Schedule 7.1 - Lot 2

Charges and Invoicing

Version 5.1

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CHANGE HISTORY

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1 Definitions

1.1 In construing this Schedule 7.1 (Charges and Invoicing), unless otherwise expressly specified in this Schedule terms defined and used in Schedule 1 (Definitions) will have the same meaning in this Schedule.

2 Introduction

2.1 This Schedule sets out the details for pricing individual elements of the Services, calculating periodic Service Charges, adjusting Charges, limitations to profit and invoicing.

2.2 This Schedule is split into four parts with three annexes:

- Part A sets out the pricing and charging mechanisms for the Services
- Part B sets out the mechanisms for adjustments to the Charges and Risk Register (including cross-Lot incentive payments, Delay Payments, payments for delays due to Authority Cause, and calculation of Service Credits)
- Part C sets out the mechanism to adjust Charges in the event of above forecast Supplier profit
- Part D sets out the invoicing and payment terms
- Annex 1 contains the tables with Prices and Charges
- Annex 2 lists the Allowable Assumptions for the Prices and Charges
- Annex 3 contains the Risk Register for the Prices and Charges.

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Part A: Pricing and Charging

1 Applicable Pricing and Charging Mechanism

1.1 Subject to any applicable adjustment pursuant to Paragraph 1.2, following the end of each month the Supplier may invoice the Authority in the format agreed pursuant to Part D of this Schedule for:

(a) a Charge equal to the value of all of the non-volume based Service Charges which are applicable to that month as determined in accordance with Paragraph 2 including where applicable:

(i) a Service Charge ("**SC1**") for Operational Services where 100% of this is an amount equal […. ✂ ….] in accordance with Table 1a of Annex 1 of this Schedule 7.1 and which shall include all features within the Supplier Application as described in Paragraph 1.1A,

(ii) if applicable, an additional Service Charge ("**SC2**") for Active Connections which exceed the Connection Limit (as defined in Paragraph 8.1 of Part A of this Schedule 7.1 (Charges and Invoicing)),

and together such Charges shall be known as "**SC1x**";

(b) a Charge equal to the value of all of the volume based Charges which are applicable to that month as determined in accordance with Paragraph 4 including when and where applicable under that Paragraph an optional volume-based Service Charge for optional testing services;

(c) a Charge equal to the value of all Milestone Payments to which the Supplier may have become entitled to invoice pursuant to Paragraph 6 for each Milestone Achieved during the relevant month;

(d) any Charges in respect of the Optional Services provided during the month determined in accordance with Paragraph 7 (to the extent not already accounted for under (a), (b) and/or (c) above);

(e) not used;

(f) not used;

(g) any compensation to which the Supplier has become entitled during the relevant month pursuant to Paragraph 3 of Part B of this Schedule;

(h) not used;

(i) any amount equal to any Service Credits which have been deducted in previous Service Periods and which the Supplier is entitled to recover pursuant to paragraph 9.1.1 of Schedule 2.2 (Performance Levels);

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(j) any Charge relating to a Change Request in accordance with Paragraph 2.5 to 2.12 of Schedule 8.2 (Change Control Procedure) including any Charge agreed for Major Features in releases of the Supplier Application beyond release 10.0.

1.1A For the purposes of Paragraph 1.1(a)(i) in relation to the Supplier Application the following features shall be included:

(a) all features within each Kodiak Specification including the Core Features and any Standard Features that are included in releases 8.4.1, 9.0, 9.1 and 10.0 of the Supplier Application; and

(b) all features within each Kodiak Specification, that are included in the Supplier Application Roadmap for releases beyond release 10.0 of the Supplier Application except for the Major Features.

1.2 The invoice for each month shall be reduced by the following adjustments in accordance with Paragraph 1.4:

(a) not used;

(b) any Delay Payments which have accrued during the relevant month pursuant to Paragraph 2 of Part B of this Schedule or during any previous month to the extent not already applied to reducing an invoice pursuant to this Paragraph;

(c) any Service Credits which have accrued in respect of the relevant month pursuant to the operation of Paragraph 4 of Part B of this Schedule;

(d) any gainshare payment relating to the forecast level of Achieved Supplier Cash Margin Percentage as at the end of the Term, pursuant to Paragraph 2 of Part C of this Schedule;

(e) any other Deductions including the Compensation for Unacceptable KPI Failure and Assurance Failure pursuant to the operation of Paragraph 4 of Part B of this Schedule; and

(f) not used.

1.3 If at any time the Authority is entitled to any of the deductions referred to under Paragraph 1.2 and:

(a) the aggregate amount of those deductions is greater than the aggregate Charges referred to in Paragraph 1.1 for the month in which the Authority becomes entitled to the deductions; or

(b) the Authority has paid the Supplier's final invoice in respect of the Services; or

(c) the Authority is otherwise unable to set-off those deductions against any current unpaid invoice of the Supplier;

the Supplier shall (subject Paragraph 1.4) issue a credit note in respect of the excess deductions referred to in Paragraph (a) or all of the deductions falling within Paragraphs (b) and/or (c) (as applicable). The Supplier shall pay the Authority the amount due in respect of such credit note within thirty (30) days of the Authority's receipt of the same.

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1.4 In giving effect to Paragraphs 1.2 and 1.3:

(a) each monthly invoice shall first be reduced in accordance with Paragraph 1.2 (b) and then, when all accrued Delay Payments have been used up pursuant to that Paragraph, in respect of the reductions provided for under Paragraphs 1.2 (a), (c), (d) (e) and (f);

(b) to the extent that the aggregate amount of accrued Delay Payments available in respect of any month is greater than the aggregate Charges for that month, such accrued Delay Payments shall be carried forward to future months but no credit note shall be issued pursuant to Paragraph 1.3 in respect of any such carried forward accrued Delay Payments; and

(c) the value of any credit note to be issued under Paragraph 1.3 for any month shall be only in respect of the value of any reductions for that month pursuant to Paragraphs 1.2 (a), (c), (d) (e) and (f) which exceed the value of the invoice remaining after applying any accrued Delay Payments to the any extent possible under Paragraph (a).

