

Schedule 2

Programme Management and Change Procedure

Part 1: Authority Policies and Procedures

1. Overview

- 1.1 This Schedule specifies the Authority's Programme Control Procedures ("PCPs") and Engineering Procedures and Financial Procedures. PCPs and Engineering Procedures and Financial Procedures are collectively referred to as the "**Authority Policies and Procedures**".
- 1.2 The Authority Policies and Procedures set the framework within which the Contractor and the Authority are obliged to work. Where there is a conflict between the provisions of the Contract and the provisions of any of the Authority Policies and Procedures, the provisions of the Contract shall take precedence save as expressly agreed in writing between the Parties.
- 1.3 The Contractor shall produce, maintain and adhere to Internal Procedures which implement and comply with the Authority Policies and Procedures.

2. Authority Programme Control Procedures (PCP's)

The PCPs are listed below (these are available on the Authority's website):

PCP-01	Work Breakdown Structures
PCP-01-01	Programme Summary Work Breakdown Structure Dictionary & Guidelines
PCP-02	Not Used
PCP-02-01	Lifecycle Baseline and Near Term Work Plan Electronic Data Submission
PCP-03	Not Used
PCP-04	Charging Practices
PCP-05	Change Control
PCP-06	Not Used
PCP-07	Lifetime Plan
PCP-08	Funds Management

PCP-09	Cost Estimating
PCP-10	Risk Management
PCP-11 Rev 2	Scheduling
PCP-12	Not Used
PCP-13	Progress Reporting and Reviews (to be revised to include reporting requirements agreed between Parties)
PCP-13-01	Progress Reporting Electronic Data Submission
PCP-14	Not Used
PCP-15	Contingency
FCP1	NDA Accounting Manual
FNP 01	NDA Accounting Policies
FNP 02	NDA Site Licence Company Accounting and Reporting Procedures for Non-UK AEA Managed Sites
Internal Audit	
ADP02	Governance and Assurance Policy

3. Engineering Procedures

The Engineering Procedures are listed below (these are available on the Authority's website):

EGPR02	NDA Prioritisation Procedure
EGPR10	Procedure for Analysing, Developing, Monitoring and Evaluating Skills
EGPR11	Knowledge Management Policy
EGPR12	Intellectual Property Policy and Strategy
EGPR09	Application of CT-14
ENG01	Specification for the Content and Format of a Site Integrated Waste Strategy
ENG02	Companion Document to Integrated Waste Strategy Specification

EGG01	Waste and Nuclear Materials Strategy Lifetime Plan Guidance
EGG02	Asset Care Guidance Note
EGG04	Annual Lifetime Plan Requirements Document
EGG06	Requirements for Inclusion, Presentation and Control of Hazard Baselineing with LTPs
HSG01	Regulatory Schedule Guidance Note
SCG01	Guidance Note for Determining the Security Requirements for inclusion in Lifetime Plans

4. Contractors Internal Procedures

- 4.1 The Authority may, subject to Part 3 (Setting the LTP and Change Control) of Schedule 2 (Programme Management and Change Procedure), revise and re-issue any of the Authority Policies and Procedures at any time. The Authority also reserves the right to add documents to or remove documents from the lists of the Authority Policies and Procedures in Paragraphs 2 (Authority Programme Control Procedures) and 3 (Engineering Procedures) above. If the Authority revises or adds or removes any Authority Procedure it shall notify the Contractor within 10 Working Days.
- 4.2 In the event that the Authority revises and re-issues any of the Authority Policies and Procedures, the Contractor shall revise and re-issue any affected Internal Procedures within 20 Working Days of the revision to the Authority Policies and Procedures. The Contractor will also subsequently maintain and adhere to such revised Internal Procedures.
- 4.3 The Contractor will not be obliged to comply with any part of any of the Authority Policies and Procedures which is in contravention of any Law or Regulatory Requirement.

5. Authority Reviews

The Authority shall be entitled at any time, acting reasonably, to review the Contractor's compliance with the Authority Policies and Procedures. Such reviews will be carried out in accordance with the provisions of NDA Programme Control Procedure Work Instruction No. 14 (PCPWI-14). If the outcome of the review is that the Contractor is failing to comply with the Authority Policies and Procedures, the Contractor shall correct that failure as soon as possible.

Part 2: CT-14 (Project Validation and Financial Sanction)

The version of CT-14 in force from time to time, the current version of which is attached hereto.

