

Smart Meters Programme Schedule 7.1

(Charges and Payment) (Billing System version)

**SCHEDULE 7.1
CHARGES AND PAYMENT**

OVERVIEW

This Schedule 7.1 (Charges and Payment) sets out:

- (a) the Charges to be invoiced by the Contractor to the DCC in consideration of the deployment and provision of the Services;
- (b) the method of calculation of Service Credits and Service Debits;
- (c) the charging methodology in relation to any Changes;
- (d) the application of indexation; and
- (e) the process for invoicing.

This Schedule 7.1 (Charges and Payment) comprises the following parts:

Part	Scope
Part A	General principles
Part B	Set-Up Charges
Part C	Operational Charges and Service Credit regime
Part D	Termination Assistance Charges
Part E	Pricing for Changes and Additional Services
Part F	Invoicing
Appendix 1	Rate Card

PART A – GENERAL PRINCIPLES

1. PRINCIPLES

- 1.1 The principles which underpin the calculation of Charges are that Charges should, as far as practicable:
- 1.1.1 take account of the DCC Objectives and seek to give the fullest possible effect to the DCC Objectives;
 - 1.1.2 be clear, well-defined, unambiguous and straight-forward to administer;
 - 1.1.3 only be made following the delivery of operational services;
 - 1.1.4 recover the cost of assets through monthly service charges;
 - 1.1.5 be based on incurred costs of delivering individual services and support a sustainable funding model over the life of the contract;
 - 1.1.6 be flexible to adapt to future changes in service levels and capability; and
 - 1.1.7 incentivise service performance – a proportion of payments will be at risk to poor performance.
- 1.2 The Charges payable by the DCC for the Services shall comprise the following, in each case developed in line with the principles detailed above:
- 1.2.1 Set-up Charges in consideration of the Achievement of certain Milestones;
 - 1.2.2 Operational Charges in consideration of the on-going provision of Services;
 - 1.2.3 Termination Assistance Charges in consideration of the provision of Exit Services; and
 - 1.2.4 any other Charges arising pursuant to the terms of this Agreement.
- 1.3 Any future changes to the Charges as well as the pricing of any future services, through the mechanisms detailed below, shall be tested by the DCC against the principles set out in paragraph 1.1 and implemented through Change Control.
- 1.4 All Charges shown in this Schedule are exclusive of VAT and all Service Credits and Service Debits will be calculated on a basis that excludes VAT.
- 1.5 Unless and to the extent expressly set out in this Schedule 7.1, neither the Charges nor any other costs, expenses, fees or charges shall be adjusted to take into account inflation, change in exchange rate, change to interest rate or

Schedule 7.1 (Charges and Payment) (Billing System version)

any other factor or element which might otherwise increase the cost to the Contractor of the performance of their obligations.

- 1.6 The Contractor may be required to make other payments to the DCC as set out elsewhere in the Agreement and such other payments may be set off against the Charges by the DCC.
- 1.7 Where any Charge or limit which is expressed in this Schedule in monthly terms ("monthly" and "month" both referring to calendar months) applies for any reason for part of a month, rather than a whole month, the Charge or limit for such part of a month shall be pro-rated in proportion to the ratio of the days of the month during which the Charges or limit applies to the overall number of days in the month and any remaining days of the month may either have no or different Charges applied to them on a similar pro-rated basis, as the case may be.
- 1.8 The Contractor acknowledges that the figures set out in the tables in this Schedule are a true and accurate representation of the Charges as at the Signature Date.

2. INDEXATION

- 2.1 No element of the Charges shall be adjusted to reflect the effects of inflation unless it is expressly referred to in this Agreement as being "subject to indexation" and any adjustment for inflation shall be measured by changes in the relevant index, as calculated in accordance with the following formula:

$$\text{Amount or Sum} \times \left(\frac{\text{Index}_o}{\text{Index}_d} \right)$$

Where:

"Index" means the retail price index;

"Index_d" is the value of Index on the Signature Date; and

"Index_o" is the value of Index published or determined with respect to the period immediately preceding the 1st April in the Contract Year that directly precedes the Contract Year in respect of which the amount or sum falls to be adjusted.

- 2.2 The parties shall use all reasonable endeavours to agree the application of indexation by the 30th April in each Contract Year, failing which either party may seek to have any remaining issues resolved through the Dispute Resolution Procedure.

Schedule 7.1 (Charges and Payment) (Billing System version)

PART B – SET-UP CHARGES**3. SET-UP CHARGES**

3.1 Set-up Charges shall be identified for the successful deployment of an activity determined to be of demonstrable value to the DCC as evidenced by the Achievement of the Contractor of a Certificate for the relevant Milestone. Set-up Charges shall not be subject to indexation.

