

ORDER

ORDER NO: **SER/0636** Date of Order: **23 November 2016**

(To be quoted on all correspondence relating to this Order)

<p>FROM (Customer):</p> <p>Water Services Regulation Authority Centre City Tower 7 Hill Street Birmingham B5 4UA</p> <p>Customer's representative: Andrew Chesworth</p> <p>T: +44 (0) 121 644 7500 DDI: +44 (0) 121 644 7660 E: Andrew.chesworth@ofwat.gsi.gov.uk</p>	<p>TO (Contractor):</p> <p>PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT</p> <p>Contractor's representative: [REDACTED]</p> <p>[REDACTED] [REDACTED]</p> <p>www.pwc.co.uk</p>
<p>SERVICES TO BE DELIVERED TO:</p> <p>Where necessary, as above</p> <p>and/or</p> <p>Ofwat London Office, Bloomsbury House, 21 Bloomsbury Street, London, WC1B 3HF</p>	<p>INVOICE ADDRESS:</p> <p><u>finance@ofwat.gsi.gov.uk</u></p> <p>or</p> <p>Finance Team Water Services Regulation Authority Centre City Tower 7 Hill Street Birmingham B4 5UA</p>
<p>Any Contract arising from this Order shall be governed by the Call-Off Terms and Conditions as set out in the Ofgem Framework Agreement for Economic, Financial and Related Consultancy Services, between the Gas and Electricity Markets Authority and PricewaterhouseCoopers LLP effect from 1 September 2015; the Customer's revised Invitation to provide a Proposal dated 10 November 2016, the Contractor's Proposal provided on 15 November 2016 and revised cost schedule dated 27 November 2016 and any enhancements thereto and provisions expressly listed herein.</p>	
<p>Description of Services Requirement:</p> <p>PR19 – Balance of Incentives and the Cost of Equity (PROC.01.0533)</p>	

SER/0636 - PR19 – BALANCE OF INCENTIVES AND THE COST OF EQUITY
 (PROC.01.0533)

Service Category

Pan-Regulators' Framework for Economic, Financial & Related Consultancy Services

Sub Lot 3A - Regulatory and Incentive Design

Contract Period

The Commencement Date shall be 29 November 2016.

The expiry date is 3 March 2017; unless extended or terminated earlier in accordance with the Contract.

Charges per Working Day

The table below provides the charges per Working Day for the Key Personnel involved in the performance of the Services.

Framework Grade	Maximum charge per Working Day* (£) for Framework	Charges per Working Day* (£)
Director / Partner	£3,120	£2,340
Managing Consultant	£2,640	£1,980
Principal Consultant	£2,200	£1,650
Consultant	£1,440	£1,080

Contract Price

The capped Contract Price for the project **£138,000**. A break-down of the capped Contract Price is set out in Appendix A.

The quotation below (and as set out in the Contractor's Proposal) will be the capped price payable by the Customer for the project and will only be exceeded by agreement between the Customer and the Contractor. Such agreement will only be given by the Customer where cost overruns have arisen as a result of the work involved being over and above that reasonably anticipated prior to the Customer's approval to commence work on the project.

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Where the resource costs incurred by the Contractor in performing the Services falls below the quotation, the Contractor shall invoice the Customer for the actual value of the Services provided according to the charging structure described in the Order Form.

The Deliverables which satisfactorily address any points raised by the Customer and their acceptance by the Customer will signify successful completion of that element of project.

Costs are all inclusive with the sole exceptions of:

- Disbursement for travel and accommodation expenses;
- Value Added Tax.

Any travel and accommodation required in connection with the project will be reimbursed on acceptance of receipts and where appropriate a mileage log. Any Travel and Accommodation must be in accordance with the travel and accommodation rates as attached at Appendix B (rates are subject to changes, the Customer will notify the Contractor of any changes that may occur from time to time). Any changes to be rates will become applicable 30 days after the Contractor is advised of such changes.

The Customer will not pay for:

- Any items which it regards as part of the Contractor's overheads (for example; word-processing, secretarial time, cost of faxes and telephone charges);
- Any expenses not authorised in advance by the Customer's project manager;
- Travelling time unless the Customer's project manager has authorised in advance the payment of travelling time.

