

APPENDIX 14

PAYMENT MECHANISM (APPENDIX 4 TO PROJECT AGREEMENT)

North London Waste Authority

Waste Services Contract

ISOS Payment Mechanism

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1. Definitions

The following definitions are used in the Waste Services Contract and also referred to in this Schedule:

Acceptance Test Certificate	means a certificate issued by the Independent Certifier that the Acceptance Tests have been satisfied;
Acceptance Tests	means the Tests so described in Schedule 11 (Tests) of the Waste Services Contract;
Active Landfill Tax Rate	means the rate of Landfill Tax applicable to the disposal of material, other than a Qualifying Material, at the time the disposal is made;
Active Waste	means waste that is taxed at the Active Landfill Tax Rate;
Actual Active Landfill Tax Rate	means the prevailing Active Landfill Tax Rate in the relevant Contract Year;
Actual Annual Cashflows	[to be completed at ISDS]
Actual Biodegradable Landfill Tonnage	means that tonnage of Contract Waste that is BMW that is sent to landfill by or on behalf of the Waste Services Contractor
Actual Electricity Income	means that Electricity Income in a Contract Year
Actual Heat Income	means that Heat Income in a Contract Year
Actual Landfill Tonnage	means the tonnage of Contract Waste that is Active Waste and is sent to landfill by or on behalf of the Waste Services Contractor;
Actual Third Party Waste Income	Income arising from gate fees, electricity, heat, recyclates sales or any other income generated by the acceptance of Third Party Waste at any Facility
Ad Hoc Waste Payment	means that payment determined in accordance with paragraph 13
Agreed Form	means in relation to any document, the form of the document agreed between the Parties and initialled by or on behalf of the Parties for the purpose of identification;
Annual Base Payment Forecast	means the forecast of the Annual Base Payment prepared by the Waste Services Contractor in accordance with paragraph 3.2 and Schedule [x] (Contract Waste Flow Forecast);
Annual Reconciliation Payment	means the amount calculated in accordance with paragraph 3.3;
Annual Third Party Income Forecast	means the amount calculated in accordance with paragraph 3.2.4 and Schedule [x] (Third Party Income Forecast);

Definitions

Authority	North London Waste Authority
Base Case	means the Financial Model agreed between the parties prior to the date of this Waste Services Contract (as updated from time to time in accordance with the terms of this Waste Services Contract) for the purpose of, amongst other things, calculating the Unitary Charge
Base Case Annual Cashflows	[to be completed at ISDS]
Base Date	means the cost base date of the relevant cash flow in the financial model;
Base Payment	means the amount calculated in accordance with paragraph 4.2;
Base Payment Element	means a sub-component of the Base Payment in accordance with paragraph 4.1
Base Payment Index	means the index calculated in accordance with paragraph 15.1;
Base Payment Ramp Up	means the factor used to calculate the Commissioning Payment in accordance with paragraph 14;
Base Payment Reconciliation Amount	means the difference between the Final Annual Base Payment and the sum of the Monthly Base Payments for that relevant Contract Year, calculated in accordance with paragraph 3.3.1
Base Price	means the relevant price per tonne for the relevant Base Price Payment Band as set out in Bid Form [5]
Base Price Payment Band	means the tonnage range set out in Bid Form [5]
Base Revenue per SSR Tonne	means the revenue derived from a tonne of SSR by the Waste Services Contractor and guaranteed to the Authority as set out in Bid Form [6]
Biodegradable Landfill Adjustment Rate	means that amount per tonne as set out in Bid Form [9];
Biodegradable Municipal Waste (BMW)	has the meaning given to it in the Waste and Emissions Trading Act 2003;
Business Day	means a day (other than a Saturday or Sunday) on which banks are open for domestic business in the City of London;
Centroid	means the deemed central point for each of the Boroughs, being [nominated Centroid for each Borough to be specified];
Commencement Date	means the date of the Waste Services Contract;
Commercial Waste	has the meaning given in Section 75(7) of the Environmental Protection Act (EPA);

Definitions

Commissioning Payment	means the amount calculated in accordance with paragraph 14;
Commissioning Tonnage	means that tonnage of Contract Waste that the Waste Service Contractor accepts at a Facility for the purposes of commissioning that Facility;
Competitive Dialogue	means the competitive dialogue procedure under Directive 2004/18/EC as implemented by the UK Public Contracts Regulations 2006;
Compensation Event	means a) in respect of [the period from the date of the Waste Services Contract until the Services Commencement Date], a breach by the Authority of any of its obligations under the Waste Services Contract, b) in respect of [the period from the Services Commencement Date], i) [to be listed specifically on a project specific basis having regard to the principles set out in Section 3.2 of the Defra Derogations Guidance]
Contingency Delivery Point	means the point of discharge of Contract SRF in accordance with the provisions of the Contingency Plan;
Contingency Reception Point	means the point of discharge of Contract Waste in accordance with the provisions of the Contingency Plan ;
Contingency Plan	means the contingency arrangements set out in the Method Statements
Contract Month	means each successive Calendar Month in a Contract Year;
Contract Period	means the period from and including the Commencement Date to the Expiry Date, or if earlier, the Termination Date;
Contract SRF	means all SRF Tonnage delivered by or on behalf of or with the agreement of the Authority;
Contract SRF Accepted	means all Contract SRF accepted by the Fuel Use Contractor in accordance with the [Contract SRF Acceptance Protocol];
Contract SRF Average CV Adjustment	means the amount calculated in accordance with paragraph 12.2
Contract SRF Daily Fixed Cost	means the daily direct and indirect fixed costs associated with the nomination of a Contingency Delivery Point for a day or part of a day as set out in Bid Form [20];
Contract SRF Direct Additional Mileage	means the additional mileage deemed to be travelled in the calculation of the Mileage Adjustment as defined within the Contingency Plan and comprising twice the incremental distance to the Contingency Delivery Point
Contract SRF Haulage Rate	means that rate as set out in Bid Form [20]

Definitions

Contract SRF Indirect Additional Mileage	means the additional mileage deemed to be travelled in the calculation of Mileage Adjustment as defined within the Contingency Plan for which the minimum notice period of [twenty four] hours has not been provided and comprising twice the distance to the Contingency Delivery Point but with travel deemed to be via the Delivery Point on the outward journey;
Contract Waste	means all Municipal Waste arising delivered by or on behalf [or with the agreement] of the Authority [or the Waste Collections Authority (WCA) under the Authority's direction].
Contract Waste Accepted	means all Contract Waste accepted by the Waste Services Contractor in accordance with the [Contract Waste Acceptance Protocol];
Contract Waste Daily Fixed Cost	means the daily direct and indirect fixed costs associated with the nomination of a Contingency Reception Point for a day or part of a day as set out in Bid Form [20];
Contact Waste Direct Additional Mileage	means the additional mileage deemed to be travelled in the calculation of the Mileage Adjustment as defined within the Contingency Plan and comprising twice the incremental distance from the Centroid to the Contingency Reception Point;
Contract Waste Flow Forecast	means the forecast of the Contract Waste Flow to be prepared by the Waste Services Contractor in accordance with the provisions of Schedule [x] (Contract Waste Flow Forecast), and submitted to the Authority before the start of the Contract Year;
Contract Waste Haulage Rate	means that rate as set out in Bid Form [20];
Contract Waste Indirect Additional Mileage	means the additional mileage deemed to be travelled in the calculation of Mileage Adjustment as defined within the Contingency Plan for which the minimum notice period of [twenty four] hours has not been provided and comprising twice the distance from the Centroid to the Contingency Reception Point but with travel deemed to be via the Reception Point on the outward journey;
Contract Waste Landfill Performance Target	means that rate expressed as a percentage as set out in Bid Form [10];
Contract Waste Mileage Adjustment	means the amount calculated in accordance with Paragraph 7.2;
Contract Waste Not Accepted	means Contract Waste less Contract Waste Accepted;

Definitions

Contract Year	means a period of twelve (12) Months commencing on 1 April, provided that:- the first Contract Year shall be the period commencing on the Commencement Date and ending on the day immediately following 31 March the final Contract Year shall be the period commencing on 1 April immediately preceding the last day of the Contract Period and ending on that day
Cumulative Actual Annual Cash Flow	means the sum of the Actual Annual Cash Flows for all Contract Years up to and including the most recently expired Contract Year
Cumulative Base Case Annual Cash Flow	the sum of the Base Case Annual Cash Flows for all Contract Years up to and including the most recently expired Contract Year
Default Level Cover Ratio	means an Annual Debt Service Cover Ratio of less than [x]:1 or a Loan Life Cover Ratio of less than [x]:1;
Delivery Point	means the point of discharge of Contract SRF as defined within the relevant Method Statement;
Dispute Resolution Procedure	means the procedure for the resolution of disputes set out in Schedule 22 (Dispute Resolution Procedure) of the Waste Services Contract;
Distribution Date	means the date falling thirty (30) Business Days after each Payment Date
Diversion Performance Deduction	means the amount calculated in accordance with paragraph 5.1;
Downward SRF Average CV Adjustment	means the amount calculated in accordance with paragraph 12.2.2;
Electricity Generating Tonnage	means that tonnage of Contract Waste that directly or indirectly contributes to Electricity Income;
Electricity Income	means income arising from the electrical output derived directly or indirectly from the operation of the Facilities and related benefits (including but not limited to ROCs, LECs, FITs, REGOs, carbon trading benefits and other by-products)) as a result of processing Contract Waste through the Facility;
Electricity Income Share Percentage	75%
Excess Cash Flow	means the Cumulative Actual Annual Cash Flow less Cumulative Base Case Annual Cash Flow

Definitions

Excess Cash Flow Account	means the escrow account jointly controlled by the Authority and the Waste Services Contractor for the purposes of super profits generated by the Waste Services Contractor in accordance with paragraph 10;
Excess Cash Flow Account Limit	[to be completed at ISDS]
Excess Profit Share	means the amount for the relevant Contract Year calculated in accordance with paragraph [10];
Expected Active Landfill Tax Rate	means the Active Landfill Tax Rate assumed in the Base Case for the relevant Contract Year;
Expiry Date	means the [xth] anniversary of [the Effective Date]
Facility	means [specify the treatment facilities] and all supporting infrastructure including associated plant and amenities and 'Facilities' shall be interpreted accordingly;
Final Annual Base Payment	means that amount calculated in accordance with paragraph 4 using the Final Contract Waste Flow data;
Final Annual Third Party Income Deduction	means that amount calculated in accordance with paragraph 4 using the Final Third Party Income Forecast;
Final Contract Waste Flow	means that forecast prepared in accordance with the provisions of Schedule [x] (Contract Waste Flow Forecast) and paragraph 3.3.1;
Final Third Party Income Forecast	means that forecast prepared in accordance with the provisions of Schedule [x] (Third Party Income Forecast) and paragraph 3.3.2;
Fixed Proportion	means the proportion of the relevant Base Payment falling within Base Payment Price Band 1 which is not subject to Indexation, and which shall be as set out in Bid Form [5];
Food Waste	shall have the same meaning as set out in Schedule [x] (Contract Waste Acceptance Protocol);
Food Waste Base Payment	means the amount calculated in accordance with paragraph 4.2.2;
Food Waste Landfill Performance Target	means that rate expressed as a percentage as set out in Bid Form [9] in accordance with paragraph 5.2.1
Forecast Electricity Income	means that forecast of Electricity Income contained within the Initial Annual Third Party Income Forecast, as updated from time to time in accordance with paragraph 3.2.2

Definitions

Forecast Index	means a forecast of the relevant Index which is to be used in replacement for the relevant Index, where the relevant Index has not been published by the February preceding the relevant Indexation Date;
Forecast Heat Income	means that forecast of Heat Income contained within the Initial Annual Third Party Income Forecast, as updated from time to time in accordance with paragraph 3.2.2
Forecast Recyclables Income	means that forecast of Recyclables Income contained within the Initial Annual Third Party Income Forecast, as updated from time to time in accordance with paragraph 3.2.2
Forecast Third Party Waste Income	means that forecast of Third Party Waste Income contained within the Initial Annual Third Party Income Forecast, as updated from time to time in accordance with paragraph 3.2.2
Fuel Specification	[means the specification of Contract SRF generated through the Waste Services Contract and as set out in [the Output Specification]]
Fuel Use Contract	means the separate contract for the treatment of Contract SRF generated through the Waste Services Contract;
Fuel Use Contractor	[insert name of project company];
Full Indexation Factor	means the factor calculated in accordance with paragraph 15.2;
Full Service Commencement	means the latest of the full service commencement dates applicable to the Service Categories
Green Waste	shall have the same meaning as set out in Schedule [x] (Contract Waste Acceptance Protocol);
Green Waste Base Payment	means the amount calculated in accordance with paragraph 4.2.2;
Green Waste Landfill Performance Target	means that rate expressed as a percentage as set out in Bid Form [9] in accordance with paragraph 5.2.1
Guaranteed Conversion Factor	means that rate expressed as a percentage as set out in Bid Form [23]
Guaranteed Electricity Income	means that amount determined in paragraph 9.4
Guaranteed Electricity Price	means that amount set out in Bid Form [11]
Guaranteed Food Waste Processing Efficiency	means that rate expressed as a percentage set out in Bid Form [13]
Guaranteed Heat Income	means that amount determined in paragraph 9.5
Guaranteed Heat Price	means that amount set out in Bid Form [11]