1.5 Unless agreed in accordance with the Change Control Procedure the Authority shall not be responsible for any Charges not identified in accordance with this Agreement and, in particular, this Schedule 7.1 (Charges and Invoicing). The Charges identified in paragraph 1.1 of this Schedule 7.1 (Charges and Invoicing) shall be payable by the Authority. During the Term the SC1 Charges (under Paragraph 1.1(a) (i) of this Schedule 7.1 (Charges and Invoicing) and Charges relating to Milestone Payments (under Paragraph 1.1(c) of this Schedule 7.1 (Charges and Invoicing) shall, unless otherwise agreed by the Parties pursuant to the Change Control Procedure, be for an aggregate price of:

(a) […. ✂ ….]; and

(b) […. ✂ ….],

and, the Parties agree that Charges associated with all Work Packages (whether performed or to be performed) have been included within the amount set out at Paragraph 1.5(a) above.

2 Non Volume Service Charges

2.1 Subject to Paragraph 5, the non volume based Service Charge for each month shall be the aggregate of all the individual Service Charges for which the pricing mechanism in Annex 1 (Tables with Prices and Charges) is not shown as **Volume** and which are not otherwise addressed under Paragraph 7 or Parts B or C of this Schedule, as each of those individual monthly Service Charges may be applied and adjusted in accordance with Paragraph 3 provided that, in the case of those Service Charges shown in Table 2 to Annex 1 (Tables with Prices and Charges) such Service Charges shall be determined in accordance with Paragraph 2.2.

2.2 The individual Service Charge shown in Table 2 (Service Charges using the number of Active Connections) of Annex 1 (Tables with prices and charges) shall be calculated on the basis of:

(a) in respect of each type of connections of the relevant type (Full public safety (**"C1"**) Active Connection, Business (**"C2"**) Active Connection or Data Only (**"C3"**)

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Connection), multiplying the number of such connections which are Active Connections at any point during the relevant month (in each case calculating such number of Active Connections of the relevant type which fall into each volume band defined in that table, applying the unit price applicable to that volume, adjusted if appropriate in accordance with Paragraph 3, and aggregating the results); and

(b) using the rates shown in respect of charge number SC2-CS1, SC2-CS2 and SC2-CS3 (including SC2-CS3 a to e).

3 Increases to Fixed Service Charges

3.1 Charges shown in Annex 1 (Tables with Prices and Charges), as “Fixed” shall be subject to increase by way of Indexation from 1 April 2024 and such Charges shall not be subject to any other increase (unless otherwise agreed in accordance with the Change Control Procedure).

3.2 Charges shown in Annex 1 (Tables with Prices and Charges), as “Firm” shall not be subject to any increase, whether by way of Indexation or otherwise (unless otherwise agreed in accordance with the Change Control Procedure).

4 Volume Based Service Charges

4.1 The volume based Service Charges for each month shall be the aggregate of all the individual volume based Service Charges for that month for which the pricing mechanism shown in Annex 1 as **Volume**. Each such volume based Service Charges shall be calculated on the basis of multiplying:

(a) the unit Price for the relevant Service Charge set out in Annex 1 (Tables with prices and charges); by

(b) the volume of relevant Service which the Supplier has completed during the preceding month and which the Supplier was required to provide under the terms of this Agreement,

as each of those individual monthly Service Charges may be applied and adjusted in accordance with Paragraph 5.

4.2 In the event that the volume of any Services that are to be calculated by reference to a Volume Based pricing mechanism fall outside the relevant volume bands set out against that

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Service Charge in Annex 1, the relevant Service Charges shall be calculated in accordance with the Change Control Procedure and Paragraph 5 of Part B.

4.3 The Price per unit set out in Annex 1 shall not be subject to any increase, whether by way of Indexation or otherwise.

5 Charging Mechanism for Service Charges

5.1 Each individual Service Charge referred to in Paragraph 2 shall:

(a) start to accrue upon the occurrence of the event set out against that individual Service Charge in the "**Service Charge Trigger Event**" column of the relevant table in Annex 1 save that where that table shows the Service Charge Trigger Event as a particular Milestone, the relevant trigger event shall be interpreted as being the Achievement of that Milestone; and

(b) cease to accrue upon the date set out against that individual Service Charge shown in the "**Service Charge Expiration Event**" column of the relevant table in Annex 1 (Tables with prices and charges).

No individual Service Charge shall accrue in respect of any period prior to the relevant Service Charge Trigger Event or after the relevant cessation date as set out in the Service Charge Expiration Event column of the relevant table in Annex 1.

5.2 If any individual Service Charge is shown in the relevant Table in Annex 1 to be time apportioned and the relevant individual Service Charge:

(a) commences on a day other than the first day of a month; and/or

(b) ends on a day other than the last day of a month,

the Service Charge for the relevant Service Period shall be apportioned according to the number of days in the month for which the Service is provided for as against the total number of days in that month.

5.3 Worked example for the calculation of time apportioned Service Charges:

(a) Service is activated on 16th of April at 9.45 am.

(b) Each April contains 30 calendar days.

(c) This equates to 15 days of Service, e.g. 16th of April, 17th of April up to 30th of April.

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5.4 Worked example for the calculation of Service Charges

Charge		Monthly Price	Service Charge Trigger Date	Connection Activation Date	Monthly Charge per Active Connection	Monthly Charge
Firm Service Charge		[…. ✂ ….]	16th April			[…. ✂ ….]
Volume based Service Charge	Connection 07xxxx1	[…. ✂ ….]	16th April	16th April	[…. ✂ ….]	[…. ✂ ….]
	Connection 07xxxx2	[…. ✂ ….]	16th April	29th April	[…. ✂ ….]	
Total						[…. ✂ ….]
Service Credits from previous month						[…. ✂ ….]
Total after Service Credits						[…. ✂ ….]