Schedule 2

Programme Management and Change Procedure

Part 3: Setting the LTP and Change Control

1. Purpose

- 1.1 This Schedule 2 Part 3 gives an overview of the process and principles by which the Lifetime Plan (“LTP”) is set and how changes are made to its constituent plans and budgets under Change control procedures.

2. The LTP and the Contractor’s Responsibilities

- 2.1 The LTP is the over-arching document which specifies all of the activities required to take the Site from its current state to the agreed Site end-state. It is the means by which the Authority and the Contractor will identify the work to be performed (the scope), when the work is to be done during the lifetime of the Site (the schedule) and how much it is going to cost to discharge the lifetime liabilities (the cost).
- 2.2 The first three year period of the LTP provides a much more detailed specification of the scope, schedule and costs during that period. This detailed specification provides the basis for the Contractor to plan, execute and monitor the work on the Site in the execution year and in the first two out-years to provide a robust basis for portfolio management and change control. It is structured using the Contractor’s own Contractor Work Breakdown Structure (“CWBS”) and its focus is on how the work is to be carried out.
- 2.3 The responsibilities of the Contractor include (but are not limited to) following the requirements of the Authority’s Policies and Procedures (including the Authority’s Programme Change Control Procedures, the Authority Engineering Procedures and the Authority Finance Procedures) and liaising with the Regulators during the development and review of the LTP.
- 2.4 The Authority’s detailed requirements in relation to the LTP submission are set out in detail in PCP-07 (Lifetime Plan). The Authority notifies the Contractor of the anticipated ASFL and the Contractor prepares its LTP submission against that funding level. The Authority’s review and approval of the LTP submission authorises the Contractor’s scope and forms the basis for the finalised ASFL to enable the Contractor to implement the plans and execute the work. The LTP forms the basis for ASFL approval, but the ASFL is authorised separately. The actual ASFL may differ from the anticipated ASFL because of Government funding changes or because of changing

Authority priorities in relation to its estate as a whole; the Authority will keep the Contractor apprised of any such changes to funding as soon as it reasonably can.

3. Change Control

3.1 When considering a Change Proposal the Parties shall act according to the rules and principles set out in this Paragraph 3 (Change Control); these principles shall also apply when the Authority requires a Change.

3.2 The Authority shall be entitled to require any Change which does not have an adverse impact on the Contractor's HSSE Obligations. If the Authority purports to require a Change which in the Contractor's reasonable opinion will be more likely than not to have an adverse impact on its HSSE Obligations the Contractor shall forthwith notify the Authority to that effect, specifying the reasons for its opinion and, if possible, proposing amendments to the proposed Change which would, to the extent possible, enable its effect to be achieved without the adverse impact in question. If the Authority is not prepared to amend the proposed Change accordingly the Change shall not be implemented pending resolution of the difference between the Parties which shall be achieved by reference to the Dispute Resolution Procedure. The Contractor shall, notwithstanding the foregoing, always provide the Mandatory Services.

3.3 A Change Proposal shall not be implemented which in the Authority's opinion (acting reasonably):

- (a) would be likely to mean that the Authority would have to spend more money at the Site than it has available for the Site in the then current Contract Year;
- (b) would be likely to detract from the performance of the Mandatory Services;
- (c) would have an adverse effect on the protection of health or the Environment;
- (d) would be likely to prevent the Contractor from meeting its obligation (set out in Paragraphs 4.3 (Disallowable Costs) and 4.4 (Disallowable Costs) of Part 2 (Allowable and Disallowable Costs) of Schedule 6 (Finance)) to manage Costs within the Current Budget and the ASFL;
- (e) would be likely to impede the effectuation of the LTP.

When considering the terms of a proposed Change the Parties shall not take into account any changes (whether favourable or unfavourable to the Contractor) in the Contractor's opportunity to earn Efficiency Fee which may result from the Change.

3.4 Subject to Paragraphs 3.1 (Change Control) to 3.3 (Change Control) above a Change Proposal shall take into account:

- (a) the Contractor's and the Authority's reasonable expectations concerning the estimated costs of the work to be carried out, any Costs incurred to the date of the proposed Change and the Fee (apart from Efficiency Fee, as to which see above) likely (before the proposed Change) to be earned in respect of the scope of work affected by the Change Proposal, and shall so far as practicable be designed to offer the Contractor the opportunity to carry out alternative Tasks which offer similar value to the Authority and similar levels of Fee to the Contractor as those which are affected by the proposed Change; and
- (b) the Costs likely to be incurred and Fee (apart from Efficiency Fee, as to which see above) likely to be earned following the Change,

and, with the limitations set out above, the Change shall be designed so far as possible to put the Contractor in a position no better and no worse (financially and otherwise) than it occupied before the Change.