Definitions

Guaranteed Maximum SRF Tonnage	means that amount calculated in accordance with paragraph 12.3.1
Guaranteed MDR Processing Efficiency	means that rate expressed as a percentage set out in Bid Form [13]
Guaranteed Minimum Contract MDR Tonnage	means that tonnage of Contract Waste that is MDR tonnage determined in accordance with paragraph 4.6 and Bid Form [2];
Guaranteed Minimum Contract Organic Waste Tonnage	means that tonnage of Contract Waste that is Organic Waste tonnage determined in accordance with paragraph 4.6 and Bid Form [2];
Guaranteed Minimum Contract Residual Waste Tonnage	means that tonnage of Contract Waste that is Residual Waste tonnage determined in accordance with paragraph 4.6 and Bid Form [2];
Guaranteed Minimum SRF Tonnage	means that tonnage of Contract Waste that is SRF Tonnage specified by the Authority in Bid Form [23]
Guaranteed Mixed Organic Waste Processing Efficiency	means that rate expressed as a percentage set out in Bid Form [13]
Guaranteed MWh per Electricity Generating Tonne	means that amount set out in Bid Form [11]
Guaranteed MWh per Electricity Generating Tonne	means that amount set out in Bid Form [11]
Guaranteed Recyclables Income	means that amount determined in paragraph 9.3
Guaranteed Residual Waste Processing Efficiency	means that rate expressed as a percentage set out in Bid Form [13]
Guaranteed Third Party Waste Income	means that amount set out in Bid Form [12]
Heat Income	means income arising from the heat output derived directly or indirectly from the operation of the Facilities and related benefits (including but not limited to ROCs, LECs, FITs, REGOs, carbon trading benefits and other by-products) as a result of processing Contract Waste through the Facility.
Heat Income Share Percentage	75%
Heat Generating Tonnage	means that tonnage of Contract Waste that directly or indirectly contributes to Heat Income;
Household Waste	has the meaning attributed to it in Section 75(5) and Section 89 of the EPA and Schedules 1 and 2 of the Controlled Waste Regulations;
HWRC	means Household Waste Recycling Centres;
HWRC Base Payment	means the amount calculated in accordance with paragraph 4.2.2;

Definitions

HWRC Landfill Performance Target	means that rate expressed as a percentage as set out in Bid Form [9] in accordance with paragraph 5.2.1
HWRC Recycling and Composting Shortfall	means the amount calculated in accordance with paragraph 11.1.3;
HWRC Management Payment	means the annual management fee that shall recompense the Waste Services Contractor for the costs of operating and managing the HWRC Service as set out at Bid Form [8];
HWRC Service	means the Service Category relating to the management and operation of the HWRCs;
HWRC Tonnage	means the tonnage of Contract Waste Accepted arisings at HWRCs in the relevant Contract Year;
Independent Certifier	means the person appointed jointly by the Authority and the Waste Services Contractor to act as independent certifier to the Project in accordance with the Independent Certifier's Deed of Appointment;
Independent Certifier's Deed of Appointment	means the deed of appointment of the Independent Certifier in the Agreed Form;
Index Publication Date	means the date on which the Index is published;
Indexation Date	means the date one year after the price base date and every subsequent anniversary of that date;
Initial Annual Third Party Income Forecast	means the amount calculated in accordance with paragraph 3.2.4;
Initial Contract Waste Flow Forecast	means the initial forecast of the Contract Waste Flow to be prepared by the Waste Services Contractor in accordance with the provisions of Schedule [x] (Contract Waste Flow Forecast), and submitted to the Authority before the start of the Contract Year;
Insurance Premia	[to be inserted]
Interface Risk Adjustment	means the amount calculated in accordance with paragraph 12;
Interim Service	means the service to be provided by the Waste Services Contractor for each of the Service Categories from the Commencement Date until such time as the Full Service Commencement Date relevant to each Service Category is achieved;
Interim Service Base Payment	means the Base Payment applicable to a Base Payment Element during the Interim Service;
ISDS	Invitation to Submit Detailed Solutions
Landfill Tax	has the meaning set out in Section 39(1) if the Finance Act 1996;

Definitions

Landfill Tax Payment	means the amount calculated in accordance with paragraph 3.4;
Landfill Tax Sharing Percentage	means that rate expressed as a percentage as set out in Bid Form [10]
LATS	Landfill Allowance Trading Scheme
LECs	Levy Exemption Certificates
Mass Reduction Adjustment	means the amount calculated in accordance with paragraph 12.3.1;
Mass Reduction Deduction Rate	means that amount set out in Bid Form [23]
Materials Recycling Service	shall have the same meaning as set out in Schedule [x] (Output Specification);
Maximum Contract MDR Tonnage	means the tonnage of MDR in a Contract Year as set out in Bid Form [3] in accordance with paragraph 4.5;
Maximum Contract Organic Waste Tonnage	means the tonnage of Organic Waste in a Contract Year as set out in Bid Form [3] in accordance with paragraph 4.5;
Maximum Contract Residual Waste Tonnage	means the tonnage of Residual Waste in a Contract Year as set out in Bid Form [3] in accordance with paragraph 4.5;
Maximum Contract SRF Tonnage	means that the maximum SRF Tonnage in a Contract Year that may be accepted by the Fuel Use Contractor, as set out in Bid Form [23] in accordance with paragraph 12.3;
MBT Facility	means a facility for the treatment of Contract Waste through a mechanical and biological process;
MDR Landfill Performance Target	means that rate expressed as a percentage as set out in Bid Form [9] in accordance with paragraph 5.2.1
Mileage Adjustment	means the amount calculated in accordance with paragraph 7;
MWh	Megawatt hours
Mixed Dry Recyclates (MDR)	shall have the same meaning as set out in Schedule [x] (Contract Waste Acceptance Protocol);
Mixed Dry Recyclates (MDR) Base Payment	means the amount calculated in accordance with paragraph 4.2.1;
Mixed Organic Waste	shall have the same meaning as set out in Schedule [x] (Contract Waste Acceptance Protocol);
Mixed Organic Waste Base Payment	means the amount calculated in accordance with paragraph 4.2.2;

Definitions

Mixed Organic Waste Landfill Performance Target	means that rate expressed as a percentage as set out in Bid Form [9] in accordance with paragraph 5.2.1
Monthly Base Payment	means the amount calculated in accordance with paragraph 3.2.1;
Monthly Service Report	means the report to be submitted by the Waste Services Contractor on a monthly basis containing the information prescribed within [paragraph x of the Output Specification]
Monthly Third Party Income Deduction	means the amount calculated in accordance with paragraph 3.2.3;
Monthly Unitary Charge Payment	means the amount calculated in accordance with paragraph 3.2;
MRF Facilities	means a facility for the treatment of MDR Tonnage;
Municipal Waste	means all waste which by virtue of Legislation a local authority has a statutory duty or power to collect, including (without limitation) Household Waste, Commercial Waste, fly tips and street cleansing arisings;[1]
Non Acceptance Deduction	means the deduction calculated in accordance with paragraph 8;
Non Specification SRF	means Contract SRF that does not meet the Fuel Specification;
Non Specification SRF Landfill Performance Target	means that rate expressed as a percentage as set out in Bid Form [9] in accordance with paragraph 5.2.1
Organic Waste	means the category of waste comprising Food Waste, Green Waste and Mixed Organic Waste;
Organic Waste Service	shall have the same meaning as set out in Schedule [x] (Output Specification);
Organic Waste Base Payment	means the amount calculated in accordance with paragraph 4.2.2;
Other Components	means the amount calculated in accordance with paragraph 8;
Party	means a party to this Waste Services Contract and 'Parties' shall be construed accordingly;
Payment Date	means the day falling eighty (80) Business Days after the end of each Contract Year
Performance Deduction Cap	means that amount set out in Bid Form [22] in accordance with paragraph 6.2;
Performance Deduction Category	shall have the same meaning as set out in Schedule [x] (Performance Management System);

Definitions

Performance Deductions	means the amount calculated in accordance with paragraph 6;
Performance Measurement Framework	Schedule [x] (Performance Management System);
Performance Standards	shall have the same meaning as set out in Schedule [x] (Performance Management System);
Performance Standard Failure	shall have the same meaning as set out in Schedule [x] (Performance Management System);
Planned Price Adjustment Event Date	means [fixed date] by [on] which the issuance of an Acceptance Test Certificate for a Facility is planned to occur or such other date as the Parties may agree;
Price Adjustment Event Date	means the date of on which a Price Adjustment Event occurs;
Price Adjustment Event	means an event arising from the issuance of an Acceptance Test Certificate for a Facility, thereby triggering a step up in the Base Payment Element for the Interim Service or Service Commencement for a Service Category;
Qualifying Material	means a “qualifying material” as defined in the Landfill Tax (Qualifying Material) Order 1996 as modified or re-enacted from time to time;
Readiness Test Certificate	means a certificate issued by the Independent Certifier that the Readiness Tests have been satisfied;
Readiness Tests	means the Tests so described in Schedule 11 (Tests) of the Waste Services Contract;
Recyclables	shall have the same meaning as set out in Schedule [x] (Contract Waste Acceptance Protocol);
Recyclables Income Share Percentage	75%
Recyclables Income	means income arising from the sale of Recyclables;
Recycled	Contract Waste that has been separated from Contract Waste and reprocessed into a new product in accordance with the recycling processing regime of the Waste Services Contract;
Recycling and Composting Adjustment	means the amount calculated in accordance with paragraph 11;
Recycling and Composting Contribution Shortfall	means the amount calculated in accordance with paragraph 11.1.1;

Definitions

Recycling and Composting Deduction Rate	[To be set by the Authority] [which shall be equal to the marginal cost of SRF disposal under the Fuel Use Contract of [£x/tonne]
Recycling and Composting Rate	means the total tonnes of Contract Waste that has been Recycled or Composted through the Facilities and expressed as a percentage of Contract Waste
Recycling Base Payment	means the amount calculated in accordance with paragraph 4.2.1;
REGOs	Renewable Energy Guarantees of Origin
Residual Waste	shall have the same meaning as set out in Schedule [x] (Contract Waste Acceptance Protocol);
Residual Waste Base Payment	means the amount calculated in accordance with paragraph 4.2.3;
Residual Waste Full Service Commencement Date	means the date on which the last Acceptance Test Certificate relevant to the Residual Waste Service is issued;
Residual Waste Landfill Performance Target	means that rate expressed as a percentage as set out in Bid Form [9] in accordance with paragraph 5.2.1
Residual Waste Service	shall have the same meaning as set out in Schedule [x] (Output Specification);
ROCs	Renewables Obligation Certificates
RPIx	All Items Retail Prices Index excluding Mortgage Interest Payments
Service Categories	means the four categories that comprise the Base Payment, namely the Materials Recycling Service, the Organic Waste Service, the Residual Waste Service and the HWRC Service;
Source Separated Recyclates (SSR)	shall have the same meaning as set out in Schedule [x] (Contract Waste Acceptance Protocol);
Source Separated Recyclates (SSR) Income Payment	means the amount calculated in accordance with paragraph 4.2.1;
SRF Tonnage	means any material which is capable of being accepted at the Fuel Use Contract Facility and which meets the requirements of the relevant Permit. For the avoidance of doubt the term “Solid Recovered Fuel” shall be construed accordingly;
SSR Annual Management Charge	means that amount set out in Bid Form [7];
SSR Landfill Performance Target	means that rate expressed as a percentage as set out in Bid Form [9] in accordance with paragraph 5.2;

Definitions

Substitute Waste	means waste (other than Contract Waste) which is to be received at the Facilities in the event that the amount of Contract Waste falls below the Minimum Tonnage in a Contract Year;
Target Landfill Tonnage	means the tonnage calculated in accordance with paragraph 3.4.1;
Target Biodegradable Landfill Tonnage	means the tonnage calculated in accordance with paragraph 5.2.1;
Termination Date	means any date of early termination of the Waste Services Contract in accordance with Part XII (Termination and Compensation on Termination) of the Waste Services Contract;
Third Party Income	means the Waste Services Contractor's and/or sub-contractor's income from third parties (other than the Authority under the Waste Services Contract) associated with the Project including without limitation that derived from the sale of recyclables (less the marginal costs of generating such income); the sale of electricity, heat and income derived from the processing of Third Party Waste at any Facility;
Third Party Income Deduction	means the amount calculated in accordance with paragraph 10;
Third Party Income Reconciliation Amount	means the amount calculated in accordance with paragraph 3.3.2;
Third Party Waste	means all waste received at the Facility other than Contract Waste;
Third Party Waste Income Share Percentage	75%
Unitary Charge	means the amount calculated in accordance with paragraph 3; and
Upward SRF Average CV Adjustment	means the amount calculated in accordance with paragraph 12.2.1;
Waste Services Contractor	[insert name of project company];
WCA Recycling and Composting Contribution	means the amount calculated in accordance with paragraph 11.1.2;

2. Interpretation

- ▶ Unless otherwise provided, references in this Schedule to Clauses and Schedules shall be references to the relevant Clauses and Schedules in the Waste Services Contract.
- ▶ Unless otherwise provided, references to parts, paragraphs, tables and appendices shall be references to parts, paragraphs, tables and appendices in this Schedule.
- ▶ The Parties agree that without prejudice to the express provisions of the Waste Services Contract, this Schedule shall form the sole basis of payment by the Authority to the Waste Services Contractor.
- ▶ VAT properly chargeable on any component of the Unitary Charge shall be payable as set out in Clause 49 (VAT) of the Waste Services Contract.
- ▶ Where the symbol Σ is used in formulae it shall have the meaning 'sum of'.
- ▶ 'm' shall relate to Contract Months.
- ▶ 'y' shall relate to Contract Years.
- ▶ This Schedule (Payment Mechanism) shall be read in conjunction with the Waste Services Contract and the Output Specification.

