

DPS FRAMEWORK SCHEDULE 4: LETTER OF APPOINTMENT AND CONTRACT TERMS

Part 1: Letter of Appointment

Dear Sirs

Letter of Appointment

This letter of Appointment dated 8th April 2019, is issued in accordance with the provisions of the DPS Agreement (RM6018) between CCS and the Supplier.

Capitalised terms and expressions used in this letter have the same meanings as in the Contract Terms unless the context otherwise requires.

Order Number:	CCSN19A13
From:	National Infrastructure Commission ("Customer")
To:	London Economics Limited("Supplier")

Effective Date:	18 th April 2019
Expiry Date:	End date of Initial Period: Thursday 18 th July 2019 Minimum written notice to Supplier in respect of extension: One Week

Services required:	Set out in Section 2, Part B (Specification) of the DPS Agreement and refined by: <ul style="list-style-type: none">· the Customer's Project Specification attached at Annex A and the Supplier's Proposal attached at Annex B;
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Key Individuals:	REDACTED – National Infrastructure Commission REDACTED – London Economics Limited
[Guarantor(s)]	Not Applicable

Contract Charges (including any applicable discount(s), but excluding VAT):	£64,525.00 – Please see Part 3 for details
Insurance Requirements	Product liability insurance cover all risks in the provision of Deliverables under the Contract, with a minimum limit of £1 million for each individual claim.
Liability Requirements	Suppliers limitation of Liability (Clause Error! Reference source not found. of the Contract Terms);
Customer billing address for invoicing:	Invoices should be submitted to: REDACTED and copied to REDACTED , Accounts Payable, NIC, REDACTED

GDPR	Please see Contract Terms Schedule 7.
Alternative and/or additional provisions (including Schedule 8(Additional clauses)):	N/A

FORMATION OF CONTRACT

BY SIGNING AND RETURNING THIS LETTER OF APPOINTMENT (which may be done by electronic means) the Supplier agrees to enter a Contract with the Customer to provide the Services in accordance with the terms of this letter and the Contract Terms.

The Parties hereby acknowledge and agree that they have read this letter and the Contract Terms.

The Parties hereby acknowledge and agree that this Contract shall be formed when the Customer acknowledges (which may be done by electronic means) the receipt of the signed copy of this letter from the Supplier within two (2) Working Days from such receipt

For and on behalf of the Supplier:

For and on behalf of the Customer:

Name and Title: **REDACTED**

Name and Title: **REDACTED**

Signature: **REDACTED**

Signature: **REDACTED**

Date:

Date:

ANNEX A

Customer Project Specification

1. BACKGROUND TO THE CONTRACTING AUTHORITY

- 1.1. The National Infrastructure Commission was established in 2015 to provide the government with impartial, expert advice on major long-term infrastructure challenges. Its objectives are to support sustainable economic growth across all regions of the UK, improve competitiveness and improve quality of life.
- 1.2. The Commission's core responsibilities include:
 - producing a National Infrastructure Assessment once every five years, setting out the Commission's assessment of long-term infrastructure needs with recommendations to government on how to meet them
 - carrying out in-depth studies into the UK's most pressing infrastructure challenges, making recommendations to government
 - monitoring the government's progress in delivering infrastructure projects and programmes recommended by the NIC
- 1.3. In July 2018, the Commission published its first ever National Infrastructure Assessment, setting out a plan of action for the country's infrastructure over the next 10 to 30 years, making recommendations on transport, energy, water and waste water, flood resilience, digital connectivity and solid waste in addition to other cross-cutting issues (eg. funding and financing).
- 1.4. The Commission is currently undertaking in-depth studies on freight, resilience and regulation as well as developing a broader work programme to lay the foundations for the second National Infrastructure Assessment.