(a) The Firm Service Charge is activated on […. ✂ ….]. The Service is provided for […. ✂ ….].

(b) The Volume based Service Charge is calculated based on the unit Price per connection and the number of Active Connections.

(i) Connection 07xxxx1 is activated on […. ✂ ….].

(ii) Connection 07xxxx2 is activated on […. ✂ ….].

(iii) The total Volume-based Service Charge is […. ✂ ….].

(c) Service Credits from the previous […. ✂ ….].

(d) The total monthly Charge is calculated based on the sum of the Service Charges of […. ✂ ….].

6 Charging Mechanism for Milestone Payments

6.1 Upon any Milestone shown in Annex 1 Table 3 being Achieved the Supplier shall be entitled to invoice the Authority in accordance with Paragraph 1.1 of Part A of this Schedule for the Milestone Payment shown in that table as relating to that Milestone.

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6.2 In addition to Paragraph 6.1, in the event that the Parties:

(a) agree through the Change Control Procedure that a Milestone should be introduced to this Agreement in respect of activities of the type shown in Annex 1 Table 4 as "One Off" should be added to this Agreement by the Change Control Procedure; and

(b) such Milestone is Achieved

the Supplier shall become entitled to invoice the Authority in accordance with Paragraph 1.1 of Part A of this Schedule for the Milestone Payment agreed in respect of that Milestone under the Change Control Procedure.

7 Charging Mechanism for Optional Services

7.1 If the Authority gives notice pursuant to Clause 5.11 (Optional Services) that it requires the Supplier to provide any or all of the Optional Services, (other than in respect of Services of the type referred to in Paragraph 7.2) the Supplier shall be additionally entitled to invoice the Authority pursuant to Paragraph 1.1 of Part A of this Schedule for the Charges for each such Optional Service completed during the previous month based on the prices and mechanisms set out in Annex 1 (Tables with prices and charges). The Supplier shall only be entitled to invoice Optional Services that:

(a) are not designated as being subject to a "One Off" pricing mechanism in Table 4 of Annex 1 (Tables with prices and charges); and

(b) have been properly and reasonably provided during the relevant month and supported by written records and after receipt by the Authority from the Supplier of confirmation satisfactory to the Authority that the applicable Services are actually in service or have been provided.

7.2 If the Authority gives notice pursuant to:

(a) Clause 5.11 (Optional Services) that it requires the Supplier to enable recording of Direct Device to Device Communications on specified User Devices as defined by Section 7.4 of Part A of Schedule 2.1 (Services Description) during any given month (or part month), the Supplier shall be entitled to invoice for such service at the rate specified in Table 4 of Annex 1 (Tables with prices and charges) for each device (pro rated in accordance with Paragraph 5.2 as appropriate for any device for which such service is only required for part of a month); and

(b) Schedule 8.5 (Exit Management) that it requires the Supplier to provide any Service Components in respect of any month, the Charges for the Optional Services which the Supplier is entitled to invoice in respect of that month shall include the sum set out in Table 9 in Annex 1 (Tables with prices and charges) in respect of that Service

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Component for that month (pro rated in accordance with Paragraph 5.2 if the relevant Service Component is only required or provided for part of a month).

7.3 If the Authority gives notice pursuant to Paragraph 7 of Schedule 8.5 (Exit Management) that it requires Termination Services those Termination Services shall be treated for invoicing purposes as Optional Services in accordance with this Paragraph 7.

7.4 Subject to Paragraph 7.5 the charge for the Termination Services for any month shall be the sum calculated by on the basis of number Staff Days or part thereof of each Staff Grade properly and reasonably expended on the provision during the relevant month of the Termination Services requested by the Authority (taking into account the Supplier's obligation to deliver the Services in a proportionate and efficient manner).

7.5 The Supplier shall not be entitled to invoice any Charges for Termination Services in excess of the values stated in Annex 1 Table 8.

7.6 Charges shown in Day Rates in Table 5 of Annex 1 (Tables with prices and charges), shall be subject to increase by way of Indexation from the Milestone identified as M32 Prime Exit of Gate 5 (Mobilisation Complete) and such Charges shall not be subject to any other increase (unless otherwise agreed in accordance with the Change Control Procedure).

8 Payment Mechanism for SC2 Connections

8.1 The Authority may, at any time, call off C1, C2 or C3 Connection Types and/or such amended or new Connection Types as may be set out in ESN Products and Services Master Catalogue from time to time and the Parties acknowledge and agree that Charges relating to the first 237,216 (two hundred and thirty seven thousand, two hundred and sixteen) Active Connections for such Connection Types in aggregate (**"Connection Limit"**) shall be included in the Charge referred to as SC1x.

8.2 If the total number of Connections exceeds the Connection Limit, the allocation of Connections up to the Connection Limit shall be applied so that those Connection Types which would (other than for the application of this Paragraph 8) attract the highest unit cost as part of an SC2 charges are applied first which, as at the date of this Agreement, is as follows (in order of application):

(a) all C1 connections up to the Connection Limit will be included, irrespective of when they were added or created;

(b) if any allocation remains within the Connection Limit, all C3 connections up to the Connection Limit will be included, irrespective of when they were added or created;

(c) if any allocation remains within the Connection Limit, all C2 connections up to the Connection Limit will be included, irrespective of when they were added or created; and

(d) any new Connection Types (introduced through the Change Control Procedure) will be applied to the sequence above according to their SC2 charge.

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For those Connections exceeding the Connection Limit (**"Excess Connections"**) following the application of Paragraph 8.2 above, the Authority shall pay a SC2 Charge calculated as follows:

SP = EC x RUP

where

"SP" means the sum payable

"EC" means number of Excess Connections; and

"RUP" means the relevant unit price in respect of each Excess Connection as set out in Table 2 of Annex 1 of this Schedule 7.1.