3. Unitary Charge

3.1 Calculation of the Unitary Charge

The Authority shall pay the Unitary Charge to the Waste Services Contractor from the Commencement Date for the provision of the Services under the Waste Services Contract in accordance with the terms of Clause 45 (Invoicing and Payment).

The Unitary Charge shall be calculated as:

$$UC = \sum UCM + ARP$$

where:

UCM	the Monthly Unitary Charge Payment calculated and paid in accordance with paragraph 3.2 of this Schedule 4 (Payment Mechanism)
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ARP	the Annual Reconciliation Payment calculated and paid in accordance with paragraph 3.3 of this Schedule 4 (Payment Mechanism)
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3.2 Calculation of the Monthly Unitary Charge Payment

The Monthly Unitary Charge Payment shall be calculated in accordance with the following formula:

$$UCM = MB_n - P - M - MT_n - N - IR + OC + C$$

where:

UCM	Monthly Unitary Charge Payment under the Waste Services Contract
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MB _n	Monthly Base Payment calculated in accordance with paragraph 3.2.1
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P	Performance Deductions calculated in accordance with paragraph 6
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M	Mileage Deductions calculated in accordance with paragraph 7
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MT _n	Monthly Third Party Income Deduction calculated in accordance with paragraph 3.2.3
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N	Non Acceptance Deduction calculated in accordance with paragraph 8
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IR	Interface Risk Adjustment calculated in accordance with paragraph 12
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OC	Other Components calculated in accordance with paragraph 13
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C	Commissioning Payment calculated in accordance with paragraph 14
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3.2.1 Calculation of the Monthly Base Payment¹

The Monthly Base Payment is calculated in accordance with the following formula:

¹ Note to Bidders: ISOS instructions assume zero debtor days

$$MB_n = ABF * (m/12) - \sum MB_n \text{ previously paid in the relevant Contract Year}$$

where:

MB _n	The Monthly Base Payment for Contract Month, 'n'
ABF	Annual Base Payment Forecast
m	Contract Month number in the relevant Contract Year, where [April] is 1, [May] is 2, etc.

3.2.2 Calculation of the Annual Base Payment Forecast

The Waste Services Contractor shall prepare an Initial Contract Waste Flow Forecast and Annual Base Payment Forecast and submit it to the Authority no later than [6 months] before the start of the Contract Year, in accordance with the provisions of Schedule [x] (Contract Waste Flow Forecast)². The Annual Base Payment Forecast shall be calculated in accordance with Paragraph 4 (Base Payment) of this Schedule 4 (Payment Mechanism) using the Initial Contract Waste Flow Forecast.

The Waste Services Contractor shall also prepare an Initial Annual Third Party Income Forecast and submit it to the Authority with its waste flow forecast. This shall be submitted in accordance with the provisions of Schedule [x] (Annual Third Party Income Forecast)³.

In accordance with the provisions of Schedule [x] (Contract Waste Flow Forecast) and Schedule [x] (Third Party Income Forecast), the Waste Services Contractor shall update the Initial Contract Waste Flow Forecast and Annual Base Payment Forecast and the Initial Annual Third Party Income Forecast from time to time as agreed by both parties and submit the updated versions to the Authority. Once agreed, the monthly invoice will be calculated on a basis consistent with the updated Contract Waste Flow Forecast and Annual Base Payment Forecast and the updated Annual Third Party Income Forecast. The updated versions should reflect all relevant information available [five] Business Days before the date the Monthly Service Report is due for the relevant Contract Month.

3.2.3 Calculation of the Monthly Third Party Income Deduction

The Monthly Third Party Income Deduction is calculated in accordance with the following formula:

$$MT_n = ATF * (M/12) - \sum MT_n \text{ previously paid in the relevant Contract Year}$$

where:

MT _n	The Monthly Third Party Income Deduction for Contract Month, 'n'
ATF	Annual Third Party Income Forecast
M	Contract Month number in the relevant Contract Year, where [April] is 1, [May] is 2, etc.

² Note to Bidders: To be developed at ISFT

³ Note to Bidders: To be developed at ISFT

3.2.4 Calculation of the Annual Third Party Income Forecast

The Initial Annual Third Party Income Forecast shall be calculated in accordance with the following formula:

$$\text{ATF} = [(\text{FTPRI} - \text{GTPRI}) * \text{SPR}] + [(\text{FTPEI} - \text{GTPEI}) * \text{SPE}] + [(\text{FTPFI} - \text{GTFPI}) * \text{SPH}] + [(\text{FTPI} - \text{GTPI}) * \text{SPT}]$$

Subject to where:

$$(\text{FTPRI} - \text{GTPRI}) \leq 0 \text{ then } (\text{FTPRI} - \text{GTPRI}) = 0$$

$$(\text{FTPFI} - \text{GTFPI}) \leq 0 \text{ then } (\text{FTPFI} - \text{GTFPI}) = 0$$

$$(\text{FTPEI} - \text{GTPEI}) \leq 0 \text{ then } (\text{FTPEI} - \text{GTPEI}) = 0$$

$$(\text{FTPI} - \text{GTPI}) \leq 0 \text{ then } (\text{FTPI} - \text{GTPI}) = 0$$

where:

FTPRI	Forecast Recyclables Income in the relevant Contract Year
GTPRI	Guaranteed Recyclables Income in the relevant Contract Year
FTPEI	Forecast Electricity Income for the relevant Contract Year
GTPEI	Guaranteed Electricity Income for the relevant Contract Year
FTPFI	Forecast Heat Income in the relevant Contract Year
GTFPI	Guaranteed Heat Income in the relevant Contract Year
FTPI	Forecast Third Party Waste Income in the relevant Contract Year
GTPI	Guaranteed Third Party Waste Income in the relevant Contract Year
SPR	Recyclables Income Share Percentage
SPE	Electricity Income Share Percentage
SPH	Heat Income Share Percentage
SPT	Third Party Waste Income Share Percentage

3.3 Calculation of the Annual Reconciliation Payment

The Annual Reconciliation Payment shall be calculated in accordance with the following formula:

$$\text{ARP} = - \text{D} - \text{TPR} - \text{R} + \text{BPR} + \text{LTP} - \text{EP}$$

where:

ARP	Annual Reconciliation Payment under the Waste Services Contract
D	Diversion Performance Deductions calculated in accordance with Paragraph 5
TPR	Third Party Income Reconciliation Amount calculated in accordance with Paragraph 3.3.2

R	Recycling and Composting Adjustment calculated in accordance with paragraph 11
BPR	Base Payment Reconciliation Amount
LTP	Landfill Tax Payment calculated in accordance with Paragraph 3.3.3
EP	Excess Profit Share calculated in accordance with Paragraph 10

3.3.1 Calculation of the Base Payment Reconciliation Amount

The Waste Services Contractor shall calculate the Final Contract Waste Flow and Final Annual Base Payment no later than **[timing to be agreed]**, after the end of the Contract Year, which will reflect the agreed actual figures for the relevant Contract Year. The difference between the Final Annual Base Payment and the sum of the Monthly Base Payments for that relevant Contract Year (the Base Payment Reconciliation Amount) shall be added to or subtracted from the Annual Reconciliation Payment in accordance with paragraph 3.3.

The Base Payment Reconciliation Amount shall be calculated in accordance with the following formula:

$$\text{BPR} = \text{FAB} - \sum \text{MB}_n \text{ during the Contract Year}$$

where:

FAB	The Final Annual Base Payment, calculated in accordance with Paragraph 4 (Base Payment) using the Final Contract Waste Flow data
MB _n	The Monthly Base Payment for Contract Month, 'n'

3.3.2 Calculation of the Third Party Income Reconciliation Amount

The Waste Services Contractor shall calculate the Final Third Party Income Forecast and Final Annual Third Party Income Deduction no later than **[timing to be agreed]**, after the end of the Contract Year, which will reflect the agreed actual figures for the relevant Contract Year. The difference between the Final Annual Third Party Income Deduction and the sum of the Monthly Third Party Income Deductions for that relevant Contract Year (the Third Party Income Reconciliation Amount) shall be added to or subtracted from the Annual Reconciliation Payment in accordance with paragraph 3.3.

The Third Party Income Reconciliation Amount shall be calculated in accordance with the following formula:

$$\text{TPR} = \text{FATD} - \sum \text{MT}_n \text{ during the Contract Year}$$

where:

FATD	the Final Annual Third Party Income Deduction, calculated in accordance with Paragraph 9 (Third Party Income Deduction) using the Final Third Party Income Forecast
MT _n	the Monthly Third Party Income Deduction for Contract Month, 'n'

3.4 Calculation of the Landfill Tax Payment

The Landfill Tax Payment shall be calculated in accordance with the following formula:

$$\text{LTP} = ((\text{AALTR} - \text{EALTR}) * \text{UT}) + (\text{LTS} * \text{LTSP})$$

where:

AALTR	The Actual Active Landfill Tax Rate
EALTR	The Expected Active Landfill Tax Rate
UT	The lower of the Target Landfill Tonnage and the Actual Landfill Tonnage
LTS	$(\text{EALTR} * \text{TLT}) - (\text{AALTR} * \text{ALT})$ subject to a minimum of £0
LTSP	Landfill Tax Sharing Percentage ⁴
ALT	Actual Landfill Tonnage
TLT	Target Landfill Tonnage calculated in accordance with paragraph 3.4.1

3.4.1 Calculation of the Target Landfill Tonnage

The Target Landfill Tonnage is calculated in accordance with the following formula:

$$\text{TLT} = \text{CWA} * \text{LPT}$$

Where:

CWA	Contract Waste Accepted in the relevant Contract Year
LPT	the Contract Waste Landfill Performance Target for the relevant Contract Year

⁴ Note to Bidders: At ISOS, Bidders are required to state their required Landfill Tax Sharing Percentage, though the Authority expects that this would be 100%.

4. Base Payment ("B")

4.1 Introduction

The Waste Services Contractor shall be entitled to be paid the Base Payment in each Contract Month following the Commencement Date. The Monthly Base Payment shall be calculated in accordance with Paragraph 4.2 to this Schedule (Payment Mechanism).

The Base Payment shall be calculated on the basis of that tonnage of Contract Waste Accepted by the Waste Services Contractor in a Contract Year in accordance with this Paragraph 4 to this Schedule 4 (Payment Mechanism). The Base Payment shall be subdivided into four constituent Service Categories, based in turn on the form in which that Contract Waste is accepted by the Waste Services Contractor. The four Service Categories, together with their Base Payment Elements are as follows:

- ▶ The Materials Recycling Service, remunerated through:
 - ▶ The Mixed Dry Recyclates (MDR) Base Payment
 - ▶ The Source Separated Recyclates (SSR) Income Payment
- ▶ The Organic Waste Service⁵, remunerated through:
 - ▶ The Mixed Organic Waste Base Payment
 - ▶ The Food Waste Base Payment
 - ▶ The Green Waste Base Payment
- ▶ The Residual Waste Service
- ▶ The HWRC Service

For each Service Category, the Authority will pay the Base Payment Element at the point at which such Contract Waste is Accepted by the Waste Services Contractor in accordance with Schedule [x] (Waste Acceptance Protocol). In doing so the following principles apply:

- ▶ The Authority requires that the Waste Services Contractor process such Contract Waste in the manner appropriate to its form of delivery. Where the Waste Services Contractor fails to do this it will assume the consequent financial risks in accordance with this Schedule 4 (Payment Mechanism) and will be liable to remedies under the Waste Services Contract.
- ▶ The Waste Services Contractor assumes ownership once a tonne of Contract Waste, be this MDR, SSR, Mixed Organic Waste, Food Waste, Green Waste, Residual Waste or HWRC Tonnages (as the case may be) is received.