2. BACKGROUND TO REQUIREMENT / OVERVIEW OF REQUIREMENT

- 2.1. The Chancellor has asked the National Infrastructure Commission to assess what changes might be necessary to the existing regulatory framework to facilitate future investment needs in infrastructure focusing on energy, telecoms and water, while promoting competition and innovation and meeting the needs of both current and future consumers.
- 2.2. The Regulation Study's Terms of Reference can be found here: **REDACTED**
- 2.3. Bidders should read the full Terms of Reference to understand the broader context for this requirement and inform their response.
- 2.4. Amongst other things, the Government asked the Commission to consider evidence on the ability of regulators to promote high performance from utility companies and discourage underperformance.
- 2.5. The Chancellor has also asked the Commission to undertake a Study on the resilience of the UK's economic infrastructure. The Study's Terms of Reference can be found here: **REDACTED**
- 2.6. The Regulation Study will conclude in Autumn 2019. This is an ambitious timetable. The Commission requires specialist support to complete bespoke analysis and research in relation to performance measures to support its recommendations across both the Resilience and Regulation Studies.

3. DEFINITIONS

Expression or Acronym	Definition
Performance measure	means a quantitative indicator which describes the performance of infrastructure services provided in a sector regarding a specific desired outcome. A suitable performance measure will take on a different value to indicate a change in observed outcomes.
Domestic performance	means performance of utility companies in providing infrastructure services in the UK.
International performance	means the performance of utility companies in providing infrastructure services in countries such as Germany, France, Australia, the Netherlands and Denmark.
NIC / The Commission / The Authority	means National Infrastructure Commission (https://www.gov.uk/government/organisations/national-infrastructure-commission).
Ofcom	means the regulator for communications services (https://www.ofcom.org.uk/home).
Ofwat	means the regulator for the water industry (https://www.ofwat.gov.uk/).
Ofgem	means the regulator for the electricity and gas industries (https://www.ofgem.gov.uk/).
Supplier	means organisations within CCS Dynamic Purchasing System RM6018 Research Marketplace, invited to bid for this requirement.
Appointed Supplier	means the organisation that successfully wins this tendering exercise and which goes on to be awarded the contract for this work.

4. SCOPE OF REQUIREMENT

- 4.1. The scope of the requirement is to appoint a suitably experienced Supplier to undertake a piece of research to collect and analyse data on UK and international infrastructure performance measures.
- 4.2. The data collection is expected to be comprehensive and cover the key performance indicators of utility companies across the UK's telecoms, water and energy sectors that monitor performance against the companies' objectives.
- 4.3. This will include, but is not limited to, data on efficiency, consumer prices, wholesale prices, service coverage, resilience, quality of service, investment, market share and financial performance (e.g. profitability).

- 4.4. The data collection is also expected to cover the key performance indicators of the UK's economic regulators Ofcom, Ofwat and Ofgem that monitor performance against the regulator's objectives, in particular against their strategic objectives.
- 4.5. The data collection is also expected to cover the performance measures identified by the NIC in its 'technical annex – measuring infrastructure performance'.
- 4.6. The data collection is also expected to cover quantitative data on the probability of service interruptions from extreme events and shocks, as included in existing published literature (e.g. Climate Change Risk Assessment; Adaptation Reporting Power Reports, etc.).
- 4.7. The data collection is also expected to cover quantitative information on events that have caused service interruptions in the past, including (where known) the probability of said events and their impact. These should include, but not be limited to, Storm Desmond and Storm Frank (2015); autumn 2013 storms; snow-related disruptions in 2013 and 2017; the 2018 cold wave ("Beast from the East"); 2018 O2 outages etc.
- 4.8. The research is aimed at collecting existing data on performance measures and will not develop any new performance measures. It is expected that the precise set of performance measures collected across the telecoms, water and energy sectors is agreed in consultation between the Supplier and the Authority at the initial inception meeting, for inclusion as part of the inception report.
- 4.9. The data on performance measures should be collected across all years that are available and where possible covering at least 15 years prior to the privatisation of the utility companies.
- 4.10. The assessment of international performance will involve identifying the most relevant countries to collect data on international infrastructure performance in consultation with the Authority. It is expected that this requirement will include Germany, France, Australia, the Netherlands, Denmark and a few other countries based on a proposal from the Supplier.
- 4.11. Data on international performance is expected to be comparable to the data collected on domestic performance. In the first instance, it is expected to cover the measures identified by the NIC in its 'technical annex – measuring infrastructure performance' (link at 5.5, above). It is expected that the precise set of international performance measures collected across the telecoms, water and energy sectors is agreed in consultation between the Supplier and the Authority as part of the inception report.