8.3 A worked example for the calculation of the Excess Connections and their SC2 Charge is set out below:

(a) When 159,862 C1 connections, 137,935 C3 connections and 25,687 C2 connections are made, 86,268 connections surpass the Connection Limit.

(b) The Connection limit shall be apportioned to include:

(i) 159,862 C1 connections and

(ii) 77,354 C3 connections

(c) of the remaining 60,581 C3 connections, where these are (for example) “Data only (C3) Active Connection (additional charge for connections with Video)” the SC2-CS3e Charge shall apply:

(i) SP for SC2-CS3 = […. ✂ ….] = […. ✂ ….]

(d) Of the remaining 25,687 C2 Connections where these are (for example) Business (C2) Active Connection then the SC2-CS2 Charge shall apply:

(i) SP for SC2-CS2 = […. ✂ ….]

SC1 Charge covers the first 237,216 Connections and for the remainder, the Total SC2 Charge would be equal to […. ✂ ….]

9 Payment Mechanism relating to Supplier Application releases beyond release 10.0

9.1 For software releases of the Supplier Application beyond r.10.0:

(a) all Standard Features are included within the SC1 Charge and shall be provided by the Supplier within the scope of the SC1 Charge;

(b) Major Features requested by the Authority or by another customer of the Supplier Application are not included within the SC1 Charge and are chargeable either as a

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one off fixed fee or in addition to the Charges and in each case will be determined in accordance with the Change Control Procedure including:

(i) any specifically requested bespoke features; and

(ii) specifically requested accelerated features.

9.2 The Supplier confirms that if the Authority declines to purchase a Major Feature contained in a release of the Supplier Application beyond release10.0, in no circumstances shall this preclude the Authority from implementing the Standard Features in the same release for no additional charge.

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PART B: Adjustments to the Charges and Risk Register

1 Not Used

2 Delay Payments

2.1 If a Key Milestone has not been Achieved on or before the relevant Milestone Date, a Delay Payment shall accrue in respect of that Key Milestone:

(a) at the Delay Payment Rate;

(b) from (but excluding) the relevant Milestone Date to (and including) the earlier of:

(i) the date on which the Key Milestone is Achieved; and

(ii) the expiry of the Delay Deduction Period; and

(c) on a daily basis, with any part days' Delay counting as a day.

2.2 Where a Delay Payment is payable in respect of a Key Milestone, the Delay Payment Rate shall be:

(a) where the Supplier has given the Authority less than three (3) months' prior notice of the Delay, the amount set out in column 2 of Table 7 of Annex 1 for the Key Milestone;

(b) where the Supplier has given the Authority between three (3) months' and six (6) months' prior notice of the Delay, the amount set out in column 3 of Table 7 of Annex 1 for the Key Milestone; or

(c) where the Supplier has given the Authority more than six (6) months' prior notice of the Delay, the amount set out in column 4 of Table 7 of Annex 1 for the Key Milestone.

The aggregate value of the Delay Payment Rate, in the case of concurrent Delays across two or more Key Milestones, shall not exceed the amount set out in column 2 of Table 7 of Annex 1 for a single Key Milestone.

2.3 Where the Supplier serves a notice pursuant to Paragraph 2.2(b) or 2.2(c), (but subject always to Paragraph 2.4) a Delay Payment shall immediately accrue in an amount equal to:

(a) in the case of a notice served pursuant to Paragraph 2.2(b), ten (10) days of Delay Deductions; or

(b) in the case of a notice served pursuant to Paragraph 2.2(c), five (5) days of Delay Deductions,

in each case calculated at the applicable Delay Payment Rate.

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2.4 Any amounts accrued pursuant to Paragraph 2.3 shall not be waived or (if applied to an invoice pursuant to Paragraph 1.2 of Part A) refunded to the Supplier in any circumstances, including where a Delay as referred to in the Supplier's notice:

(a) does not occur; or

(b) does occur but continues for fewer days during the relevant Delay Deduction Period than the number of days referred to in Paragraph 2.3(a) or 2.3(b) as the case may be.

2.5 If each Milestone in Key Milestone Group 5 set out in Annex 1 Table 6 is Achieved on or before the applicable Milestone Date (disregarding for these purposes any extension of time that has been claimed by the Supplier or any other ESN Suppliers in respect of any Milestone forming part of that Key Milestone Group):

(a) the Supplier shall be entitled to invoice the Authority in accordance with Paragraph 1.1 of Part A of this Schedule for an amount equal to the aggregate value of all Delay Payments which have at that time accrued and which have been applied to reduce any invoice pursuant to Paragraph 1.2 of Part A (excluding any such Delay Payments which accrued under Paragraph 2.3 and which have been applied to any invoice); and then

(b) any Delay Payments which have at that time accrued but which have not at that time been applied to reduce an invoice pursuant to Paragraph 1.2 of Part A shall be deemed waived by the Authority save that any Delay Payments which accrue under Paragraph 2.3 but which have not been accounted for under Paragraph 2.5(a) to reduce the amount which the Supplier is entitled to invoice the Supplier for under that Paragraph shall not be so waived.

2.6 The Parties agree that the Delay Payments calculated in accordance with the applicable Delay Payment Rates do not exceed a genuine contribution to the pre-estimate of the losses which the Authority will incur as a result of any failure by the Supplier to Achieve the relevant Key Milestone by the Milestone Date.