3.5 Where the Authority wishes to amend one of the Authority's Policies and Procedures, it shall first consult the Contractor. The Parties shall discuss any proposed amendments in good faith. After such discussions the Contractor may submit a Change Proposal in accordance with the provisions of this Part of this Schedule if necessary.

3.6 Category I Changes and Category II Changes require the approval of the Authority; these would include, for example, scope changes impacting the current Contract Year LTP.

3.7 Category III Changes do not require the approval of the Authority but shall be notified to the Authority as soon as reasonably practicable and made available for scrutiny, and must be made in compliance with the Contractor's Internal Procedures for Change Control. The Authority shall have the right to require variations to proposed Category III Changes.

3.8 The Contractor shall ensure that Changes, once determined in accordance with this Paragraph 3 (Change Control), must be incorporated into the LTP.

3.9 The Contractor must use its reasonable endeavours to ensure that the execution of Change Proposals can be accommodated within the existing Current Budget, Capital Budget and/or ASFL.

Authority Approvals and Changes directed by the Authority

- 3.10 Except for Category III Changes, the Contractor is not entitled to implement any Change Proposal until it has been approved. The Authority may approve a Change Proposal in whole or in part and/or require the Contractor to prepare an amended Change Proposal (in whole or in part). The Authority may, acting reasonably, reject any Contractor's Change Proposal (in whole or in part). Any dispute will be resolved in accordance with the Dispute Resolution Procedure.
- 3.11 Subject to Paragraph 3.2 (Change Control) of this Part 3 (Setting the LTP and Change Control) of Schedule 2 (Setting the LTP and Change Control) the Authority is entitled in its discretion to direct that a Change must be implemented and will notify the Contractor in writing of this. The Contractor will then prepare the relevant Change Proposals. The Contractor will be entitled to raise objections and any dispute will be resolved in accordance with the Dispute Resolution Procedure.
- 3.12 If the Contractor has recourse to Dispute Resolution in accordance with this Part of this Schedule the Authority shall nevertheless be entitled in its absolute discretion to direct the Contractor to implement all, none or such part of the Change as the Authority shall direct.

4. Setting the Fee abatement criteria

- 4.1 Paragraph 3.3 (Reduction of Fee) of Part 8 (Abatement of Fee) of Schedule 6 (Finance) specifies a set of performance criteria against which decisions about abatement of Fee will be made. The performance criteria for the first Contract Year are set out in Paragraph 3.3 (Reduction of Fee) of Part 8 (Abatement of Fee) of Schedule 6 (Finance) and shall only be changed if the Parties agree a variation to the Contract in accordance with Clause 1.16 (Variation) of the Contract.
- 4.2 The Authority shall not alter the Fee abatement performance criteria during a Contract Year save in accordance with this Paragraph and Paragraph 4.3 (Setting the Fee abatement criteria) below. If the Authority wishes to change the Fee abatement performance criteria for a forthcoming Contract Year, the Authority shall notify the Contractor at least twenty (20) Working Days before the end of the current Contract Year of its proposed changes. Provided that submissions are received at least ten (10) Working Days before the end of the current Contract Year, the Authority shall act reasonably and take account of any submissions made by the Contractor in relation to the proposed changes to the Fee abatement performance criteria.
- 4.3 Subject to Paragraph 4.2 (Setting the Fee abatement criteria) of this Schedule, the Authority is entitled in its discretion to direct that the Fee abatement performance criteria shall be varied for a forthcoming Contract Year and shall notify the Contractor

accordingly. The Contractor shall be entitled to raise objections and any dispute will be resolved in accordance with the Dispute Resolution Procedure.

CT-14 PROJECT VALIDATION AND FINANCIAL SANCTION

“Guidance notes” to and italicised provisions in this CT-14 (Project Validation and Financial Sanction) are for guidance only and are not nor intended to be contractually binding on either Party.

A. OVERARCHING VALIDATION PROCEDURE

1. APPLICATION

This Part Schedule F Part 3 (CT-14 (Project Validation and Financial Sanction)) shall be applied by the Parties on a site-by-site basis such that the provisions herein are operated separately for Sellafield and Windscale.