⁵ Note to Bidders: The Base Payment Elements of the Organic Waste Service are included for illustrative purposes. At this ISOS stage, Bidders are expected to develop their own Base Payment Elements, ensuring that these are aligned with the proposed technology solutions for various sources of Organic Waste.

Base Payment ("B")

- ▶ The Authority shall only pay once for each tonne of Contract Waste Accepted, be this MDR, SSR, Mixed Organic, Food Waste, Green Waste, Residual Waste or HWRC Tonnages (as the case may be). In accordance with Schedule [x] (Waste Acceptance Protocol), in the event that that a tonne (or part thereof) of Contract Waste is delivered that does not meet the acceptance criteria relevant to that tonne (for example in terms of contamination of an MDR tonne), this tonne (or part thereof) shall be reclassified as Residual Waste and the Residual Waste Base Payment shall be due in respect of this tonne (or part thereof). Should the Waste Services Contractor anticipate that certain elements may be processed more than once, this should be taken account of in the Base Payment relevant to the tonne of Contract Waste Accepted. In the event that that a tonne (or part thereof) is delivered that is not Contract Waste, the costs associated with disposing of this tonnage shall be dealt with under paragraph 13 of this Schedule 4 (Payment Mechanism).
- ▶ The Authority requires that each element of the Base Payment is priced to fully reflect the costs of service provision, including an apportionment of debt costs and shareholder return. The Authority will not guarantee tonnages of MDR, SSR, Mixed Organic Waste, Food Waste, Green Waste, Residual Waste or HWRC Tonnages or their relative proportions within Contract Waste. The Base Payment relevant to the following elements of Contract Waste shall, however, be subject to maximum and minimum tonnages (in accordance with paragraphs 4.5 and 4.6 of this Schedule 4 (Payment Mechanism) in a Contract Year to allow the Waste Services Contractor to manage demand risk:
 - ▶ Mixed Dry Recyclates (Guaranteed Minimum Contract MDR Tonnage)
 - ▶ Organic Waste (Guaranteed Minimum Contract Organic Waste Tonnage)
 - ▶ Residual Waste (Guaranteed Minimum Contract Residual Waste Tonnage)
- ▶ The Authority expects the Waste Services Contractor to provide a guaranteed level of anticipated third party revenue arising from the treatment or processing of Contract Waste within the Base Case financial model and that this guaranteed level will be netted off against the relevant Base Payment Element from which it was derived.

Following the Commencement Date, where Contract Waste is not accepted by the Waste Services Contractor the Base Payment will be withheld in respect of those tonnes of Contract Waste Not Accepted and the Non Acceptance Deduction will apply in respect of all tonnages of Contract Waste Not Accepted in accordance with Paragraph [8] to this Schedule 4 (Payment Mechanism).

4.2 Calculation of the Base Payment

The Base Payment under the Waste Services Contract shall be calculated in accordance with the following formula:

$$B = RB + OWB + RESB + HB$$

where:

B	The Base Payment
RB	The Recycling Base Payment

Base Payment ("B")

OWB	The Organic Waste Base Payment
RESB	The Residual Waste Base Payment
HB	The HWRC Base Payment

4.2.1 Calculation of the Recycling Base Payment

The Recycling Base Payment is calculated in accordance with the following formula:

$$RB = MDRB - SSRB$$

where:

MDRB	$\sum(BTMDR_n * BPMDR_n)$
SSRB	$\sum((BTSSR_n * BPSSR_n) - SSRM)$

where:

BTMDR _n	The tonnage of Contract Waste Accepted that is Mixed Dry Recyclables (MDR) tonnage in the relevant Contract Year falling within Base Price Payment Band 'n', as set out at Bid Form [5]
BPMDR _n	The relevant Base Price per MDR tonne for Base Price Payment Band 'n', as set out in Bid Form [5]
BTSSR _n	The tonnage of Contract Waste Accepted that is Source Segregated Recyclates (SSR) tonnage in the relevant Contract Year
BPSSR _n	The Base Revenue per SSR tonne, as set out in Bid Form [5]
SSRM	The SSR Annual Management Charge as set out in Bid Form [7]

The Authority requires the Waste Services Contractor to guarantee a blended price per tonne for MDR recycled and to offset such income on a per tonne basis against the Base Price per MDR tonne. The Authority will expect details of all income received to be provided by the Waste Services Contractor on a transparent and open book basis. For the avoidance of doubt, the Authority expects the Waste Services Contractor to price on the basis of accepting composition risk for those MDR tonnes accepted. The Authority intends to manage the Waste Service Contractor's exposure to volume risk through the Guaranteed Minimum Contract MDR Tonnage provisions in accordance with paragraph [4.6] of this Schedule 4 (Payment Mechanism). Bidders are required to complete Bid Form [25] in respect of assumed MDR composition and prices for individual MDR components.

The Authority requires the Waste Services Contractor to guarantee a blended revenue figure per tonne for SSR recycled. For the avoidance of doubt the Authority expects the Waste Services Contractor to price on the basis of accepting composition risk for those SSR tonnes accepted. Bidders are required to complete Bid Form [25] in respect of assumed SSR composition and prices for individual SSR components. The Authority shall pay the SSR Annual Management Charge, which is intended to reimburse Bidders' costs of managing the SSR service.

If Bidders' proposals are deemed not to offer good value for money then the Authority reserves the right to have the prices for SSR and MDR market tested at regular intervals with any revenues offset against the Unitary Charge.

4.2.2 Calculation of the Organic Waste Base Payment

The Organic Waste Base Payment is calculated in accordance with the following formula:

$$\text{OWB} = \text{MOB} + \text{FWB} + \text{GWB}$$

where:

$$\text{MOB} = \sum (\text{BTMO}_n * \text{BPMO}_n)$$

$$\text{FWB} = \sum (\text{BTF}_n * \text{BPF}_n)$$

$$\text{GWB} = \sum (\text{BTGW}_n * \text{BPGW}_n)$$

where:

MOB Mixed Organic Base Payment

FWB Food Waste Base Payment

GWB Green Waste Base Payment

BTMO_n The tonnage of Contract Waste Accepted that is Mixed Organic Waste tonnage in the relevant Contract Year falling within Base Price Payment Band 'n', as set out at Bid Form [5]

BPMO_n The relevant Base Price per Mixed Organic Waste tonne for Base Price Payment Band 'n', as set out in Bid Form [5]

BTF_n The tonnage of Contract Waste Accepted that is Food Waste tonnage in the relevant Contract Year falling within Base Price Payment Band 'n', as set out at Bid Form [5]

BPF_n The relevant Base Price per Food Waste tonne for Base Price Payment Band 'n', as set out in Bid Form [5]

BTGW_n The tonnage of Contract Waste Accepted that is Green Waste tonnage in the relevant Contract Year falling within Base Price Payment Band 'n', as set out at Bid Form [5]

BPGW_n The relevant Base Price per Green Waste tonne for Base Price Payment Band 'n', as set out in Bid Form [5]

The Authority intends to manage the Waste Service Contractor's exposure to volume risk through the Guaranteed Minimum Contract Organic Waste Tonnage in accordance with paragraph [4.6] of this Schedule 4 (Payment Mechanism).

Where Third Party Income is expected to originate from the Organic Waste Service, and this income is guaranteed by the Waste Service Contractor within the Base Case financial model, the Authority expects the income to be netted off against the relevant Base Price per tonne for each Base Payment Element. Details of any third party revenues arising from the Organic Waste Service will be provided to the Authority on a transparent and open book basis.

4.2.3 Calculation of the Residual Waste Base Payment

The Residual Waste Base Payment is calculated in accordance with the following formula:

Base Payment ("B")

$$\mathbf{BRES = \sum (BTRES_n * BPRES_n)}$$

where:

BTRES_n The tonnage of Contract Waste Accepted that is Residual Waste tonnage in the relevant Contract Year falling within Base Price Payment Band 'n', as set out at Bid Form [5]

BPRES_n The relevant Base Price per Residual Waste tonne for Base Price Payment Band 'n', as set out in Bid Form [5]

The Authority intends to manage the Waste Service Contractor's exposure to volume risk through the Guaranteed Minimum Contract Residual Waste Tonnage provisions in accordance with paragraph [4.6] of this Schedule 4 (Payment Mechanism).

Where Third Party Income is expected to originate from the Residual Waste Service, and this income is guaranteed by the Waste Service Contractor within the Base Case financial model, the Authority expects the income to be netted off against the relevant Residual Waste Base Payment.

Details of any third party revenues arising from the Residual Waste Service will be provided to the Authority on a transparent and open book basis.

4.2.4 Calculation of the HWRC Base Payment

The HWRC Base Payment shall comprise two components:

- ▶ An annual management fee (HWRC Management Payment) that shall recompense the Waste Services Contractor for the costs of operating and managing the HWRC Service. Where the HWRC Service or part of the HWRC Service is unavailable, a performance deduction shall be levied under the Performance Management Framework.
- ▶ A tonnage based payment (Base Price per HWRC Waste tonne) that shall recompense the Waste Services Contractor the costs of treating and/or disposing of that HWRC tonne. For the avoidance of doubt:
 - ▶ The Base Price per HWRC Waste Tonne shall represent full and final settlement of the acceptance of HWRC tonnes.
 - ▶ The Waste Services Contractor is expected to assume the risks associated with HWRC tonnage composition and destination / disposal route.

Details of any Third Party Income generated from the HWRC Service will be provided to the Authority on a transparent and open book basis and to the extent that such revenues are guaranteed by the Waste Service Contractor, these revenues will be netted off in deriving the HWRC Base Payment. The HWRC Base Payment is calculated in accordance with the following formula:

$$\mathbf{BH = BHM + (BTH * BPH_n)}$$

where:

BHM The HWRC Management Payment as set out at Bid Form [8]

BTH_n The tonnage of Contract Waste Accepted that is HWRC Tonnage in the relevant Contract Year falling within Base Price Payment Band 'n',

Base Payment ("B")

as set out at Bid Form [5]

BPH _n	The relevant Base Price per HWRC tonne for Base Price Payment Band 'n', as set out in Bid Form [5]
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Where the Waste Service Contractor has proposed an upgrade to any of the HWRC sites, the additional financing and operating costs associated with that upgrade should be included within the HWRC Management Payment. Such step up in the HWRC Management Payment will become payable on issuance of an Acceptance Test Certificate (or other alternative milestone as appropriate) for that particular site.

The Authority will not provide a guaranteed minimum tonnage in respect of HWRC Tonnage.

4.3 Phasing of the Base Payment prior to Full Service Commencement

The Waste Services Contractor will be responsible for the treatment and disposal of Contract Waste from the Commencement Date.

Between the Commencement Date and prior to Full Service Commencement (which shall be the later of those Full Service Commencement Dates applicable to the four Service Categories) the Waste Services Contractor shall provide the Interim Service in respect of each Service Category. During the Interim Service, the Authority is minded to offer an exclusivity arrangement over Contract Waste, but does not anticipate providing guaranteed minimum tonnages until the Full Service Commencement Date has been met for a particular Service Category.

For each Service Category, during the relevant Interim Service, the Interim Service Base Payment shall apply for each of the Base Payment Elements. The Base Price per tonne for each Base Payment Element for the Interim Service shall prevail until such time as an Acceptance Test Certificate has been issued for each Facility. Upon issuance of the Acceptance Test Certificate for each Facility, there shall be a transitional step up in the Base Payment Element for the Interim Service (a Price Adjustment Event), such step up reflecting the additional cost of service provision and an apportionment of the debt costs and shareholder return relative to the Facility. Full Service Commencement relevant to a Service Category will be achieved where all Acceptance Test Certificates relevant to that Service Category have been issued.

At ISDS, Bidders will be required to complete Bid Form [5] to this Schedule 4 (Payment Mechanism) setting out the proposed Interim Service Base Payment for each Base Payment Element, the anticipated timing of the Price Adjustment Event for each Facility, together with the proposed transitional step up in the Base Payment Element arising from the Price Adjustment Event culminating in Full Service Commencement.