3 Payments For Delays Due To Authority Cause or Other ESN Suppliers

3.1 If the Supplier is entitled in accordance with Clause 31.1(iii)(dd) (Authority Cause) to compensation for failure to Achieve a Milestone by its Milestone Date, or fails to Achieve the Milestone identified as M32 Prime Exit of Gate 5 (Mobilisation Complete)]as a result of a default by any Other ESN Supplier(s), then, subject always to Clause 25 (Limitations on

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Liability), such compensation (in the form of an abatement of Charges payable) shall be determined in accordance with the following principles:

(a) the compensation in accordance with Clause 31.1(iii)(dd) (Authority Cause) shall reimburse the Supplier for the costs incurred by the Supplier which satisfy both of the following conditions:

(i) the Supplier can demonstrate: either

(aa) it has incurred such costs solely and directly as a result of the Authority Cause; or

(bb) such costs wholly and exclusively relate to a period and set of Services which the Supplier can demonstrate that it would have been able to invoice the Authority for (including by Achieving a Milestone) but for the occurrence of the Authority Cause; and

(ii) the Supplier is, or has been, or will be unable to mitigate, having complied with its obligations under Clause 31.1 (Authority Cause); and

(b) the compensation for failure to Achieve Milestone identified as M32 Prime Exit of Gate 5 (Mobilisation Complete) as a result of a default by any Other ESN Supplier(s),shall reimburse the Supplier for the costs incurred by the Supplier which satisfy both of the following conditions:

(i) the compensation will comprise such costs which wholly and exclusively relate to a period and set of Services which the Supplier can demonstrate that it would have been able to invoice the Authority for (including by Achieving Milestone Milestone identified as M32 Prime Exit of Gate 5 (Mobilisation Complete) as stated or as adjusted through any agreed Rectification Plan) up to the value of SC1 but always less any current or future costs (and loss of profit related to these costs) avoided by the Supplier during the Term; and

(ii) the Supplier is, or has been, or will be unable to mitigate, having complied with its obligations under the Operating Level Agreement (as applicable); and

(c) the compensation shall include an element in respect of the Supplier's loss of profit on the costs for which the Supplier is entitled to compensation under Paragraph (a) and (b) which shall be deemed to be the sum calculated by multiplying the amount of

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those costs by the profit before tax percentage forecast over the entire term of the contract, taken from the Financial Model); provided always that

(d) the compensation shall not operate so as to put the Supplier in a better position than it would have been in but for the occurrence of the Authority Cause or Other ESN Supplier default (as applicable).

3.2 The Supplier shall provide the Authority with any information the Authority may require in order to assess the validity of the size of the Supplier's claim to compensation.

4 Service Credits

4.1 Service Credits shall be calculated by reference to the number of Service Points accrued in any one Service Period pursuant to the provisions of Schedule 2.2 (Performance Levels).

4.2 For each Service Period:

(a) the Service Points accrued shall be converted to a percentage deduction from the Service Charges for the relevant Service Period on the basis of one point equating to a 1% deduction in the Service Charges; and

(b) the total Service Credits applicable for the Service Period shall be calculated in accordance with the following formula:

SC = TSP multiplied by X multiplied by AC

where:

SC is the total Service Credits for the relevant Service Period

TSP is lesser of:

(a) the total Service Points that have accrued for the relevant Service Period; and

(b) 20

X is 1%; and

AC is the total Service Charges which the Supplier is entitled to invoice for the relevant Service Period pursuant to Paragraphs 1.1 (a), (b) and (c) of Part A.

4.3 The Service Credits applicable for the Service Period shall be capped at 20% of the total Service Charges for the relevant period (prior to deduction of applicable Service Credits and any other Deductions).

4.4 Worked Examples

	Parameter	**Example A**	**Example B**
Input	TSP	5 Service Points	30 Service Points

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	X	1%	1%
	AC	[….✂….]	[….✂….]
Output	SC	[….✂….]	[….✂….]
	Cap	[….✂….]	[….✂….]

(a) Example A: TSP is equal to 5 Service Points and AC is equal to [….✂….].
SC equals 5 multiplied by [….✂….] which equates to [….✂….].

(b) Example B: TSP is equal to 30 Service Points and AC is equal to [….✂….].
SC equals [….✂….].

4.5 The liability of the Supplier in respect of Service Credits, and separately Compensation for Unacceptable KPI Failure, shall respectively be subject to a cap equal to the Service Credit Cap in accordance with Clause 25.4(c) (Financial Limits) provided that, for the avoidance of doubt, the operation of the Service Credit Cap shall not affect the continued accrual of Service Points in excess of such financial limit in accordance with the provisions of Schedule 2.2 (Performance Levels).

4.6 Service Credits are a reduction of the Service Charges payable in respect of the relevant Services to reflect the reduced value of the Services actually received.

5 Changes To Charges

5.1 Any Changes to the Charges shall be developed in accordance with Schedule 8.2 (Change Control Procedure) and on the basis that:

5.1.1 the forecast Supplier Cash Margin Percentage on such Charges shall:

(a) be no greater than the Anticipated Contract Life Supplier Cash Margin Percentage applied to the forecast Charges using the same pricing mechanism as at the Effective Date (as set out in the Financial Model and Contract Inception Report);

(b) to the extent that the Change involves the expenditure or saving of resources then shown in the Financial Model as having a unit cost be based on those unit costs including the Day Rates in Table 5 of Annex 1 (Tables with prices and charges); and

(c) in no event exceed the Maximum Permitted Supplier Cash Margin Percentage either in relation to the scope of this Agreement as a whole or (to the extent it can be reasonably forecast) relation to the Change taken on its own.

5.1.2 where in relation to ESN Products (including the detail in the PDDs and in the ESN Products and Services Master Catalogue) that shall be developed by the Parties during the Term in accordance with the Release Management Process the Authority requests a change to an ESN Product which is not:

(a) as a result of elaborating on the detail included in the relevant artefact provided that elaborating on the detail does not go beyond the scope contemplated by the original statement in the artefact;

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(b) included in the Authority Requirements;

(c) in accordance with 3GPP industry standards (including updates and replacements thereof); or

(d) a de minimis change,

then, where such change requested by the Authority pursuant to the Change Control Procedure shall impact, or is likely to impact, the Price and/or the Level 2 Plan:

(a) the Supplier shall notify the Authority as soon as reasonably practicable and in any event not less than 24 hours following receipt of the requested change in writing from the Authority;

(b) such change and its likely impact shall be escalated to the Single Supplier Board for discussion; and

(c) the Parties shall work together to ensure that only unavoidable changes are implemented in accordance with the Change Control Procedure, recognising the need to maintain the integrity of the Supplier Solution with minimal financial impact.