This Part A (Overarching Validation Procedure) of CT-14 (Project Validation and Financial Sanction Procedure) shall apply as set out below whenever the Contractor proposes to:

- 1.1 implement any Task in the NTWP or add any proposed services, operations, projects and/or activities (a “New Task”) to the NTWP;
- 1.2 propose a Change pursuant to Schedule P (Setting the NTWP and Change Control);
- 1.3 propose or amend a Subcontract pursuant to CT-15 (Subcontracting/Procurement Requirements);
- 1.4 propose a New Customer Contract or amend an existing Customer Contract or exercise a discretion under a Customer Contract pursuant to Clause 10A (Authority rights in respect of Customer Contracts) and CT-16 (Customer Contracts).

This Part A (Overarching Validation Procedure) shall not apply to the process of Setting the NTWP as set out in Schedule P (Setting the NTWP and Change Control).

2. NOT USED

3. ROUTE MAP

3.1 Tasks requiring approval under CT-14 (Project Validation and Financial Sanction Procedure)

If the Contractor proposes to:

- 3.1.1 implement any Task in the NTWP; or
- 3.1.2 add any proposed New Task to the NTWP,

where such Task or New Task:

- 3.1.3 will require (if implemented) three million pounds (£3,000,000) or more of Costs over the life of the Task or New Task; and/or

3.1.4 is, in the opinion of the NDA (acting reasonably), novel and/or contentious and/or repercussive,

the Contractor shall commence and finalise the approvals process by complying with Part B (Project Validation and Financial Sanction of Tasks) of this CT-14 (Project Validation and Financial Sanction Procedure) such that any approval under Schedule P (Setting the NTWP and Change Control), CT-15 (Subcontracting/Procurement Requirements) and CT-16 (Customer Contracts) shall be conditional on final approval by the NDA of the Task or New Task under Part B (Project Validation and Financial Sanction of Tasks) of this CT-14 (Project Validation and Financial Sanction Procedure), unless the NDA decides that approval under Part B (Project Validation and Financial Sanction of Tasks) of this CT-14 (Project Validation and Financial Sanction Procedure) is not required in which event the provisions of paragraphs 3.2 and 3.3 below shall apply as appropriate.

3.2 Change proposed but no approval required under CT-14 (Project Validation and Financial Sanction Procedure)

3.2.1 Subject to paragraph 3.2.12, if the Contractor proposes to implement any Task in the NTWP or add any proposed New Task to the NTWP that:

- (A) will not require (if implemented) three million pounds (£3,000,000) or more of Costs over the life of the Task or New Task; and/or
- (B) is not novel or contentious or repercussive,

the Contractor shall not be required to comply with Part B (Project Validation and Financial Sanction of Tasks) of this CT-14 (Project Validation and Financial Sanction Procedure) but shall be required, if the Task requires a Change, to commence and finalise the approvals process by complying with the relevant paragraphs of Schedule P (Setting the NTWP and Change Control) such that any approval under CT-15 (Subcontracting/Procurement Requirements) and CT-16 (Customer Contracts) is conditional on final approval by the NDA of the Change under Schedule P (Setting the NTWP and Change Control).

3.2.2 Where the Contractor has consulted the NDA on the exercise of a discretion under a Customer Contract pursuant to Clause 10A.2 (Authority's right to be consulted in respect of Customer Contracts) and CT-16 (Customer Contracts) or the NDA has issued an Instruction Notice to the Contractor in respect of a Customer Contract pursuant to Clause 10A.3 (Authority's right to instruct) and CT-16 (Customer Contracts) or in respect of a Subcontract pursuant to CT-15 (Subcontracting/Procurement Requirements) and consequently the Contractor brings a Change under paragraph 11 of Schedule P (Setting the NTWP and Change Control), the process shall commence in CT-15 (Subcontracting/Procurement Requirements) or CT-16 (Customer Contracts) (as applicable) but be finalised in Schedule P (Setting the NTWP and Change Control) such that carrying out any discretion or an instruction shall be conditional on the NDA's instruction not being withdrawn and final approval by the NDA of the Change under Schedule P (Setting the NTWP and Change Control).

