Site Characterisation Delivery Partner

SCDP Level 3 Incentivisation

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*Note: Within this document, the term “Consultant” applies to companies or individuals working in the capacity of consultant, contractor or supplier for the Site Characterisation Delivery (SCDP). The term “Client” shall be read to mean “Nuclear Waste Services” and “NWS”.*

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Abbreviations and Definitions

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| GDF | Geological Disposal Facility |
| KPI | Key Performance Indicator |
| Client | Nuclear Waste Services |
| Consultant | Site Characterisation Delivery Partner |

Introduction and intention of the Level 3 Incentive Mechanism

The purpose of this paper is to set out the proposed principles underpinning the Level 3 Incentivisation mechanism to be included in the Consultants contract.

The Level 3 incentive mechanism is intended to incentivise the Consultant to identify and propose changes to the scope or method of delivery of the Services which could result in cost efficiencies for the Client, by providing an opportunity for Consultant to share in any savings which may be generated by those proposals.

The Level 3 incentive mechanism will only apply to proposals for "changes" however, as described below, which are over and above the general obligation on the Consultant to provide the Services in the most cost efficient manner for the Client in any event.

Service efficiencies and continuous improvement

The Consultant will be required, as part of its core service requirement, to drive cost savings and efficiencies for the Client in its delivery of the services, including:

1. in designing the Site Characterisation Plan and scoping out the works and services required to be delivered to inform the Site Characterisation Model;
2. in procuring works and services from subcontractors and designing and managing procurements of the Client Contracted Services; and
3. in responding to Task Orders (including e.g. where a "repeat task" is instructed, if more cost effective methods of delivery can be identified).

These will be core service requirements of the Consultant, i.e. the "business as usual requirement", and will not entitle the Consultant to any savings share.

The Consultant's performance in delivering cost savings and efficiencies through its Service delivery will be measured through a non-incentivised KPI.

The Consultant will also, however, be entitled to make proposals to the Client for changes to be made to the Services which can result in savings to the Client. A "change" for these purposes means:

1. a change to the scope of the services, as described in the contractual Service Scope; or
2. a change to the method of delivery of an "enduring" Task Order,

which, if implemented, is likely to result in a cost saving to the Client (which would not otherwise be available to the Client in the absence of the change) ("Efficiency Change").

An "enduring" Task Order for these purposes means a Task Order with a duration of greater than a year (including Task Zero). The Consultant will be expected to carry out a review of the scope and method of delivery of any enduring Task Order on an annual basis, to identify any potential Efficiency Changes in relation to that Task Order. This could include (without limitation) the scope of the Services being provided under that Task Order; the manner in which the Consultant delivers those Services; any change to equipment, technology or other assets required by the Client to be provided under the Task Order; or the scope or method of delivery of the Client Contracted Services managed by the Consultant under an enduring Task Order.

If the Consultant identifies an opportunity to drive savings or efficiencies for the Client through implementation of such an Efficiency Change, the Consultant can submit its proposal to the Client in writing ("Savings Proposal"), including (as a minimum):

1. a detailed description of the proposed Efficiency Change, including method of implementation and proposed timing;
2. an analysis, including timing, of the potential cost savings or other benefits to the Client to be delivered by implementing the Efficiency Change (bearing in mind that future Task Order pricing would be expected to take into account available efficiencies as "business as usual" in any event), including how any such savings would be calculated;
3. an implementation plan outlining any steps required to realise the savings, including a time line and clearly identifying any required investment by the Client;
4. an indicative resource plan identifying impacts on the Consultant and the Client;
5. any impact on any aspect of the Services or any other aspect of the GDF anticipated by the change (including any consequences for any other Client Partner);
6. any potential risks or challenges associated with the implementation of the proposal and proposed mitigation strategies; and
7. any further information requested by the Client.

the Client will consider any such Savings Proposal submitted by the Consultant, including requesting any further information it requires to fully assess the proposal. Consultant will provide any further information within [10 working days'] of the Client's request.

Acceptance or rejection of any Savings Proposal by the Client will be at the Client's absolute discretion.

If the Client elects to accept the Savings Proposal, the Client will confirm:

1. the extent (if any) of the share to which Consultant will be entitled of any gain actually realised from implementing the proposal;
2. the basis on which any such gain will be calculated; and
3. any conditions which must be satisfied before the gain share is released,

in each case, determined by the Client at its discretion.

A Savings Proposal accepted by the Client will then be implemented by way of a formal contract variation (in the case of a change to the scope of services as described in the Service Scope), or an amendment to a Task Order (in the case of a change to an Enduring Task Order), which will include the matters in paragraph 2.9 above.