5.2 The Authority may request that any Impact Assessment presents Charges without Indexation, where it applies, for the purposes of comparison.

6 Indexation

6.1 Any amounts or sums in this Agreement which are expressed to be subject to Indexation shall be adjusted in accordance with the provisions of this Paragraph 6.1 to reflect the effects of inflation.

6.2 Where Indexation applies, the relevant adjustment shall be:

(a) applied on 1 April 2024 and on the first day of April in each subsequent year (each such date an “adjustment date”); and

(b) determined by multiplying the relevant amount or sum by the percentage increase or changes in the Consumer Price Index 8 for Communication (D7C3) published for the 12 months ended on the 31 January immediately preceding the relevant adjustment date.

6.3 Except as set out in this Paragraph 6, neither the Charges nor any other costs, expenses, fees or charges shall be adjusted to take account of any inflation, change to exchange rate, change to interest rate or any other factor or element which might otherwise increase the cost to the Supplier or Sub-contractors of the performance of their obligations.

7 Allowable Assumptions

7.1 The Supplier shall determine whether each Allowable Assumption is accurate within its Verification Period using the methodology specified in column 8 of Annex 3 (Risk register for the prices and charges).

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7.2 During each Verification Period, the Authority shall use reasonable endeavours to provide the Supplier access to such of the information specified in column 12 of Annex 3 (Risk register for the prices and charges) as is both:

(a) within the Authority's possession or reasonable control; and

(b) which the Authority considers is relevant to the Allowable Assumption being verified and it is legally entitled to disclose to the Supplier.

7.3 Within ten (10) Working Days of the end of each Verification Period, the Supplier shall provide the Authority with a written report setting out the results of the Supplier's verification activity for the relevant Allowable Assumption. For each Allowable Assumption, such report shall be based solely on the applicable method specified in column 8 of Annex 3 (Risk register for the prices and charges) and shall demonstrate whether the Allowable Assumption is accurate or whether the Implementation Plan and/or the Contract Inception Report require adjustment.

7.4 Each Allowable Assumption shall be deemed accurate unless adjusting for the relevant Allowable Assumption has an impact:

(a) on the Financial Model greater than the associated trigger for invocation, as set out in column 9 of the table in Annex 3; or

(b) on the Implementation Plan which would require adjustment under the Change Control Procedure, as identified in column 3 of the table in Annex 3 (Risk register for the prices and charges),

in which case Paragraph 7.5 shall apply.

7.5 Where the Parties agree that an Allowable Assumption is not accurate and the Financial Model and/or Implementation Plan require adjusting:

(a) the Supplier shall take all reasonable steps to mitigate the impact of the Allowable Assumption on the Charges calculated in the Financial Model and/or the Implementation Plan;

(b) either the Authority or the Supplier may (subject to Paragraph 7.5(c)) propose a Change to take account of the net impact of the adjustment of all Allowable Assumptions which have at that time been addressed and are being addressed under this Paragraph 7.5 within one (1) month and such Change Request shall be considered in accordance with the Change Control Procedure; and

(c) where the Supplier proposes a Change to the Charges under Paragraph 7.5(b), the Change Request shall reflect the requirements of the table in Annex 3, including the requirement that each proposed adjustment to the Charges shall not exceed the

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maximum impact on the relevant Charges as specified in column 7 of the table in Annex 3 (Risk register for the prices and charges).

8 Risk Register

8.1 The Parties shall review the Risk Register set out in Annex 3 (Risk register for the prices and charges) from time to time and as otherwise required for the purposes of Schedule 8.1 (Governance).

8.2 The Supplier is required to identify and submit risks for inclusion on the Risk Register in accordance with Schedule 8.1 (Governance). Submission of a risk does not entitle the Supplier to any waiver of rights or liabilities for such a risk unless it has been ratified in accordance with Schedule 8.1 (Governance).

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PART C: Gainshare and Supplier Cash Margin Percentage

1 Limit On Supplier Cash Margin Percentage

1.1 The Supplier acknowledges that the Achieved Supplier Cash Margin Percentage shall not exceed the Maximum Permitted Supplier Cash Margin Percentage and that an Achieved Supplier Cash Margin Percentage in excess of the thresholds set out below will be shared on the basis set out in this Part C.

1.2 The Supplier shall include in each Annual Financial Report the forecast Anticipated Contract Life Supplier Cash Margin Percentage as at the end of the Financial Year to which the Annual Financial Report is made up and the provisions of Paragraph 2 of Part B of Schedule 7.5 (Financial Reports and Audit Rights) shall apply to the approval of the Annual Financial Report.

2 Authority Gainshare Of Supplier Cash Margin

2.1 If an Annual Financial Report in respect of a Key Period (as defined below) demonstrates (or it is otherwise determined pursuant to Paragraph 2 of Part B of Schedule 7.5 (Financial Reports and Audit Rights)) that the Achieved Supplier Cash Margin Percentage as at the end of the Financial Year to which that Annual Financial Report is made up exceeds the Anticipated Contract Life Supplier Cash Margin Percentage in the Financial Model submitted at BAFO, the Authority shall be entitled to a gainshare for each of the bands in the table

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below in which such Achieved Supplier Cash Margin Percentage falls. For the purposes of this Paragraph 2, a **Key Period** shall be the Financial Year in which the Term ends.

2.2 For each such band the gainshare will be equal to the Supplier Cash Margin for the Term falling within the relevant band multiplied by the percentage shown in relation to that band in the table.