By way of illustration, the Authority anticipates that the Interim Service Base Payment for Residual Waste will initially comprise a blended rate that reflects both the cost of landfill disposal and treatment through the existing Edmonton facility. A step up in the Interim Base Payment would occur upon issuance of an Acceptance Test Certificate for the first MBT Facility to be commissioned and a second step up in the Interim Base Payment would occur upon commissioning of the second MBT Facility. This approach is set out in detail in the table below:

Base Payment ("B")

Commencement Date	Residual Waste Interim Base Payment payable on Residual Waste Tonnage	Interim Service
MBT Facility 1 Readiness Test Certificate	Interim Service Residual Waste Base Payment (excluding Commissioning Tonnage); and Commissioning Payment on Commissioning Tonnage determined in accordance with Paragraph 14	Interim Service
MBT Facility 1 Acceptance Test Certificate	Price Adjustment Event - Interim Service Residual Waste Base Payment reflects revised mix of Interim Service Provision	Interim Service (transitional period)
MBT Facility 2 Readiness Test Certificate	Interim Service Residual Waste Base Payment (excluding Commissioning Tonnage); and Commissioning Payment on Commissioning Tonnage determined in accordance with Paragraph 14	Interim Service (transitional period)
MBT Facility 2 Acceptance Test Certificate	Price Adjustment Event - Residual Waste Base Payment reflects revised mix of Residual Waste Service provision	Residual Waste Full Service Commencement Date

4.4 Approach to delays in Waste Services Contract

Where the Price Adjustment Event Date is later than the Planned Price Adjustment Event Date for a specific Base Payment Element, the Price Adjustment Event shall be delayed and the existing Interim Service Base Payment per tonne shall continue to apply until such time as the Price Adjustment Event is achieved.

Where such delay in achieving the Price Adjustment Event:

- ▶ Is a Compensation Event under the terms of the Waste Services Contract, the Base Price per tonne shall be payable on the Price Adjustment Event Date and thereafter, but the Base Payment for that Base Payment Element shall be amended at Full Service Commencement such that the Waste Services Contractor is placed in a financially no better and no worse position than it would have been had the Price Adjustment Event occurred on the Planned Price Adjustment Event Date. Recycling and diversion performance obligations (which shall be date dependent rather dependent on the achievement of Price

Adjustment Events) shall be correspondingly excused. Such adjustment shall be calculated in accordance with Schedule [x] (Financial Adjustments)⁶.

- ▶ Is not a Compensation Event under the terms of the Waste Services Contract, the Base Price per tonne shall be payable on the Price Adjustment Event Date and thereafter. In addition to the above, the normal provisions of this Schedule 4 (Payment Mechanism) and Schedule [x] (Performance Management System) shall apply in full. For the avoidance of doubt, recycling and diversion performance obligations shall not be excused as a consequence of unexcused delays arising from events other than Compensation Events. Furthermore, the Waste Services Contractor will compensate the Authority for the consequential losses suffered by the Authority as a consequence of the delay in achieving the Price Adjustment Event. Such losses are anticipated to cover:
 - ▶ Any incremental costs borne by the Authority as a consequence of paying the Base Price per tonne prevailing prior to the Price Adjustment Event for a greater period of time. Where such incremental costs are negative (where a step-up in the Base Price per tonne is correspondingly delayed), this limb shall equal zero.
 - ▶ Loss of PFI revenue support (where relevant) as a consequence of the delayed Price Adjustment event correspondingly delaying Full Service Commencement.
 - ▶ Reasonable administration costs incurred by the Authority in respect of the above.
 - ▶ In the event that the Waste Services Contractor does not produce the Guaranteed Minimum SRF Tonnage (specified by the Authority in Bid Form [23]) from the date of service commencement of the Fuel Use Contract, the Authority will seek to recover any incremental costs borne in the Fuel Use Contract from the Waste Services Contractor. The mechanism by which this will be achieved is included within paragraph 12 (Interface Risk Adjustment) of this Schedule 4 (Payment Mechanism) and will be discussed with Bidders as part of the dialogue process. Bidders are required to indicate at ISDS stage the extent to which such liabilities will be capped and the basis for determining such cap..
- ▶ Is a function in part of both Compensation Events and other events, the Base Price per tonne shall be payable on the Price Adjustment Event Date and thereafter, but recycling and diversion performance obligations shall not be excused, and deductions shall be levied for consequential losses incurred, as a consequence of the period of delay not attributable to the Compensation Event. Similarly any amendment to the Base Payment at Full Service Commencement to place the Waste Services Contractor in a financially no better and no worse position shall take account only of that element of the delay attributable to the Compensation Event.
- ▶ In the event that a Price Adjustment Event is achieved earlier than the Planned Price Adjustment Date, the Authority reserves the right to pay the Base Price per tonne prevailing immediately prior to the Price Adjustment Event until the date of the Planned Price Adjustment Event.

⁶ Note to Bidders: To be developed at ISFT

4.5 Maximum Contract Waste Tonnage

The Authority anticipates that an annual maximum contract waste tonnage will apply from the Full Service Commencement Date in respect of the following:

- ▶ Mixed Dry Recyclates (Maximum Contract MDR Tonnage).
- ▶ Organic Waste (Maximum Contract Organic Waste Tonnage).
- ▶ Residual Waste (Maximum Contract Residual Waste Tonnage).

At the ISOS stage, in Bid Form [3], Bidders are required to propose these maximum values in each case, clearly stating the rationale for the respective maximum tonnages. The Authority does not expect that the relevant maximum contract waste tonnage in any Contract Year will be bid back at a level below the forecast of the relevant Contract Waste Tonnage provided by the Authority at the ISOS stage.

In the event that the Authority wishes to deliver more MDR tonnage, Organic Waste tonnage and/or Residual Waste tonnage to the Waste Services Contractor than the relevant maximum contract waste tonnage in any Contract Year, the Waste Services Contractor shall use all reasonable endeavours to accept those tonnes of Contract Waste in excess of the relevant maximum contract waste tonnage. Any Contract Waste from the Authority accepted by the Waste Services Contractor in excess of the Maximum Contract Waste Tonnage will be Contract Waste. For such tonnes of Contract Waste the Authority shall pay:

- ▶ The Base Payment at the relevant Base Price Band applying up to the relevant Maximum Contract Waste Tonnage.
- ▶ Such incremental costs associated with the acceptance of Contract Waste in excess of the Maximum Contract Waste Tonnage agreed between the Authority and the Waste Services Contractor in advance.

For the avoidance of doubt, where the Authority delivers more than the maximum contract waste tonnage for any of the Service Categories identified above (Mixed Dry Recyclates, Organic Waste, Residual Waste) in any Contract Year and this tonnage is accepted by the Waste Services Contractor, the Waste Services Contractor will not be relieved of any obligations to meet diversion targets in respect of those tonnes delivered in excess of the Maximum Contract Waste Tonnage.

4.6 Minimum Contract Waste Tonnage

At the ISOS stage, In Bid Form [2], Bidders are required specify their proposed guaranteed minimum tonnage levels that will apply from the Full Service Commencement Date for each Service Category as follows:

- ▶ Mixed Dry Recyclates (Guaranteed Minimum Contract MDR Tonnage).
- ▶ Organic Waste (Guaranteed Minimum Contract Organic Waste Tonnage).
- ▶ Residual Waste (Guaranteed Minimum Contract Residual Waste Tonnage).

Bidders should note that the Authority is not minded to accept guaranteed minimum tonnage levels in any Contract Year greater than 70% of the relevant tonnages forecast in the Authority ISOS Contract Waste Model (Appendix 6 to the ISOS document) for that year. Where the Authority does not deliver the relevant

Base Payment ("B")

guaranteed minimum tonnage in a Contract Year, the provisions of clause [25.2] (Substitute Waste) and the following principles shall apply:

- ▶ The relevant guaranteed minimum tonnage in the relevant Contract Year shall be reduced on a tonne for tonne basis by the equivalent tonnage of Contract Waste that is MDR, Organic Waste or Residual Waste (as the case may be) not accepted in the relevant Contract Year.
- ▶ The payment by the Authority of the relevant constituent element of the Base Payment equivalent to the guaranteed minimum tonnage (subject to the above) shall be the Authority's sole compensation to the Waste Services Contractor for the delivery of Contract Waste that is MDR, Organic Waste or Residual Waste (as the case may be) less than the relevant guaranteed minimum tonnage.
- ▶ For the avoidance of doubt, the Authority has no obligations to deliver MDR, Organic Waste or Residual Waste in excess of the relevant guaranteed minimum tonnage.

During the Interim Service for each Service Category, the Authority will provide an exclusivity arrangement over Contract Waste but will not offer minimum tonnage guarantees.

5. Diversion Performance Deduction (“D”)

5.1 Diversion Performance Deduction

The Diversion Performance Deduction shall apply from the Commencement Date and shall be calculated in accordance with this Paragraph 5. The Diversion Performance Deduction levies deductions on the Waste Services Contractor in each Contract Year should tonnages in excess of the Target Biodegradable Landfill Tonnage be sent to landfill.

The Diversion Performance Deduction shall apply to all tonnages of Contract Waste including those amounts of Contract Waste Not Accepted referred to within paragraph 8 of this Schedule 4 (Payment Mechanism).

The Waste Services Contract Output Specification states the Authority’s minimum requirements in respect of the Target Biodegradable Landfill Tonnage. Bidders are required to bid back those elements necessary for the calibration of the mechanism in the form required in Bid Form [9], covering the period of the Interim Service and following Full Service Commencement, specifically:

- ▶ Deemed BMW content
- ▶ Landfill Performance Targets
- ▶ Biodegradable Landfill Adjustment Rate

In accordance with the principles underpinning the WIDP Residual Waste Procurement Pack Payment Mechanism, the Diversion Performance Deduction is intended to capture the BMW consequences of Contract Waste sent to landfill by the Waste Services Contractor.

Where the Authority’s minimum requirements in respect of diversion performance are breached, the Waste Services Contract specifies the regime by which such breaches may ultimately culminate in termination and specific triggers are referred to within limb [(p)] of the definition of Contractor Default.

5.2 Calculation of the Diversion Performance Deduction

The Diversion Performance Deduction under the Waste Services Contract will be calculated in accordance with the following formula:

$$D = ((ABL T - TBL T) * BLAR)$$

Subject to where ABLT is less than TBLT in the relevant Contract Year, ABLT – TBLT shall be deemed to be zero.

where:

ABL T	Actual Biodegradable Landfill Tonnage
TBL T	Target Biodegradable Landfill Tonnage calculated in accordance with paragraph 5.2.1
BLAR	Biodegradable Landfill Adjustment Rate as set out in Bid Form [9]

5.2.1 Target Biodegradable Landfill Tonnage

The Target Biodegradable Landfill Tonnage is calculated in accordance with the following formula:

$$\text{TBLT} = \sum(\text{CWP} * \text{DBMW} * \text{PLPT}) + (\text{CSNA}^7 * \text{DBMWS})$$

where:

CWP	The tonnage of Contract Waste Accepted that is MDR tonnage, SSR tonnage, Mixed Organic Waste tonnage, Food Waste tonnage, Green Waste tonnage, Residual Waste tonnage or HWRC Tonnage (as the case may be) in the relevant Contract Year
DBMW	Deemed BMW content of MDR tonnage, SSR tonnage, Mixed Organic Waste tonnage, Food Waste tonnage, Green Waste tonnage, Residual Waste tonnage or HWRC Tonnage (as the case may be) in the relevant Contract Year
PLPT	The MDR, SSR, Mixed Organic Waste, Food Waste, Green Waste, Residual Waste or HWRC (as the case may be) Landfill Performance Target referred to in Bid Form [9] for the relevant Contract Year
CSNA	Contract SRF Not Accepted by the Fuel Use Contractor and landfilled by the Waste Services Contractor
DBMWS	Deemed BMW Content of SRF

The Target Biodegradable Landfill Tonnage is intended to capture those tonnages of Contract Waste Accepted by the Waste Services Contractor and sent to landfill either prior to or after processing through one or more Facility.

In the context of the Waste Services Contract the BMW content of actual tonnages sent to landfill will vary according to the source of such landfill following the acceptance by the Waste Services Contractor of a tonne of Contract Waste, such landfill including (but not necessarily limited to):

- ▶ MDR rejects and residues;
- ▶ Mixed Organic Waste rejects and residues;
- ▶ Residual Waste arising from MBT process rejects and residues;
- ▶ HWRC Waste rejects and residues which cannot be processed;
- ▶ landfill by the Waste Services Contractor of Contract SRF Not Accepted by the Fuel Use Contractor (but which for the avoidance of doubt meets the Fuel Specification); and
- ▶ untreated Contract Waste Accepted by the Waste Services Contract and landfilled without further processing.

⁷ Note to Bidders: To be determined following the end of the relevant Contract Year

Diversion Performance Deduction (“D”)

In each case the Authority requires Bidders to propose (in Bid Form [9]), the deemed BMW content of such landfill tonnage.

6. Performance Deductions (“P”)

6.1 Performance Deductions

The Authority shall be entitled to make Performance Deductions in accordance with this paragraph 6 of Schedule [4] (Payment Mechanism), in respect of each Contract Month following the Commencement Date pursuant to paragraph [X] of Schedule [x] (Performance Measurement Framework).