3.2 The details of the Set-up Charges are shown below in Table 1, where:

3.2.1 Milestone: is the Milestone included in the Project Plan, the Achievement of which has certain Set-up Charges associated with it in recognition of the demonstrable value to the DCC of such Milestone;

3.2.2 Milestone Value: is the amount in Set-Up Charges associated with the delivery of the relevant Milestone if paid on the date of the associated ATP;

3.2.3 Indicative Milestone Date: is the date as of the Signature Date that the Milestone is expected to be Achieved. Post Signature Date the Milestone Date is as detailed in the agreed Project Plan.

Milestone	Milestone Value (£)	Indicative Milestone Date	Acceptance Criteria
Licencing and Design		November 2014	Design accepted by DCC Design Assurance Board
Build and Unit Testing – Fixed Costs		January 2015	System submitted for DCC User Acceptance Testing
SAP Licences Deployed		January 2015	Contractor Licence Register Accepted
Go Live – Fixed Costs		March 2015	System Live sign off by DCC
Build and Unit Testing – Full Solution		April 2015	System submitted for PIT
ISO Certification Achieved		May 2015	Presentation of ISO documentation
PIT complete and ready for SIT		May 2015	DCC Sign off of PIT

Table 1: Set-up Charges

PART C – OPERATIONAL CHARGES AND SERVICE CREDIT REGIME

4. OPERATIONAL CHARGES

- 4.1 The Operational Charges for each Service shall be payable monthly in arrears. The Operational Charges are subject to indexation.
- 4.2 Operational Charges in respect of a Service shall become payable from the agreed Go Live date.
- 4.3 The Operational Charges shall comprise the Fixed Operational Charges as detailed in Table 2.
- 4.4 At the end of the Initial Term the applicable Operational Charge for the final month will be calculated as a percentage of Service days to calendar days in that month.
- 4.5 Should the DCC exercise its rights under Clause 3.2 then the Operational Charges applicable for the Extension Period shall be as per the appropriate period in Table 2. At the end of the Extension Period the Operational charges for the final month will be calculated as per 4.4.

	Operational Service Year 1	Operational Service Year 2	Operational Service Year 3	Operational Service Year 4	Operational Service Year 5
Monthly Fixed Operational Charge					
	Operational Service Year 6	Operational Service Year 7	Operational Service Year 8	Operational Service Year 9	Operational Service Year 10
Monthly Fixed Operational Charge					
	Operational Service Year 11	Operational Service Year 12			
Monthly Fixed Operational Charge					

Table 2: Operational Charges

5. **CALCULATION OF SERVICE CREDITS**

5.1 The Contractor will be liable for Service Credits in accordance with Schedule 2.2 (Performance Measures and Monitoring):

5.1.1 with effect from the date two (2) months after Go Live.

5.2 The Service Credits payable by the Contractor under this Agreement in respect of each month shall be calculated by reference to the number of Service Points accrued by the Contractor in relation to that month, as determined in accordance with Schedule 2.2 (Performance Measures and Monitoring).

5.3 The parties acknowledge and agree that:

5.3.1 subject to paragraph 6 of Part B of Schedule 2.2 (Performance Measures and Monitoring), the maximum number of Service Points which can be accrued by the Contractor in any month, across each of the Service Measures and the User Integration Service Measures is one thousand (1,000) in each case;

5.3.2 the total proportion of the monthly Operational Charges "at risk" in relation to the accrual of Service Credits in respect of each Payment Month shall be fifteen per cent (15%) (and that, accordingly, the maximum Service Credits payable by the Contractor in respect of any Payment Month shall not exceed fifteen per cent (15%) of the monthly Operational Charges).

5.4 The total Service Credits payable by the Contractor in respect of each Payment Month shall be calculated in accordance with the following formula:

where:

SC means the total Service Credits payable by the Contractor in respect of the relevant month;

TSP means the total Service Points accrued by the Contractor, across all of the Service Measures, in respect of the relevant month;

MOC means the monthly Operational Charges.

5.5 The Contractor shall notify the DCC of the amount of any Service Credits payable by the Contractor in respect of each month within ten (10) Working Days after the date of the Performance Review Meeting at which the Performance Monitoring Report for that month is agreed.