Band of Achieved Supplier Cash Margin Percentage	**Percentage Gainshare**
0% to the Anticipated Contract Life Supplier Cash Margin Percentage	0%
Greater than the Anticipated Contract Life Supplier Cash Margin Percentage but less than 2 percentage points greater than the Anticipated Contract Life Supplier Cash Margin Percentage	0%
Greater than the band set out in the immediately preceding row but less than 7 percentage points greater than the Anticipated Contract Life Supplier Cash Margin Percentage	50%
Greater than the band set out in the immediately preceding row but equal to or less than the Maximum Permitted Supplier Cash Margin Percentage	80%
Greater than the Maximum Permitted Supplier Cash Margin Percentage	100%

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PART D: Invoicing and Payment Terms

1 Supplier Invoices

1.1 The Supplier shall prepare and provide to the Authority for approval of the format a template invoice within ten (10) Working Days of the Effective Date which shall include, as a minimum, the details set out in Paragraph 1.2 together with such other information as the Authority may reasonably require to assess whether the Charges that will be detailed therein are properly

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payable. If the template invoice is not approved by the Authority then the Supplier shall make such amendments as may be reasonably required by the Authority.

1.2 The Supplier shall ensure that each invoice contains the following information:

(a) the date of the invoice;

(b) a unique invoice number;

(c) the official Supplier VAT number;

(d) the Service Period or other period(s) to which the relevant Charge(s) relate;

(e) the correct reference for this Agreement;

(f) the reference number of the purchase order to which it relates (if any);

(g) the dates between which the Services subject of each of the Charges detailed on the invoice were performed;

(h) a description of the Services;

(i) the pricing mechanism used to calculate the Charges (such as Firm Price or Fixed Price);

(j) any payments due in respect of Achievement of a Milestone, including the Milestone Achievement Certificate number for each relevant Milestone;

(k) the total Charges gross and net of any applicable deductions and, separately, any VAT or other sales tax payable in respect of each of the same;

(l) details of any Service Credits or Delay Payments or similar deductions that shall apply to the Charges detailed on the invoice;

(m) details of any clawbacks of the incentives for cross-lot working for failure to Achieve a Group of Key Milestones or of any clawbacks under Paragraph 2.1 of Part C of this Schedule;

(n) payments on termination as per Schedule 7.2 (Payments on Termination) paragraphs 8 and 9;

(o) charges for any Termination Services to which the Supplier may be entitled pursuant to Paragraph 7 of Part A of this Schedule subject always to the cap on such charges provided for by Paragraph 7.5 in that Part;

(p) reference to any reports required by the Authority in respect of the Services to which the Charges detailed on the invoice relate (or in the case of reports issued by the

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Supplier for validation by the Authority, then to any such reports as are validated by the Authority in respect of the Services);

(q) a contact name, telephone number and email address of a responsible person in the Supplier's finance department in the event of administrative queries;

(r) the banking details for payment to the Supplier via electronic transfer of funds (i.e. name and address of bank, sort code, account name and number);

(s) the total number of Active Connections in respect of each Connection Type;

(t) the break down of the number of Active Connections in each Connection Type which are accounted for within the Connection Limit;

(u) the break down of the number of Active Connections in each Connection Type which are accounted for as Excess Connections.

1.3 The Supplier shall invoice the Authority in respect of Services in accordance with the requirements of Part A. Invoices shall be in arrears for the preceding month. The Supplier shall first submit to the Authority a draft invoice setting out the Charges payable. The Parties shall endeavour to agree the draft invoice within five (5) Working Days of its receipt by the Authority, following which the Supplier shall be entitled to submit its invoice.

1.4 Each invoice shall at all times be accompanied by Supporting Documentation. Any assessment by the Authority as to what constitutes Supporting Documentation shall not be conclusive and the Supplier undertakes to provide to the Authority any other documentation reasonably required by the Authority from time to time to substantiate an invoice.

1.5 The Supplier shall submit all invoices and Supporting Documentation to:

Emergency Services Mobile Communications Programme
Home Office
2 Marsham Street
London SW1P 4DF

with a copy (again including any Supporting Documentation) to such other person and at such place as the Authority may notify to the Supplier from time to time.

1.6 All Supplier invoices shall be expressed in sterling or such other currency as shall be permitted by the Authority in writing.

1.7 The Authority shall regard an invoice as valid only if it complies with the provisions of this Part D and the requirements of VAT invoices under applicable laws (including, without limitation, any VAT laws). Where any invoice does not conform to the Authority's requirements set out in this Part D and under such applicable laws, the Authority shall return the disputed invoice

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to the Supplier and the Supplier shall promptly issue a replacement invoice which shall comply with such requirements.

2 Payment Terms

2.1 Subject to the relevant provisions of this Schedule, the Authority shall make payment to the Supplier within thirty (30) days of receipt of the later of:

(a) a valid invoice by the Authority at its nominated address for invoices; and

(b) all of the deductions referred to in Paragraph 1.2 of Part A of this Schedule being agreed.

2.2 Unless the Parties agree otherwise in writing, all Supplier invoices shall be paid in sterling by electronic transfer of funds to the bank account that the Supplier has specified on its invoice.

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Annex 1: Tables with Prices and Charges

[…. ✂….]						

Schedule 7.1: Annex 1, Table 1, Firm Prices and Service Charges

[…. ✂….			

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[…. ✂….			

Schedule 7.1: Annex 1, Table 1a, Firm Prices and Service Charges

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Table 2: Service Charges using the Number of Active Connections

[…. ✂….]						

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[…. ✂….]						

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[…. ✂….]						

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[…. ✂….]						

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[…. ✂….]						

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[…. ✂….]						

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[…. ✂….]						

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Schedule 7.1: Annex 1, Table 2, Volume-based Service Charges Using the Number of Active Connections

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Table 3: Milestone Payment

[….✂….]		