The Performance Deductions shall be deducted from the Monthly Unitary Charge Payment in the first Contract Month following the Contract Month in which the deductions calculated pursuant to Schedule [x] (Performance Measurement Framework) are quantified.

6.2 Calculation of Performance Deductions

The Performance Deductions for each Contract Month shall be calculated with reference to the relevant Performance Measurement Framework using the following formula:

$$PD = \sum (PSF_n * PDF_n)$$

where:

PSF _n	The number of Performance Standard Failures in Performance Deduction Category ‘n’
PDF _n	The Performance Deduction per Performance Standard Failure in Performance Deduction Category ‘n’

The Authority does not intend that Performance Deductions will be subject to a cap. Where Bidders require a cap in such deduction, they should indicate the level of any proposed cap (the Performance Deductions Cap), such that the Performance Deductions levied by the Authority in each Contract Year shall not exceed the Performance Deductions Cap. The Authority requires that any cap be subject to uplift in accordance with the Indexation provisions of paragraph 15 of this Schedule 4 (Payment Mechanism). Bidders are reminded that the Authority will take into account the extent of any proposed cap within its evaluation of bids.

It should be noted that the Authority reserves the right to amend its other remedies (either through the Performance Management Framework or Waste Services Contract) including termination triggers for persistently high levels of Performance Deductions in the context of a Bidder’s proposed Performance Deductions Cap.

7. Mileage Adjustment (“M”)

7.1 Mileage Adjustment

The Authority shall be entitled to make Mileage Adjustments in accordance with this paragraph 7 of Schedule [4] (Payment Mechanism), in respect of each Contract Month following the Commencement Date. The Mileage Deduction compensates the:

- ▶ Authority for additional transport / haulage costs incurred in the event that the Authority (or its agent) is required to deliver Contract Waste to the Contingency Reception Point.
- ▶ Waste Services Contractor for additional transport / haulage costs incurred in the event that the Waste Services Contractor has to deliver Contract SRF to a Contingency Delivery Point.

Schedule [3] (Contractors Delivery Plan) will specify Contingency Reception Points and Contingency Delivery Points, additional mileage, and modes of transport relevant to each Contingency Reception Point and Contingency Delivery Point and such information will be provided for each WCA.

In accordance with Schedule [x] (Contingency Plan), the Waste Services Contractor will be expected to give a minimum of [twenty four] hours notice to the Authority that it requires Contract Waste to be delivered to one of the nominated Contingency Reception Points, in order to enable the WCA or its agents sufficient time to manage their collection and delivery operations. Where the minimum period of [twenty four] hours notice is given by the Waste Services Contractor, the Direct Additional Mileage will apply, reflecting the direct return distance from the Centroid to the Contingency Reception Point. If less than [twenty four] hours notice is given, the Indirect Additional Mileage will apply, reflecting the return journey distance from the Centroid to the Contingency Reception Point, but with travel deemed to be via the Reception Point on the outward journey.

Following the identification of the Fuel Use Contract Bidders’ Delivery Points and Contingency Delivery Points, the Authority will, in conjunction with Bidders for the Waste Services Contract examine appropriate transport approaches (be these road, rail or water) for delivery of the Contract SRF to the Fuel Use Contractor. Consequently, at ISDS (in Bid Form [20] the Authority:

- ▶ Will request haulage rates and daily fixed costs for the transport of Contract SRF to Delivery Points and Contingency Delivery Points once such distances and locations have been determined;
- ▶ Reserves the right to review this mechanism at subsequent stages of the Competitive Dialogue to better reflect specific transport solution associated costs;
- ▶ Will confirm haulage rates and daily fixed costs for the transport of Contract Waste to Contingency Reception Points once such distances and locations have been provided by the Waste Services Contractor; and
- ▶ Will determine the appropriate basis for indexing haulage rates and daily fixed cost based on the specific modes of transport agreed in the Contingency Plan.

The Mileage Adjustment shall be made to the Monthly Unitary Charge Payment in the first Contract Month following the Contract Month in which the deductions calculated pursuant to this paragraph 7 are quantified.

7.2 Calculation of the Mileage Adjustment

The Mileage Adjustment shall be calculated in accordance with the following formula:

$$M = M_c - M_D$$

where:

M	Waste Services Contract Mileage Adjustment
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M _C	Contract SRF Mileage Adjustment
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M _D	Contract Waste Mileage Adjustment
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and:

$$M_c = (TS_{DI} * AM_{DC} * HR_c) + (TS_{IN} * AM_{IC} * HR_c) + (FC_c * DD_c * NP_c)$$

$$M_D = (TA_{DI} * AM_{DD} * HR_D) + (TA_{IN} * AM_{ID} * HR_D) + (FC_D * DD_D * NP_D)$$

where:

TS _{DI}	The tonnage of Contract SRF Accepted at a Contingency Delivery Point by the Fuel Use Contractor for which the minimum [twenty four] hours notice period has been given to the Authority (or its agent)
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TS _{IN}	The tonnage of Contract SRF Accepted at a Contingency Delivery Point by the Fuel Use Contractor for which the minimum [twenty four] hours notice period has not been given to the Authority (or its agent)
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TA _{DI}	The tonnage of Contract Waste Accepted at a Contingency Reception Point by the Waste Services Contractor for which the minimum [twenty four] hours notice period has been given to the Authority (or its agent)
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TA _{IN}	The tonnage of Contract Waste Accepted at a Contingency Reception Point by the Waste Services Contractor for which the minimum [twenty four] hours notice period has not been given to the Authority (or its agent)
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AM _{DC}	The Contract SRF Direct Additional Mileage
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AM _{DD}	The Contract Waste Direct Additional Mileage
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AM _{IC}	The Contract SRF Indirect Additional Mileage
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AM _{ID}	The Contract Waste Indirect Additional Mileage
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HR _C	The relevant Contract SRF Haulage Rate for the Waste Services Contractor applicable to the relevant mode(s) of transport adopted.
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HR _D	The relevant Contact Waste Haulage Rate for the Authority applicable to the relevant mode(s) of transport adopted.
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Mileage Adjustment (“M”)

FC _C	The Contract SRF Daily Fixed Cost for the Waste Services Contractor
FC _D	The Contract Waste Daily Fixed Cost for the Authority
DD _C	The aggregate number of days during the Contract Year where a Waste Services Contractor vehicle has been redirected to a Contingency Delivery Point
DD _D	The aggregate number of days during the Contract Year where an Authority vehicle has been redirected to a Contingency Reception Point
NP _C	The aggregate number of Delivery Points from which vehicles carrying Contract Waste have been redirected during the Contract Year
NP _D	The aggregate number of Contingency Reception Points from which vehicles carrying Contract SRF have been redirected during the Contract Year

8. Non Acceptance Deduction ("N")

8.1 Non Acceptance Deduction

With effect from the Commencement Date, the Authority shall be entitled to apply Non Acceptance Deductions in accordance with this paragraph 8 of Schedule 4 (Payment Mechanism), in circumstances where the Waste Services Contractor has not accepted Contract Waste delivered to it in accordance with the provisions of Schedule [x] (Waste Acceptance Protocol).

The Authority shall be relieved of any obligation to pay the Base Payment in respect of the Contract Waste Not Accepted.

The Non Acceptance Deduction shall be deducted from the Monthly Unitary Charge Payment in the first Contract Month following the Contract Month in which the deductions calculated pursuant to this paragraph 8 of this Schedule 4 (Payment Mechanism) are quantified.

8.2 Calculation of the Non Acceptance Deduction

The Non Acceptance Deduction will compensate the Authority for the consequential losses suffered by the Authority as a consequence of the non acceptance by the Waste Services Contractor of Contract Waste. Such losses are anticipated to cover the cost to the Authority of:

- ▶ Disposing of Contract Waste that would otherwise have been accepted by the Waste Services Contractor. Such costs may be expected to include the cost to the Authority of landfill (including Landfill Tax, landfill gate fees, transport costs, LATS costs or foregone revenue from the sale of LATS surpluses) or costs of alternative disposal (third party facility gate fees and transport costs).
- ▶ Reasonable administration costs incurred by the Authority in respect of the above.
- ▶ Less the Base Payment that the Authority would otherwise have made in relation to the relevant tonnage of Contract Waste pursuant to this payment mechanism had such Contract Waste been accepted.

The Authority does not intend that Non Acceptance Deductions will be subject to a cap.

9. Third Party Income Deduction ("T")

9.1 Third Party Income Deduction

The Authority shall be entitled to apply the Third Party Income Deduction in accordance with this paragraph 9 of Schedule 4 (Payment Mechanism) in each Contract Year following the Commencement Date. The Monthly Third Party Income Deduction shall be calculated in accordance with Paragraph [3.2.3] of this Schedule 4 (Payment Mechanism).

Third Party Income is anticipated to arise from the following sources:

- ▶ Sale of recyclables following processing of MDR
- ▶ Sale of SSR
- ▶ Sale of electricity, including ROCs and LECs
- ▶ Sale of heat / steam and other benefits under the Renewables Heat Initiative or other related mechanisms
- ▶ Sale of surplus capacity to third parties

The Waste Services Contractor shall account for Third Party Income on an open book basis and at the end of each Contract Year will be expected to provide details to the Authority of any Third Party Income earned. For the avoidance of doubt, those details should comprise records relating to the individual sources of Third Party Income generated, including volumes and prices received for each source, the net costs associated with handling and processing any Third Party Waste, the types of material handled and the parties involved in dealing with such Third Party Waste.

The Waste Services Contractor shall use reasonable endeavours to maximise Third Party Income. The Waste Services Contractor will also be expected to determine the optimum energy mix associated with the offtake of relevant proportions of electricity or heat, having due regard to all associated benefits that accrue under both elements.

9.2 Calculation of the Third Party Income Deduction

The Third Party Income Deduction under the Waste Services Contract is calculated in accordance with the following formula:

$$T = TPRI + TPEI + TPHI + TPWI$$

where:

TPRI	The Authority's share of Recyclables Income generated in the relevant Contract Year, calculated in accordance with paragraph 9.3.
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TPEI	The Authority's share of Electricity Income generated in the relevant Contract Year, calculated in accordance with paragraph 9.4.
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TPHI The Authority's share of Heat Income generated in the relevant Contract Year, calculated in accordance with paragraph 9.5.

TPWI The Authority's share of Third Party Waste Income generated in the relevant Contract Year, calculated in accordance with paragraph 9.6.

9.3 The Authority's share of Recyclables Income

The Authority requires the Waste Services Contractor to guarantee a blended price per tonne for MDR recycled and to offset such income on a per tonne basis against the Base Price per MDR tonne.

The Authority requires the Waste Services Contractor to guarantee a blended price per tonne for SSR recycled, such income to be offset against the Recycling Base Payment calculated in accordance with paragraph 4.2.1 of this Schedule 4 (Payment Mechanism).

The Authority requires the Waste Services Contractor to guarantee a blended price per tonne for HWRC Tonnage recycled, such income to be offset against the HWRC Base Payment calculated in accordance with paragraph 4.2.4 of this Schedule 4 (Payment Mechanism).

The Authority requires the Waste Services Contractor to guarantee a blended price per tonne for Residual Waste recycled, such income to be offset against the Residual Waste Base Payment calculated in accordance with paragraph 4.2.3 of this Schedule 4 (Payment Mechanism).

Where the Waste Services Contractor generates additional income from the sale of Recyclables either via improved processing efficiency or prices per tonne above those guaranteed and underpinning the Recycling Base Payment, the Residual Waste Base Payment and/or the HWRC Base Payment as appropriate, the Authority's share of Recyclables Third Party Income under the Waste Services Contract is calculated in accordance with the following formula:

$$TPRI = (ATPRI - GTPRI) * SPR$$

Where:

ATPRI = actual Recyclable Income generated in the relevant Contract Year

GTPRI = (BTMDR * GPE_{MDR} * GP_{MDR}) + (BTSSR * BPSSR_N) + (BTRES * GPE_{RES} * GP_{RES})

Subject to where $(ATPRI - GTPRI) \leq 0$ then $TPRI = 0$

where:

BTMDR The tonnage of Contract Waste that is MDR Tonnage in the relevant Contract Year

GPE_{MDR} Guaranteed MDR Processing Efficiency as set out in Bid Form [13]

GP_{MDR} Guaranteed price per tonne of recyclables generated per MDR

	tonne as set out in Bid Form [11]
BTSSR	The tonnage of Contract Waste Accepted that is SSR Tonnage in the relevant Contract Year
BPSSR _N	The Base Revenue per SSR Tonne, as set out in Bid Form [11]
BTRES	The tonnage of Contract Waste Accepted that is Residual Waste Tonnage in the relevant Contract Year
GPE _{RES}	Guaranteed Residual Waste Processing Efficiency, as set out in Bid Form [13]
SPR	Recyclables Income Share Percentage
GP _{RES}	Guaranteed income per tonne of recycled Residual Waste

9.4 Calculation of the Authority's share of Electricity Income

The Authority requires the Waste Services Contractor to guarantee a price per MWh of electricity, ROCs, LECs, REGOs and other by-products generated from the processing of Organic Waste and/or Residual Waste and to offset such income on a per tonne basis against the relevant generation source, which is expected to be the Base Price per Mixed Organic Waste Tonne / Food Waste Tonne / Green Waste Tonne or Base Price per Residual Waste Tonne, as appropriate. The Waste Service Contractor should also refer to paragraph 4.2.1 of this Schedule 4 (Payment Mechanism).