5. THE REQUIREMENT

- 5.1. The objective of this requirement is to provide the Authority with the relevant data on domestic and international performance in providing telecoms, water and energy services over time in spreadsheet format.
- 5.2. A clear, concise, evidence based written report setting out the sources and any caveats is also expected.
- 5.3. The report must not contain any recommendations.

5.4. The Authority intends to publish the data, the report and any associated documents.

6. KEY MILESTONES AND DELIVERABLES

6.1. The following Contract milestones/deliverables shall apply:

Milestone/Deliverable	Description	Timeframe or Delivery Date
1	Project inception meeting with NIC to include draft inception report to be provided, and agreed by NIC, clarifying the approach to be taken, along with a plan setting out key milestones and dates for deliverables, risks and how these will be managed.	Within week 1 of Contract Award
2	Inception report submitted to the Authority outlining the methodology, set milestones, deliverables, risks and mitigation.	Within week 2 of Contract Award
3	Update meetings/phone calls/email correspondence to discuss findings and progress.	Weekly
4	First draft of interim findings to be shared with the Authority.	Within week 4 of Contract Award
5	Roundtable with external stakeholders to discuss the interim findings.	Within week 6 of Contract Award
6	Second draft of interim findings to be shared with the Authority.	Within week 8 of Contract Award
7	Draft final spreadsheet and report to be submitted to the Authority.	Within week 9 of Contract Award
8	Final spreadsheet and report to be submitted to the Authority.	Within week 10 of Contract Award

REDACTED

Allocation of resources to tasks

Table 1 Staffing Schedule (days by milestone and staff category)

REDACTED

Matching of staff categories to London Economics Grades:

A: Partner, Divisional Director, Associate Director

B: Senior Economic Consultant

C: Economic Consultant

D: Economic Analyst/Research Assistant

Research approach

Questionnaire 5.1: Research approach

REDACTED

Working with other Suppliers

REDACTED

Research techniques and methodologies

REDACTED

Collation and presentation of data

As noted above, we will find relevant data based on web searches for freely available data from reputable sources. We will copy data from these sources directly into Excel spreadsheets with as little adjustment as possible. We will adjust/transform the data in some cases, e.g. for indices where the base year changes over time we will adjust so that there is one time series with a common base year.

We think that the approach to the presentation of data will be a key part of the discussion at the inception meeting – it depends on the detail of the Commission's needs.

Our proposal for discussion is as follows.

- We provide the Commission with four separate Excel spreadsheets as the main data output, one each for the three sectors: telecom, energy and water plus one

London Economics 1 covering data on shocks. If the Commission prefers, these could be combined as one file (or could be separated by country rather than by sector).

- Each Excel file will include a number of tabs, including one providing an introduction to the contents of the file. There will be a separate tab for each country included in the analysis.
- Each tab will include a data table with a time dimension (usually a year) on one axis and variable names on the other axis.
- The units in which each variable is measured will be made clear
- For cells in the data table where no data has been found, we will use a clear, consistent indicator of this.
- Sources will be indicated alongside individual variables, with a fuller description of sources and weblinks in a separate 'Source' tab. Variables will be grouped by category (e.g. price variables, volume variables, quality variables etc)

The interim and final findings written reports will be relatively short and focus on describing the main issues/caveats with the data collected and on sources for the data. They will also provide an overall guide to what data is included in the Excel file(s). We do not anticipate that the written reports will present any of the data itself – that will be in the Excel file(s).