Schedule 7.1: Annex 1, Table 3, Milestone Payment

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Table 4: Optional Volume Prices for Testing Services

[…. ✂….]				

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[…. ✂….]				

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[…. ✂….]				

[…. ✂….]					

[…. ✂….]					

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[…. ✂….]					

Schedule 7.1: Annex 1, Table 4, Optional Volume Prices for Testing Services

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Table 5: Day Rates

	[.... ✂....]		

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Table 6: Not Used

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Table 7: Delay Payments

		Delay Payments (if Key Milestone) [£ per day]		
Column 1		**Column 2**	**Column 3**	**Column 4**
Milestone				
Milestone Reference	**Milestone Description**	**if less than 3 months' notice is provided of pending delay**	**if 3 – 6 months' notice is provided of pending delay**	**If 6 months or more notice is provided of pending delay**
6	Kodiak 9.0	[….✂….]	[….✂….]	[….✂….]
17	Connect Capable of Exit Gate 4	[….✂….]	[….✂….]	[….✂….]
20	Connect + exiting Gate 5	[….✂….]	[….✂….]	[….✂….]
21	Direct 2 – Capable of exiting Gate 4	[….✂….]	[….✂….]	[….✂….]
23	Kodiak 9.1	[….✂….]	[….✂….]	[….✂….]
26	Direct 3 – Capable of exit of Gate 4	[….✂….]	[….✂….]	[….✂….]
31	Prime – Capable of exit of Gate 4	[….✂….]	[….✂….]	[….✂….]
32	Prime - Exiti of Gate 5 (Mobilisation Complete) (5b)	[….✂….]	[….✂….]	[….✂….]
L2.55.1:	L2.55.1: ED+84 - London Transition Complete	[….✂….]	[….✂….]	[….✂….]
L2.69.1:	L2.69.1: ED+84 - Transition Fully Complete	[….✂….]	[….✂….]	[….✂….]
33	Mikey-Sakke & BSS Geo Redundancy, Installed in Production	[….✂….]	[….✂….]	[….✂….]

Schedule 7.1: Annex 1, Table 7, Milestone Payments and Delay Payments

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Table 8: Cap on Charges for Termination Services

	[£]
Cap on Charges for Termination Services	[….✂….]

Schedule 7.1: Annex 1, Table 8, Cap on Charges for Termination Services

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Table 9: Charges for Service Components following termination assistance period

Charge Number	Price Description	Pricing Mechanism	SWS Monthly Maintenance Charge [£] [A]	Supplier NON-COTS Software Monthly Maintenance Charge [£] [B]	3rd Party NON-COTS Software Monthly Maintenance Charge [C]	Supplier COTS Software Monthly Licence fee [£] [D]	3rd Party Supplier COTS Software Monthly Licence fee [£] [E]	Non software Monthly Services charges [£] [F]	Assets [£] [G] (non-recurring)	Total First Year Annual Charge for Service Component [£] [12*(A+B+C+D+E+F)+G]
SCTAPALL	Annual Charge for all Service Components	Firm	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]
SCTAP1	Annual Charge for Public Safety Communication Systems Service Component	Firm	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]
SCTAP2	Annual Charge for Business Support Systems Service Component	Firm	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]
SCTAP3	Annual Charge for Operational Support Systems Service Component	Firm	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]
SCTAP4	Annual Charge for Service Management System Service Component	Firm	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]	[….✂….]

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Charge Number	Price Description	Pricing Mechanism	SWS Monthly Maintenance Charge [£] [A]	Supplier NON-COTS Software Monthly Maintenance Charge [£] [B]	3rd Party NON-COTS Software Monthly Maintenance Charge [C]	Supplier COTS Software Monthly Licence fee [£] [D]	3rd Party Supplier COTS Software Monthly Licence fee [£] [E]	Non software Monthly Services charges [£] [F]	Assets [£] [G] (non-recurring)	Total First Year Annual Charge for Service Component [£] [12*(A+B+C+D+E+F)+G]
SCTAP5	Annual Charge for Network Connectivity and Security Systems Service Component	Firm	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]
SCTAP6	Annual Charge for User Device Management Service Component	Firm	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]
SCTAP7	Annual Charge for Physical Locations Service Component	Firm	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]
SCTAP8	Annual Charge for Test and Reference Systems Service Component	Firm	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]
SCTAP9	Annual Charge for Telecoms Infrastructure Services Service Component	Firm	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]
SCTAP10	Annual Charge for. Ancillary Services Service Component	Firm	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]	[.... ✂ ....]

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Schedule 7.1: Annex 1, Table 9, Charges for Service Components following termination assistance period

Without prejudice to the generality of paragraph 1.5 of Part A of this Schedule, Charges associated with CR47 (Alignment of Test Environments (Reference System Expansion) have been included in the pricing set out in these Annexures

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Annex 2: Allowable Assumptions for the Prices and Charges

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Ref	**Description of proposed Allowable Assumption**	**Impact on the Implementation Plan if the Allowable Assumption is not accurate**	**Cost Impact (maximum, minimum and most likely values if the Allowable Assumption is not accurate)**	**Basis of Calculation of Cost Impact**	**Applicable Profit Margin**	**Charge Impact (maximum, minimum and most likely values if the Allowable Assumption is not accurate)**	**Verification Method (how the Supplier will verify the Allowable Assumption)**	**Trigger for Invocation (what will determine that the Implementation Plan and/or Financial Model may require adjustment for the Allowable Assumption)**	**Period of Impact (period that the updated assumption will have an impact)**	**Expiry Date (Date at which the Allowable Assumption expires)**	**Requested Information from the Authority**
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Schedule 7.1: Annex 2, Allowable Assumptions

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Annex 3: Risk Register for the Prices and Charges

[…. ✂….]													

Schedule 7.1: Annex 3, Risk Register

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