Where the Waste Services Contractor generates additional income from the sale of electricity either via improved throughput of Contract Waste, better processing efficiency, prices per MWh above those guaranteed and underpinning the Base Payment or the inclusion of other unforeseen revenue sources derived from each Electricity Generating Tonne, the Authority's share of Electricity Income under the Waste Services Contract is calculated in accordance with the following formula:

$$\text{TPEI} = (\text{ATPEI} - \text{GTPEI}) * \text{SPE}$$

Subject to where $(\text{ATPEI} - \text{GTPEI}) \leq 0$ then $\text{TPEI} = 0$

Where:

ATPEI = Actual Electricity Income

GTPEI = (BTE * GPE * GPEMWh)

where:

BTE	The tonnage of Contract Waste that is Electricity Generating Tonnage (be this Mixed Organic Waste, Food Waste and/or Residual Waste Tonnage as the case may be) in the relevant Contract Year
GPE	Guaranteed MWh per Electricity Generating Tonne as set out in Bid Form [11]
GPEMWh	Guaranteed Electricity Price per MWh as set out in Bid Form [13]

9.5 Calculation of the Authority's share of Heat Income

The Authority requires the Waste Services Contractor to guarantee a price per MWh of heat generated from the processing of Organic Waste and/or Residual Waste and to offset such income on a per tonne basis against the relevant generation source, which is expected to be the Base Price per Mixed Organic Waste Tonne / Food Waste Tonne / Green Waste Tonne or Base Price per Residual Waste Tonne, as appropriate.

Where the Waste Services Contractor generates additional income from the sale of heat either via improved throughput of Contract Waste, better processing efficiency, prices per MWh above those guaranteed and underpinning the Base Payment, or the inclusion of other unforeseen revenue sources derived from each Heat Generating Tonne the Authority's share of Heat Income under the Waste Services Contract is calculated in accordance with the following formula:

$$\text{TPHI} = (\text{ATPHI} - \text{GTPHI}) * \text{SPH}$$

Subject to where $(\text{ATPHI} - \text{GTPHI}) \leq 0$ then $\text{TPHI} = 0$

where:

ATPHI = actual Heat Income

GTPHI = (BTH * GPH * GPHMWh)

where:

BTH	The tonnage of Contract Waste that is Heat Generating Tonnage (be this Mixed Organic Waste, Food Waste and/or Residual Waste Tonnage as the case may be) in the relevant Contract Year
GPH	Guaranteed MWh per Heat Generating Tonne as set out in Bid Form [11]
GPHMWh	Guaranteed Heat Price per MWh as set out in Bid Form [13]
SPH	Heat Income Share Percentage

9.6 Calculation of the Authority's share of Third Party Waste Income

The Authority's share of Third Party Waste Income under the Waste Services Contract is calculated in accordance with the following formula:

$$\text{TPS} = (\text{TPI} - \text{GTPI}) * \text{SPT}$$

Subject to where $(\text{TPI} - \text{GTPI}) \leq 0$ then $\text{TPS} = 0$

where:

TPI	Actual Third Party Waste Income in the relevant Contract Year less the actual costs of processing Contract SRF derived from Third Party Waste under the Fuel Use Contract.
GTPI	Guaranteed Third Party Waste Income in the relevant Contract Year less the actual costs of processing Contract SRF derived from Third Party Waste under the Fuel Use Contract as set out in Bid Form [12].
SPT	Third Party Waste Income Share Percentage

Where Third Party Income is expected to originate from the treatment of Third Party Waste, and this income is guaranteed by the Waste Service Contractor within the Base Case financial model, the Authority expects the income to be netted off against the relevant Base Price per tonne for each Base Payment Element. Details of any third party revenues arising from the treatment of Third Party Waste will be provided to the Authority on a transparent and open book basis.

Where the Waste Services Contractor substitutes Contract Waste with Third Party Waste in accordance with the provisions of paragraph 4.6 of this Schedule 4 (Payment Mechanism), such Third Party Waste Income arising from Substitute Waste shall be subtracted from TPI, but only to the extent that the sum of such Third Party Waste Income and the Base Payment paid by the Authority equals the Base Payment that would have been made had the guaranteed minimum contract waste tonnage been delivered.

Where the Waste Services Contractor accepts Third Party Waste, all reasonable endeavours should be used to ensure that the waste accepted is of a similar nature to Contract Waste so as to ensure greater certainty of output of SRF. In determining the tonnage of Contract SRF derived from Contract Waste and Third Party Waste for the purposes of adjustments under this Schedule 4 (Payment Mechanism), the Authority shall apply an average conversion factor (calculated on a basis consistent with the Guaranteed Conversion Factor, in turn determined in accordance with the provisions of paragraph 12 of this Schedule 4 (Payment Mechanism)) but based on a 24 month historical average of actual conversion of Residual Waste (that is the sum of Contract Waste and Third Party Waste) to Contract SRF achieved by the Waste Services Contractor. In the first two years of this contract, the Authority shall apply the Guaranteed Conversion Factor.

Where the Waste Services Contractor accepts Third Party Waste, the gate fee charged should be sufficient (as a minimum) to meet the Authority's costs of sending such Contract SRF derived from Third Party Waste to the Fuel Use Contractor.

The Authority is interested in exploring Bidders' alternative proposals for heat and electricity offtake, and consequent variations in gain sharing proposals, where these result in a demonstrable value for money enhancement to the Authority. As set out within the supplementary questions, at ISOS Bidders are requested to summarise alternative arrangements that they wish to develop further as part of the Competitive Dialogue process. Bidders should demonstrate the required changes to this Paragraph 9 (and other paragraphs as the case may be) as a consequence of such proposals. For the avoidance of doubt, the Authority retains absolute discretion over the acceptability of such proposals and Bidders are required to confirm acceptance of this Paragraph in the event that the Authority chooses not to explore such proposals at ISDS.

10. Excess Profit Share (“EP”)

The Excess Profit Share allows any additional profits generated by the Waste Services Contractor over and above those contained in the Base Case to be shared with the Authority. Excess profit is defined by reference to the cash flows to the shareholders of the Waste Services Contractor.

The Authority’s share of excess profits generated by the Waste Services Contractor shall be determined on the following basis:

- ▶ On each Payment Date, if Excess Cash Flow, at the end of the preceding Contract Year, is greater than the sum of all payments previously made into the Excess Cash Flow Account, at the end of the preceding Contract Year, then the Waste Services Contractor shall, within ten (10) Business Days pay into the Excess Cash Flow Account an amount equal to:
 - ▶ Excess Cash Flow, less
 - ▶ The sum of all payments previously made into the Excess Cash Flow Account

Subject to the paragraphs below, if the balance in the Excess Cash Flow Account is in excess of the Excess Cash Flow Account Limit on or after a Distribution Date then the Waste Services Contractor shall promptly notify the Authority and at any time within three (3) months after such Distribution Date, the Authority and the Waste Services Contractor shall each be entitled to withdraw from the Excess Cash Flow Account an amount equal to 50% of the amount by which the Excess Cash Flow Account Limit is exceeded. For the avoidance of doubt if either the Authority or the Waste Services Contractor withdraws their entitlement from the Excess Cash Flow Account the other Party must withdraw their entitlement.

- ▶ If at any time the Waste Services Contractor is in breach of the Default Level Cover Ratio then the Waste Services Contractor shall be entitled to withdraw from the Excess Cash Flow Account an amount equal to the amount required to restore the Waste Services Contractor to the Default Level Cover Ratio, provided that such an amount is agreed with the Authority. For the avoidance of doubt, any such amount withdrawn from the Excess Cash Flow Account cannot reduce the balance of the Excess Cash Flow Account below zero (0).
- ▶ At the earlier of the Termination Date or the Expiry Date, the Authority and the Waste Services Contractor shall be entitled to each withdraw from the Excess Cash Flow Account an amount equal to [fifty] per cent [50%] of the balance of the Excess Cash Flow Account.

11. Recycling and Composting Adjustment (“R”)

11.1 Recycling and Composting Adjustment

The objective of the Recycling and Composting Adjustment is to incentivise the Waste Services Contractor to meet its pre-determined recycling targets for Contract Waste that is MDR tonnage, SSR tonnage, Residual Waste tonnage, Mixed Organic Waste tonnage, Green Waste tonnage, Food Waste tonnage and HWRC Tonnage in order to enable the Authority to meet its overall recycling targets.

The Authority shall be entitled to make deductions in accordance with this paragraph 11 of Schedule [4] (Payment Mechanism), in respect of each Contract Year following the Commencement Date where the Waste Services Contractor has not met the targets set out below.

The Recycling and Composting Adjustment for the relevant Contract Year shall be determined in accordance with the following formula:

$$R = (CA + WHRA) * RPR$$

where:

R	the Recycling and Composting Adjustment for the relevant Contract Year
CA	the Waste Services Contractor Recycling and Composting Contribution Shortfall for the relevant Contract Year
WHRA	the HWRC Recycling and Composting Shortfall
RPR	Recycling and Composting Deduction Rate per tonne of Contract Waste

11.1.1 The Waste Services Contractor Recycling and Composting Contribution Shortfall

The Waste Services Contractor Recycling and Composting Contribution Shortfall for the relevant Contract Year shall be determined in accordance with the following formula:

$$CA = WCA - ((CWHR * ARCR_w))$$

Subject to $CA_w \geq 0$

where:

CWHR	the actual tonnage of Contract Waste during the relevant Contract Year less HWRC Tonnage
ARCR	the actual Recycling and Composting Rate for the relevant Contract Year arising from Contract Waste less HWRC Tonnage, expressed as a percentage
WCA	the WCA Recycling and Composting Contribution

11.1.2 The WCA Recycling and Composting Contribution

The WCA Recycling and Composting Contribution for the relevant Contract Year shall be determined in accordance with the following formula:

$$\text{WCA} = (\text{BTMDR}_A * \text{GPE}_{\text{MDR}}) + (\text{BTMO}_A * \text{GPE}_{\text{MO}}) + (\text{BTF}_A * \text{GPE}_{\text{FW}}) + \text{BTSSR}_A + \text{BTGW}_A + (\text{BTRES}_A * \text{GPE}_{\text{RES}})$$

where:

BTMDR _A	The actual tonnage of Contract Waste that is MDR tonnage delivered to the Waste Services Contractor for processing at the MRF Facilities
GPE _{MDR}	Guaranteed MDR Processing Efficiency
BTMO _A	The actual tonnage of Contract Waste that is Mixed Organic Waste tonnage delivered to the Waste Services Contractor for processing at the Mixed Organic Facilities within the Organic Waste Service
GPE _{MO}	Guaranteed Mixed Organic Waste Processing Efficiency
BTF _A	The actual tonnage of Contract Waste that is Food Waste tonnage delivered to the Waste Services Contractor for processing at the Food Waste Facilities within the Organic Waste Service
GPE _{FW}	Guaranteed Mixed Organic Waste Processing Efficiency
BTSSR _A	The actual tonnage of Contract Waste that is SSR tonnage delivered to the Waste Services Contractor for bulking up at the MRF Facilities or delivered direct to third party reprocessors with no bulking requirement
BTGW _A	The actual tonnage of Contract Waste that is Green Waste tonnage delivered direct to third party reprocessors or direct to the Waste Services Contractor for treatment as necessary
BTRES _A	The actual tonnage of Contract Waste that is Residual Waste tonnage delivered to the Waste Services Contractor for processing at the Residual Waste Facilities within the Residual Waste Service
GPE _{RES}	Guaranteed Residual Waste Processing Efficiency

11.1.3 The HWRC Recycling and Composting Shortfall

The HWRC Recycling and Composting Shortfall for the relevant Contract Year shall be determined in accordance with the following formula:

$$WHRA = BTH_A * (H_G - H_A)$$

Subject to where $(H_G - H_A) \leq 0$ then $WHRA = 0$

where:

BTH _A	The actual tonnage of Contract Waste that is HWRC Tonnage delivered to the Waste Services Contractor for processing at the HWRC Facilities within the HWRC Service
H _G	Guaranteed HWRC Recycling and Composting Rate and set out in Bid Form [13]
H _A	actual HWRC Recycling and Composting Rate for the relevant Contract Year

12. Interface Risk Adjustment (“IR”)

12.1 Interface Risk Adjustment

The Authority shall be entitled to apply the Interface Risk Adjustment in accordance with this paragraph 12 of Schedule [4] (Payment Mechanism), in respect of each Contract Month.