The Contractor is expected to monitor expenditure against the capped price which must only be exceeded with prior approval from Ofwat. On a fortnightly basis (or as agreed by the Customer's project manager) the Contractor must provide a report (in the form of a spread sheet or equivalent) and be available to discuss any issues face-to-face or on the telephone (as appropriate). The arrangements and formats will be agreed between Ofwat's project manager and the Contractor's project manager but should include spend to date details and projected costs.

Key Deliverables and corresponding Delivery Dates

The Contractor is required to provide the following Deliverables by the following Deliverable dates:

Description	Dates (Indicative)
Interim outputs	As per agreed project plan

Draft report structure	Early January 2017
Draft report (1st draft)	27 January 2017
Draft report (2nd draft)	17 February 2017
Presentation to Ofwat staff & presentation slide package	w/c 20 February 2017
Final report	24 February 2017
Post-project feedback and lessons learned	W/C 27 February 2017

Invoicing and Payment

Payment will be due upon Acceptance by the Customer of the Deliverables in accordance Clause 3 of the schedule 5 Call off terms.

Deliverables/Milestones	Percentage payment of Capped Contract Price
On acceptance of the first draft report	30%
On acceptance of the final report, presentation and post-project feedback and lessons learned	60%
On completion of the presentation and Q&A session with Ofwat staff	This payment shall be calculated by deducting the above payments from the total costs, which shall be determined in accordance with the charging structure described in the Order.

All invoices shall contain the following information:

- the Order number (as stated above);
- a summary of the Services; and
- the line value; total value excluding Value Added Tax (VAT), the VAT percentage and total value including VAT.

For and on behalf of the Customer 

Name	Cathryn Ross
Position	Chief Executive Office
Signature	29 November 2016
Date	

The Customer shall pay the Contractor within thirty (30) calendar days of receipt of a valid invoice, submitted in accordance with the payment profile set out above and the provisions of this Contract.

Invoices must not contain the Contractor's terms and conditions, nor can reference be made to the Contractor's terms and conditions. Invoices with the Contractor's terms and conditions printed on them or referred to therein will not be accepted by the Customer.

Contractor's Key Personnel

The Contractor's Key Personnel for the delivery of the Contract Services are:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Variation to Contract

Any amendments to the Contract must be **agreed in writing** in accordance with the provisions of the Variation Form at Appendix 1 of the Schedule 5 – Call off Terms and Conditions.

Formation of Call Off Contract

BY SIGNING AND RETURNING THIS ORDER FORM THE CONTRACTOR AGREES to enter into a legally binding Contract with the Customer to provide to the Customer the Services specified in the Order Requirements set out in this Order Form incorporating the rights and obligations in the Call-Off Terms and Conditions set out in the Framework Agreement entered into by the Contractor and the Gas and Electricity Markets Authority effective from 1 September 2015.

The Parties hereby acknowledge and agree that they have read the Order Form and by signing below agree to be bound by this Contract.

For and on behalf of the Contractor:

Name	[REDACTED]
Position	[REDACTED]
Signature	[REDACTED]
Date	30/11/16

Appendix B – Ofwat's Travel and Accommodation rates

Accommodation:

Paid on actual expenditure within the following prescribed ceilings:

London	£165
Elsewhere	£115
Private residence	£25

These rates cover a 24 hour period for accommodation only, inclusive of VAT, receipts must be submitted.

Mileage Rates:

25p per mile

A mileage log must be submitted (to/from, mileage/date, to see/purpose)

Rail Travel

The actual cost of public transport (normally rail) may be reimbursed. Economy Class (second class) rail tickets should be purchased.

Appendix A - Break-down of the Contract Price

Framework Grade	Estimates input Days	Framework rate	Total
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	5.0	[REDACTED]	[REDACTED]
[REDACTED]	36.0	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other expert panel time (provided at nil cost)	3.0	£0	£0
Total	96.0		£145,290
Discount			(£46,080)
Total Capped Contract Price			£138,000