Risk register

Table 1 Risk register

Identified risk	Impact / Probability	Mitigation
Misunderstanding over priorities of the Commission for the data to be collected	High/Medium	The inception process, which includes a meeting and a report should be sufficient to ensure that there are no misunderstandings. In addition, the regular weekly communications provide a further mechanism through which any misunderstanding can be recognised and addressed.
Lack of data / Unable to find all relevant data	High/Medium	We have noted in our proposal some of the sources that we will use to obtain the performance indicator data and so we are confident that a good range of data for the UK and other countries can be accessed. However, we anticipate that the data will be less complete in some respects – in particular, the availability of long time series will be limited for some indicators (particularly going back as far as the 1970s and 1980s). This could be a particular problem in the water sector, though Ofwat may be able to assist to some extent. Our ability to supplement data from international databases with indicators from national sources is likely to be

		more limited for countries other than the UK, though we have
		experience in the infrastructure sector in most relevant countries, particularly in the EU and Australia, and access to a good range of language skills.
Time overrun	High/Medium	We understand the ten week timescale is very important to the Commission as the outputs of this research feed into other time critical Commission work. As we have noted, the timescale is a tight one, but we think that with strong project management, and the capacity and experience that we have available, the timescale is achievable. We note that to some extent the timetable also relies on the Commission, mainly in terms of timely responses to draft outputs and to timely organisation of the external expert roundtable.
Budget overrun	Low/Low	As this is a fixed price contract there is no scope for the Commission to pay any amount additional to the tender price, unless the Commission wish to extend the scope and/or timescale.
Staff illness and attrition	Medium/Low	We have a low staff turnover overall. In addition we have proposed a large team that have the range of necessary skills. Existing proposed team members could replace other team members if necessary. We also have a strong pool of economists with similar expertise and experience outside the team. In terms of project management, two of the internal peer reviews could take over this role.

Staffing

In all the research work we undertake, we invest appropriate resources to ensure that the project runs smoothly from inception to the presentation of final deliverables.

The nature of the work for this project is that it would be possible to continue searching unsuccessfully for some indicators (especially for older time periods) almost indefinitely, so we plan to search up to the resource input (in days) that we propose for the ten week period set out in the tender documents. If the Commission would like us to spend more time on searches, we would be happy to discuss that, though we would require more budget and a longer elapsed timescale (i.e. more than the envisaged 10 weeks).

We will ensure that level of staffing is available in a number of ways. We coordinate staff allocations across all of our projects through a weekly meeting and exchange of allocations. The Project Manager for this project, REDACTED, takes part in those weekly meetings. Also on a weekly basis, we coordinate a longer term picture of which staff have been proposed as team members in all of our proposals. This seeks to ensure that staff are not over allocated on proposals and so are available to work on those proposals that we win. As part of the project management and quality control process for this project, REDACTED will also track progress against milestones on a weekly basis to ensure that sufficient resources are available.

We propose a project team that is experienced in delivering studies in the utilities sectors and who are aware of relevant data sources. Should any of our team members become unavailable, perhaps through long term illness or because they have left the company, London Economics has alternate staff available, with similar experience, who can step in at any moment. These staff can similarly be employed if there is risk of falling behind deadlines.

If the Project Manager becomes unavailable, then one of the two more senior peer reviewers, REDACTED will replace him. As they are the nominated internal peer reviewers they will be in place from the outset, and kept in touch with the project's developments. This will enable a more straightforward management transition should REDACTED become unavailable.

To ensure that sufficient staff are available for all undertakings by London Economics, we actively recruit throughout the year and have an active staff retention policy. London Economics operates in a tight labour market where the supply of suitably qualified consultants is significantly less than the demand. Despite this, we operate a rigorous recruitment process where we only hire individuals that have the appropriate skills and experience and never hire simply to make up numbers.

To ensure that those individuals that are recruited into the firm remain with us, we offer competitive financial remuneration, as well as ensuring that non-financial considerations are taken into account. Therefore, we actively encourage flexible working arrangements and a number of individuals work alternative hours or from alternative locations. We believe that this policy has ensured that we have an exceptionally low turnover in staff.

Project management

To ensure that the project's output are delivered within the envisioned time and are of excellent quality, we propose a dedicated Project Manager, REDACTED. He will be responsible for the day-to-day management of the project and will ensure that the quality control/assurance processes outlined in our response to 6.2 are operated effectively.