The objective of the Interface Risk Adjustment is as follows⁸:

- ▶ To compensate the Waste Services Contractor for any incremental disposal costs that have been incurred in respect of SRF Tonnage that is within the appropriate fuel specification but has not been accepted by the Fuel Use Contractor;
- ▶ To compensate the Authority where Contract SRF provided by the Waste Services Contractor is outside Fuel Specification parameters and this has been disposed of at a cost to the Authority by the Fuel Use Contractor.
- ▶ To compensate the Authority where Contract SRF provided by the Waste Services Contractor has an average calorific value of less than [12] MJ/kg or greater than [14] MJ/kg over a 12 month period. This limb is developed in greater detail in 12.2, below.
- ▶ To compensate the Authority where the Waste Services Contractor has failed to deliver the Guaranteed Minimum SRF Tonnage and the Authority has suffered a consequential loss.
- ▶ To compensate the Authority where the Waste Services Contractor has produced SRF Tonnage in excess of that dictated by the Guaranteed Conversation Factor with a resulting incremental cost to the Authority. This limb is developed in greater detail in 12.3, below.
- ▶ To compensate the Authority the costs of sending Contract SRF derived from Third Party Waste to the Fuel Use Contractor on behalf of the Waste Services Contractor.

12.2 Contract SRF Average CV Adjustment

The Fuel Use Contractor is required to accept Contract SRF with a calorific value of between [12] and [14] MJ/kg without change in the base price per tonne for a given tonnage band.

Where the annual average calorific value of Contract SRF is determined to be outside [12] to [14] MJ/kg (in accordance with the provisions of schedule [x]), but within 11 and 15 MJ/kg, the Contract SRF Average CV Adjustment shall apply

⁸ Note to Bidders: The Authority reserves the right to amend and/or supplement this mechanism for other Fuel Specification parameters through the Competitive Dialogue process.

12.2.1 Calculation of the Upward SRF Average CV Adjustment

In the event that Contract SRF CV is determined to be > [14] MJ/kg but ≤ 15 MJ/kg, the Authority shall recover from the Waste Services Contractor the Upward SRF Average CV Adjustment.

The Upward SRF Average CV Adjustment is calculated in accordance with the following formula:

$$\text{FSA} = (\text{ACV} - [14]) \times \text{CVU} \times \text{CSA}$$

Subject to: ACV > [14] MJ/kg; and ACV < 15 MJ/kg

where:

ACV	Actual Annual Average Calorific Value of Contract SRF determined in accordance with the provisions of Schedule [x] and measured in MJ/kg
CVU	Upward Calorific Value Adjustment Rate
CSA	Contract SRF Accepted by the Fuel Use Contractor in a Contract Year

12.2.2 Calculation of the Downward SRF Average CV Adjustment

In the event that Contract SRF CV is determined to be < [12] MJ/kg but ≥ 11 MJ/kg, the Authority shall recover from the Waste Services Contractor the Downward SRF Average CV Adjustment.

The Downward SRF Average CV Adjustment is calculated in accordance with the following formula:

$$\text{FSA} = (\text{ACV} - 11) \times \text{CVD} \times \text{CSA}$$

Subject to: ACV < [12] MJ/kg; and ACV ≥ 11 MJ/kg

where:

ACV	Actual Annual Average Calorific Value of Contract SRF determined in accordance with the provisions [x] and measured in MJ/kg
CVD	Downward Calorific Value Adjustment Rate
CSA	Contract SRF Accepted in a Contract Year

12.3 Mass Reduction Adjustment

The Authority expects the Waste Services Contractor to guarantee a level of mass reduction in the processing of Contract Waste and Third Party Waste to produce SRF Tonnage:

- ▶ Where tonnages in excess of the Guaranteed Maximum SRF Tonnage are generated and where Contract SRF tonnage is less than the Maximum Contract SRF Tonnage for that year, then the Authority shall levy a deduction on the Waste Services Contractor to recover such additional marginal costs incurred in the Fuel Use Contract
- ▶ Where tonnages in excess of the Guaranteed Maximum SRF Tonnage are generated and where Contract SRF tonnage is greater than the Maximum Contract SRF Tonnage for the relevant Contract Year, for those tonnages not accepted by the Fuel Use Contractor, the Waste Services Contractor shall be responsible for disposal, and the Mass Reduction Adjustment shall not be applied to those tonnages where the Waste Services Contractor is responsible for the incremental costs of disposal.
- ▶ Where tonnages in excess of the Guaranteed Maximum SRF Tonnage are generated and where Contract SRF tonnage is below the Guaranteed Minimum Contract SRF Tonnage, the Mass Reduction Adjustment shall not be applied to those tonnages where the Waste Services Contractor is responsible for mitigating the Authority’s financial loss.

12.3.1 Calculation of the Mass Reduction Adjustment

The Mass Reduction Adjustment for the relevant Contract Year shall be determined in accordance with the following formula:

$$\text{MRA} = (\text{Actual SRF Tonnage} - \text{GMST}) * \text{MRDR}$$

Where:

$$\text{GMST} = \text{ARWT} * \text{GCF}$$

Where:

MRA	Mass Reduction Adjustment
GMST	Guaranteed Maximum SRF Tonnage for the relevant Contract Year
MRDR	Mass Reduction Deduction Rate
ARWT	actual Residual Waste tonnage (being Contract Waste and Third Party Waste) for the relevant Contract Year
GCC	Guaranteed Conversion Factor

13. Other Components (“OC”)

The payment of Other Components within the Unitary Charge reflects certain miscellaneous payments that are indirectly related to the service provision, though are generally project specific in nature.

The Other Components shall be added to / deducted from the Monthly Unitary Charge Payment in the first Contract Month following the Contract Month in which the additions / deductions calculated pursuant to this paragraph 10 of this Schedule 4 (Payment Mechanism) are quantified.

Other Components shall be calculated in accordance with the following formula:

$$\text{OC} = \text{NNDR} + \text{SLC} + \text{IP} + \text{AHW} + \text{Others}$$

where:

NNDR	The national non-domestic rates
SLC	site lease costs including any relevant stamp duty land tax
IP	Changes in Insurance Premia calculated in accordance with Clause [x]
AHW	Ad Hoc Waste Payment ⁹
[Others]	[Others to be added]

⁹Note to Bidders: Bidders are invited to specify waste types where separate treatment as ad hoc waste streams may improve value for money

14. Commissioning Payment (“C”)

Prior to Full Service Commencement, the Waste Services Contractor shall be paid for any Contract Waste it accepts at a Facility for the purposes of commissioning that Facility. Commissioning Tonnage can be provided to any of the Facilities that comprise the four Service Categories.

- ▶ The Commissioning Payment will apply after the Readiness Test Certificate has been issued by the Independent Certifier.
- ▶ The payment to the Waste Services Contractor during the commissioning period is defined by reference to the relevant Base Payment Element. The Base Payment Ramp Up factor is calibrated so that the Commissioning Payment reflects the operating cost incurred by the Waste Services Contractor, subject to this being no higher than the avoided to the Authority as a result of sending the Contract Waste to the Waste Services Contractor during the commissioning period.
- ▶ Performance Standards and payment mechanism elements will be reviewed on a case by case basis with Bidders to determine to what extent they will apply during the commissioning period.
- ▶ The full Base Payment Element will fall due in accordance with Paragraph 4.2 of this Schedule 4 (Payment Mechanism) when all of the Facilities within a Service Category have achieved their Acceptance Test Certificate triggering Full Service Commencement.

14.1 Calculation of the Commissioning Payment

The Commissioning Payment for the Waste Services Contract shall be calculated in accordance with the following formula:

$$C = (B * RU)$$

where:

B	The Base Payment applying to each Base Payment Element, which shall be calculated in accordance with paragraph 4 (save that such calculation shall apply during the commissioning period for Commissioning Tonnage)
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RU	The Base Payment Ramp Up determined in accordance with paragraph 14.1.1
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14.1.1 Base Payment Ramp Up

The Base Payment Ramp Up factor for a Base Payment Element should reflect the increase in Services as Facilities within a Service Category are issued with Readiness Test Certificates and Acceptance Test Certificates. Prior to the issue of the final Acceptance Test Certificate for a Service Category, the Base Payment Ramp Up shall be calculated as follows:

Commissioning Payment (“C”)

$$RU = \sum(RC + AC)$$

where:

RC	The relevant percentage of the Base Payment Element attributable to each Facility ‘x’ from the date of issue of the Readiness Test Certificate as set out in Bid Form [5]
AC	The relevant percentage of the Base Payment Element attributable to each Facility ‘x’ from the date of issue of the Acceptance Test Certificate as set out in Bid Form [5]

From the date of issue of the Acceptance Test Certificate relating to the last Facility within each Service Category, the Base Payment Ramp Up shall equal zero.

15. Indexation provisions

Components of the Unitary Charge under the Waste Services Contract shall be subject to indexation, as follows¹⁰:

[Generic drafting to be refined for sub-components of the Base Payment]

Component of the Unitary Charge	Index to be used
Base Payment Price Band 1	Base Payment Index
Base Payment subsequent bands	Full Indexation Factor
Diversion Performance Deduction	Full Indexation Factor
Performance Deductions	Full Indexation Factor
Mileage Deductions	Full Indexation Factor ¹¹
non availability deductions	Full Indexation Factor
Third Party Income Deduction	None
Recycling and Composting Adjustment	Full Indexation Factor
pass through costs	[Component Specific]

15.1 Base Payment Index

The Base Payment Index shall be calculated in accordance with the following formula:

$$I_1 = [I_2 * (1 - FP)] + FP$$

where:

I1	Base Payment Index for the relevant Contract Year
I2	Full Indexation Factor for the relevant Contract Year
FP	Fixed Proportion of the Base Payment which shall be [bid back] %

15.2 Full Indexation

The Full Indexation Factor for the Contract Year y represents the increase or decrease in RPIx over the period since the Base Date and shall be calculated as follows:

$$I_2 = \frac{RPI_{y-1}}{RPI_{base}}$$

where:

¹⁰ Note to Bidders: In accordance with the ISOS instructions the Authority's strong preference is for the application of indexation based upon RPIx. Bidders are invited to offer alternative proposals only where these are clearly demonstrated to offer better value for money for the Authority.

¹¹ Note to Bidders: The Authority reserves its right to vary the indexation provisions in respect of Mileage Deductions, applying a basket of indices where appropriate.

I2	The Full Indexation Factor for the relevant Contract Year
RPIy-1	The value published for RPIx for the [February] immediately preceding Contract Year y
RPIbase	The value published for RPIx at [1 April 2011] which shall be the cost base date of the revenues in the Base Date

The Full Indexation Factor should be applied from the relevant Indexation Date.

15.3 Forecast Index

For the purposes of calculating indexation pursuant to this paragraph 15 where the relevant Index has not been published by the February preceding the relevant Indexation Date then:

- ▶ A forecast of the relevant Index shall be used in replacement for the relevant Index.
- ▶ Within [20] Business Days of the Index Publication Date, the Full Indexation Factor for the relevant Contract Year shall be recalculated, using the published index rather than the Forecast Index, and the relevant Indexable Items shall be adjusted for the period from the relevant Indexation Date to the Index Publication Date.
- ▶ If the amount of the Monthly Base Payment paid by the Authority in respect of the relevant period is either in excess of or less than the amount which would have been paid had RPIx or the relevant specific Index for the month of [February] in the relevant review period been published, an amount equal to the shortfall or excess shall be added to or deducted from the first or succeeding Monthly Base Payment which follows the recalculation pursuant to this paragraph 15.

15.4 Changes to Indices Affecting any Indexation Factor

- ▶ If there is a material change in the nature or basis of any Index, or if any Index is discontinued, the Parties shall seek to agree upon an alternative to that Index which as closely replicates the relevant Index as is possible, and such consequential changes shall be made to the calculations provided for in this paragraph 15 as are necessary to ensure that all payments to be made pursuant to this Waste Services Contract shall be the same as if such change had not occurred. Any dispute regarding changes to the Index and/or calculations may be referred by either Party to the Disputes Resolution Procedure.
- ▶ If any error or mistake shall occur in the publication for the figures for the relevant Index which have been used at any time in any calculation pursuant to this Schedule which is subsequently duly acknowledged and corrected by the Office of National Statistics or the relevant body with responsibility for the publication of such Index, the calculations in which the incorrect figures were used for the adjustments of any part of the Monthly Unitary Charge shall be recalculated using the correct figures. Any dispute regarding the recalculations pursuant to this paragraph 15 may be referred at the request by either Party to the Disputes Resolution Procedure. Any overpayment or underpayment by either Party to the other which has occurred as a result of the incorrect figures shall be paid or repaid by the Party to the other within [7] Business Days of the recalculation being agreed or determined (as the case may be).