	For the planned Month ended	Total CIP Apparatus to be Removed as intended under the Core Investment Programme	Total Cumulative CIP Apparatus to be Removed as intended under the Core Investment Programme (PR <sub>p</sub> )	Monthly CIPP Forecast Electricity Consumption proposed for the Core Investment Programme in Kwh (pfc <sub>p</sub> )
1				
2				
3				
etc				
etc				
59				
60				
	<b>Total</b>	◆		◆

# Street Lighting Procurement Pack – Model Documentation

**Table 2 - Semi annual electricity consumption after the CIPP**

Period from Planned Service Commencement Date	For the planned semi annual period ending	Annual Forecast Electricity Consumption for the semi annual period in Kwh (AFEC)
Year 6 (1st half)		
Year 6 (2nd half)		
Year 7 (1st half)		
etc		
etc		
Year 25 (2nd half)		
	<b>Total</b>	◆

**Schedule 8**

**Payment Mechanism**

**Appendix 2: Draft Monthly Payment Report**