Our project management and quality control processes are integrated closely and so they are very similar. They are at the core of the London Economics business and every strand of our work is aimed at providing high quality, academically robust, cost effective research and analysis. London Economics has been awarded ISO9001:2008 accreditation for its quality management process. At the beginning of the project, the inception process will seek to ensure that both the London Economics project team and the Commission have the same expectations in terms of methods, outputs, risk mitigation and timescales. REDACTED, the Project Manager, will ensure that the plan set out in the inception report is followed during the course of the project.

A more detailed internal London Economics work plan will identify precise tasks and specific timelines for each member of the team. This ensures that sufficient time is set aside for all tasks, and ensure that they can be completed at sufficient quality. REDACTED will internally monitor overall progress towards milestones on a weekly basis so that any necessary corrective action can be taken rapidly. He will provide the Commission with a regular update of progress. As such, there is little risk of any quality-related issues escalating before appropriate action may be taken. The weekly updates with the Commission can take the form of telephone conversations, e-mails or meetings. We propose that the default is a telephone call but that meetings should be held if a more in-depth discussion of milestone outputs or of any specific problems is required.

In addition to the weekly monitoring, a team-wide stock-taking exercise will take place every two weeks. This not only helps keeping the project on track but also ensures that the information is fully shared among all team members.

In accordance with the company's quality assurance policy, any outputs produced by the project team will be reviewed by at least two members of senior staff of London Economics before being sent to the Commission. We see this peer review process as an integral part of the overall quality assurance process. We have appointed three peer reviewers who are outside of the core research team. Their details and roles are outlined in our response to Question 6.2.

Beyond internal quality assurance processes, we invite the Commission to review and comment on any aspect of the study, especially the outputs. London Economics will work to incorporate the Commission's comments into final outputs.

Quality assurance process: content and management

Our project management and quality control processes are integrated closely and so they are very similar. They are at the core of the London Economics business and every strand of our work is aimed at providing high quality, academically robust, cost effective research and analysis. All the members of the team have a strong academic background and many have several articles published in peer-reviewed academic journals. Much of the work that we undertake is routinely peer reviewed. As such there is an implicit and explicit requirement to ensure that the highest quality academically robust research is undertaken. London Economics has been awarded ISO9001:2008 accreditation for its quality management process.

At the beginning of the project, the inception process will seek to ensure that both the London Economics project team and the Commission have the same expectations in terms of methods, outputs, risk mitigation and timescales. REDACTED, the Project Manager, will ensure that the plan set out in the inception report is followed during the course of the project.

A more detailed internal London Economics work plan will identify precise tasks and specific timelines for each member of the team. This ensures that sufficient time is set aside for all tasks, and ensure that they can be completed at sufficient quality. REDACTED will internally monitor overall progress towards milestones on a weekly basis so that any necessary corrective action can be taken rapidly. He will provide the Commission with a regular update of progress. As such, there is little risk of any quality-related issues escalating before appropriate action may be taken. The weekly updates with the Commission can take the form of telephone conversations, e-mails or meetings. We propose that the default is a telephone call but that meetings should be held if a more in-depth discussion of milestone outputs or of any specific problems is required.

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In accordance with the company's quality assurance policy, any outputs produced by the project team will be reviewed by at least two members of senior staff of London Economics before being sent to the Commission. We see this peer review process as an integral part of the overall quality assurance process. We have appointed three peer reviewers who are outside of the core research team:

- REDACTED (Associate Director) is an experienced energy and regulatory economist who is currently working on the privatisation of the electricity sector in Oman and who previously managed our work for BIS comparing international regulatory systems in the energy and telecom sectors.
- REDACTED (Divisional Director) leads our consumer behaviour and protection team and has wide experience of assessing service provision from a consumer angle including in the infrastructure sector, particularly in energy and water where he has been closely involved in analysing what consumers think is important in terms of service quality, price etc.
- REDACTED (Senior Consultant) is an experienced Excel modeller with experience across a wide range of sectors. He has provided quality assurance audits, following the FAST approach, of an Ofwat model of incentive mechanism impacts as part of a price review process; and for a series of cost-benefit models underlying our work for Defra on the water abstraction reform impact assessment.