Schedule 7.1 (Charges and Payment) (Billing System version)

- 5.6 Subject to any adjustment of the amount of Service Credits payable by the Contractor in respect of any month (whether such adjustment is made by agreement of the parties at the relevant Performance Review Meeting or in accordance with the Dispute Resolution Procedure), the Contractor shall:
- 5.6.1 deduct the Service Credits payable by the Contractor in respect of the relevant month from the next invoice for the monthly Operational Charges that are issued by the Contractor under this Agreement; or
 - 5.6.2 if no further invoices for the monthly Operational Charges are to be issued by the Contractor under this Agreement, pay an amount equal to those Service Credits to the DCC in cleared funds into the bank account nominated by the DCC from time to time within thirty days (30) days after the end of the month to which those Service Credits relate.

PART D – TERMINATION ASSISTANCE CHARGES

6. TERMINATION ASSISTANCE CHARGES

- 6.1 Termination Assistance Charges shall be payable to the Contractor for providing the Termination Assistance Services during the Termination Assistance Period in accordance with Schedule 8.5 (Exit).
- 6.2 The Termination Assistance Charges shall be payable on a time and materials basis and shall be calculated according to the unit and rate card shown in Appendix 1.

PART E – PRICING FOR CHANGES AND ADDITIONAL SERVICES

CHANGES

- 7. For any Impact Assessment delivered as part of the Change Control Procedure, the Contractor shall prepare a quotation of the additional Charges associated with the Change or any change in the existing Charges associated with delivering the proposed Change and which shall:
 - 7.1.1 comply with the provisions of paragraph 4 of Schedule 8.2 (Change Control);
 - 7.1.2 be based on the principles, mechanisms and information contained within this Schedule 7.1;
 - 7.1.3 include a detailed breakdown of any underlying assumptions and risk, including a list of all the relevant risks, the mitigating actions, and the associated costs included within the quotation for either mitigating the risk or for additional work required if the risk were to occur; and

Schedule 7.1 (Charges and Payment) (Billing System version)

7.1.4 include evidence of the cost of any assets required for the Change.

If the Change is adopted by the DCC in accordance with Schedule 8.2 (Change Control), then the Contractor shall update this Schedule 7.1 accordingly.

ADDITIONAL SERVICES

7.2 The Contractor acknowledges that nothing shall oblige the DCC to take any Additional Services from the Contractor or prevent the DCC from receiving services similar or identical to Additional Services from any third party.

7.3 The Change Control Procedure shall not apply to any request by the DCC for the provision by the Contractor of any Additional Services.

7.4 The Contractor shall ensure that, at all times during the Service Period, the Additional Services comply with all requirements applicable to the Services (including as set out elsewhere in this Agreement).

Request for Additional Services

7.5 The DCC may notify the Contractor that it requires any Additional Services at any time during the Service period. The Contractor shall:

7.5.1 acknowledge receipt of the request for Additional Services by written notice to the DCC within two (2) Working Days;

7.5.2 inform the DCC of potential Risk/Impacts relating to the Additional Services and how it proposes to mitigate and/or remove the same; and

7.5.3 implement, test and commence the provision of the Additional Services in accordance with this Agreement.

7.6 Following acceptance of the Additional Services by the DCC, the relevant Charges listed below shall become payable.

7.7 Any work undertaken by the Contractor to provide an Additional Service or in providing any such Service prior to receipt of notification from the DCC (in accordance with paragraph 1.4) shall be strictly at the Contractor's risk, cost and expense and the Contractor waives all claims it may have at any time for compensation under the quantum meruit doctrine or any other basis whatsoever.

PART F – INVOICING

8. INTRODUCTION

This Part F of Schedule 7.1 sets out the method by which the Contractor shall raise invoices to the DCC for payment, together with the requirements which apply to such invoices, and the payment terms thereof.

9. SERVICE PROVIDER INVOICES

9.1 The Contractor shall prepare and provide to the DCC for approval a draft pro forma invoice within ten (10) Working Days of the Signature Date which shall include, as a minimum, the details set out in paragraph 9.4 of this Schedule 7.1 together with such other information as the DCC may reasonably require. If the Contractor comments upon the draft pro forma invoice and it is not approved by the DCC then the Contractor shall make such amendments as may be reasonably required by the DCC.

9.2 The Contractor shall be entitled to raise an invoice in respect of any payment which falls payable to the Contractor pursuant to the Agreement.

9.3 The Contractor shall invoice the DCC in respect of Services in accordance with the timescales specified for issue of invoices for the Charges as detailed in Part A of this Schedule 7.1.