REDACTED and REDACTED will see and comment on drafts of any outputs we produce for the Commission drawing on their sector and data expertise. Their main role will be to draw on their experience to contribute ideas on data sources and performance measures. REDACTED will perform an internal audit of the performance indicator spreadsheet before it is submitted to the Commission, and will also provide feedback to the project team earlier in the process on the structure of the excel file that contains the performance indicators.

Beyond internal quality assurance processes, we invite the Commission to review and comment on any aspect of the study, especially the outputs. London Economics will work to incorporate the Commission's comments into final outputs.

We note that the tender documents refer to a roundtable with external stakeholders in week 6 to discuss interim findings. We are happy to participate in that process. For the purposes of setting our price for this research, we have assumed that the Commission will organise the roundtable, including dates, venue and participation. Our role will be to attend and take part in discussions, and to present

our interim findings. We will also take on board any suggestions as far as it is possible within the agreed timescales.

Outline quality control and assurance plan

The quality control and assurance plan, thus, can be summarised in the following points:

Table 1 **Outline Quality Control/Assurance Plan**

Item No.	Item	Description
1.	Inception phase	Ensure agreement with Commission on methods, outputs, risk mitigation and timescales. Align expectations.
2.	Detailed work plan for each team member	Set out during the inception phase for internal London Economics project management.
3.	Weekly	Update meeting with the Commission. Also an opportunity to raise any current or anticipated issues.
4.	Project management	Ongoing throughout the project. Dedicated project manager with extensive experience of project management in the infrastructure sector.
5.	Internal peer review	Each milestone output reviewed by 2 senior internal reviewers. Internal audit of draft indicator spreadsheet by third reviewer.
6.	External peer review	During Week 6 - discussion of interim findings at roundtable of external stakeholders.
7.	Commission Service level and performance requirements	We agree and will conform to the requirements set out in Section 15 of Attachment 3 to the tender documents.

Informing the Commission of any issues

The weekly updates between London Economics and the Commission will also provide an opportunity for London Economics to inform the Commission about any current or foreseen issues. In addition, the Project Manager will contact a nominated officer at the Commission by email or phone if any substantial issues arise that require urgent attention at the moment the issues arise.

Complaint handling and dispute resolution

The Commission will have a direct line to the Project Manager REDACTED (REDACTED), who will provide the continuity, seniority and responsibility required of a prime point of contact for a service arrangement of this kind. REDACTED will be supported by the London Economics internal peer review team (see response to Questionnaire 4).

We consider the work we do for clients to be part of an ongoing relationship. As such we will provide the Commission with the opportunity to provide feedback to London Economics on every element of the assignment. We take this feedback seriously and we follow up all responses if there are any areas that are not entirely satisfactory. We do not consider the project to be completed until after this has been completed and we have the full and unambiguous sign off from the Commission.

In the event of any customer dissatisfaction or complaint over the quality or any aspect of work undertaken, the Project Manager will seek to establish a resolution with the nominated officer at the Commission.

If a resolution cannot be reached, the matter will escalate to a member of London Economics' Senior Management Team that is not involved in the project. The nominated person is REDACTED who is a Partner at London Economics (REDACTED). The complaint or dissatisfaction will be recorded in the complaints register and the matter will be taken up with the customer by REDACTED without delay. A meeting with the Commission will be arranged to establish the nature and severity of the complaint or dissatisfaction and remedial measures agreed. The outcome of the meeting will be recorded in the complaints register and all agreed actions will be implemented by the London Economics Project Manager. REDACTED, Senior Managing Partner at London Economics will also be informed that the escalation procedure has been invoked.

Subsequent to undertaking the above actions, REDACTED would again meet with the Commission to ensure that the dissatisfaction or complaint has been resolved satisfactorily and the outcome of this meeting will be recorded in the complaints register. In the event of continued dissatisfaction, REDACTED will personally engage and work closely with the Commission until the matter is ultimately resolved. The client will also have the option of engaging on the matter with REDACTED (REDACTED), the London Economics Senior Managing Partner.

Part 2: Contract Terms



Contract Terms v6.0

Part 3 – Price Schedule

REDACTED