9.4 The Contractor shall ensure that each invoice contains the following information:

9.4.1 the date of the invoice;

9.4.2 a unique invoice number;

9.4.3 the Payment Month or other period(s) to which the relevant Charge(s) relate;

9.4.4 details of the correct Agreement reference;

9.4.5 the Purchase Order (PO) number, receipt number and release number to which it relates (if any);

9.4.6 the dates between which the Services subject of each of the Charges detailed on the invoice were performed;

9.4.7 the methodology applied to calculate the Charges;

9.4.8 the total Charges gross and net of any applicable deductions and, separately, the amount of any disbursements properly chargeable to the DCC under the terms of the Agreement, and, separately, any VAT or other sales tax payable in respect of the same;

Schedule 7.1 (Charges and Payment) (Billing System version)

- 9.4.9 details of any Service Credits, Service Debits or Delay Payments or similar deductions that shall apply to the Charges detailed on the invoice;
 - 9.4.10 reference to any reports required by the DCC in respect of the Services to which the Charges detailed on the invoice relate (or in the case of reports issued by the Contractor for validation by the DCC, then to any such reports as are validated by the DCC in respect of the Services);
 - 9.4.11 a contact name and telephone number of a responsible person in the Contractor's finance department in the event of administrative queries; and
 - 9.4.12 the Project bank account details for payments to the Contractor via electronic transfer of funds (i.e. name and address of Project bank, sort code, account name and number).
- 9.5 When invoicing the Charges, the Contractor shall provide separate invoices for:
- 9.5.1 Set-up Charges, Operational Charges minus amount of Service Credits and other Credits and Service Debits (if any);
 - 9.5.2 Termination Assistance Charges; and
 - 9.5.3 Charges for other items.
- 9.6 Each invoice shall at all times be accompanied by sufficient information ("**Supporting Documentation**") to enable the DCC to reasonably assess whether the Charges detailed thereon are properly payable. Any such assessment by the DCC shall not be conclusive. The Contractor undertakes to provide to the DCC any other documentation reasonably required by the DCC from time to time to substantiate an invoice.
- 9.7 The Contractor shall submit all invoices and Supporting Documentation in such format as the DCC may specify from time to time to:
- Smart DCC Ltd
FAO Head of Contract Management
2nd Floor, Ludgate House
245 Blackfriars Road
London
SE1 9UF
- 9.8 All Contractor invoices shall be expressed in sterling or such other currency as shall be permitted by the DCC in writing.

Schedule 7.1 (Charges and Payment) (Billing System version)

9.9 The DCC shall only regard an invoice as valid if it complies with the provisions of this part F of this Schedule 7.1. Where any invoice does not conform to the DCC's requirements set out in paragraph 9.4 of this Schedule 7.1, the DCC will promptly return the disputed invoice to the Contractor. The Contractor shall promptly issue a replacement invoice which shall comply with the same.

9.10 The final invoice relating to this Agreement shall only be sent to the DCC following agreement between the Parties, such agreement not to be unreasonably withheld or delayed, of any Service Credits relating to either the Service Credit Regime, as detailed in paragraph 11 of this Schedule 7.1.

10. PAYMENT TERMS

10.1 The Contractor shall invoice monthly in arrears.

10.2 The DCC shall make payment to the Service Provider within thirty (30) days of receipt of a valid invoice by the DCC at its nominated address for invoices.

Appendix 1 – Rate Card

This Appendix 4 contains the rate card.

Role	Role Description	Daily Rate (£)	Hourly Rate (£)
SAP ABAP Developer	SAP ABAP Developer		
SAP BASIS Consultant	SAP BASIS Consultant		
SAP Business Analyst	SAP Business Analyst		
SAP BW Developer	SAP BW Developer		
SAP FI Consultant	SAP FI Consultant		
SAP Project Manager	SAP Project Manager		
SAP SD Consultant	SAP SD Consultant		
SAP Security Consultant	SAP Security Consultant		
Training Consultant	Training Consultant		

Table 3: Rate Card

Rates will be subject to Indexation.

The Rates are based on the following assumptions:

- Working time will be charged on a pro-rata basis based on the hourly charge subject to a maximum of the Day Rate charge.
- A working day of 7.5 hours (or part-of) which excludes any non-productive time: travel time / sickness / training etc
- Unless explicitly stated in the rate card Non- Working Days shall be charged as follows:
 - Saturday: Rate multiplied by
 - Sunday and Bank Holidays: Rate multiplied by
- Reasonable expenses shall be payable on an actuals basis excluding costs incurred in travelling to an individual's designated base office or to the registered DCC office. All expenses to be agreed in advance.