3.3 No Change proposed and no approval required under CT-14 (Project Validation and Financial Sanction Procedure)

If paragraphs 3.1 and 3.2 do not apply but the Contractor proposes to:

3.3.1 enter into a New Customer Contract or amend an existing Customer Contract or exercise a discretion under a Customer Contract which does not constitute Permitted Activities, the relevant paragraphs of CT-16 (Customer Contracts) shall apply; and/or

3.3.2 enter into or amend a Subcontract, the relevant paragraphs of CT-15 (Subcontracting/Procurement Requirements) shall apply,

provided that where the proposed Subcontract or any amendment to an existing Subcontract arises out of a New Customer Contract or an amendment to or exercise of a discretion under an existing Customer Contract, approval under CT-15 shall be conditional on:

3.3.3 the New Customer Contract and/or amendment to an existing Customer Contract being approved by the NDA and executed by the parties to the Customer Contract; and/or

3.3.4 the exercise of the discretion being approved by the NDA and implemented by the parties to the Customer Contract.

3.4 Interaction of Procedures

When following an approval process under any of this CT-14 (Project Validation and Financial Sanction Procedure), CT-15 (Subcontracting/Procurement Requirements), CT-16 (Customer Contracts) and/or Schedule P (Setting the NTWP and Change Control), the Parties shall work together to endeavour to ensure that the processes, so far as possible, are run simultaneously taking into account the timing of the critical path with consultation and oversight such that each Party is aware of what is happening and what decisions are being taken and the reasons for them under each approval process and there is minimal requirement for the duplication of the same information to obtain different approvals.

3.5 Consultation on the Requirement for Approval under Part B (Project Validation and Financial Sanction of Tasks)

If the Contractor is uncertain whether the Contractor should seek the NDA's consent to a Task or New Task in accordance with Part B (Project Validation and Financial Sanction of Tasks) (including being uncertain as to whether a Task or a New Task is novel, contentious or repercussive), the Contractor shall consult with the NDA and provide the NDA with the information set out in Appendix 1 to Part B (Project Validation and Financial Sanction of Tasks) of this CT-14 (Project Validation and Financial Sanction Procedure) and as much information as the NDA reasonably requires in order to consider the Contractor's query. The NDA shall, as soon as practicable, discuss the matter with the Contractor and advise the Contractor whether the NDA wishes the Contractor to comply with Part B (Project Validation and Financial Sanction of Tasks) of this CT-14 (Project Validation and Financial Sanction Procedure) in respect of that Task or New Task.

[Guidance Note: A contentious task is likely to be one that has a high level of business risk for the NDA because, for example, it has a high level of innovation, a high impact on programme, high monetary value, is or is likely to be politically sensitive and/or

stakeholder sensitive and/or regulator sensitive, has a poorly defined and/or inflexible strategy, is high risk/high hazard and/or requires a high amount of certain resources (not necessarily just high monetary requirements).]

B. PROJECT VALIDATION AND FINANCIAL SANCTION OF TASKS

1. APPROVAL OF TASKS

1.1 Contractor's Initial Task Specification Notice

If the Contractor proposes to:

- 1.1.1 implement any Task in the NTWP; or
- 1.1.2 add any proposed services, operations, projects and/or activities (a **"New Task"**) to the NTWP,

where such Task or New Task:

- 1.1.3 will require (if implemented) three million pounds (£3,000,000) or more of Costs over the life of the Task or New Task; and/or
- 1.1.4 is, in the opinion of the NDA (acting reasonably), novel and/or contentious and/or repercussive,

the Contractor shall serve a written notice on the NDA (an **"Initial Task Specification Notice"**) setting out in respect of that Task or New Task the information contained in Appendix 1 to Part B (Project Validation and Financial Sanction of Tasks) of this CT-14 (Project Validation and Financial Sanction Procedure).

1.2 Initial Evaluation

1.2.1 Upon receipt of the Initial Task Specification Notice, the NDA shall, as soon as practicable, consider the Contractor's Initial Task Specification Notice and inform the Contractor whether:

- (A) the NDA wishes the Contractor to supply further information of the type set out in paragraphs 1.3.1 to 1.3.15 below (the **"Task Specification Notice"**); or
- (B) the Contractor should proceed to the next gate of the procedure set out at Part C (Gated Stage Review Procedure) of this CT-14 (Project Validation and Financial Sanction) without further reference to the NDA (except if the NDA is a gate reviewer under Part C (Gated Stage Review Procedure)).

1.2.2 The NDA shall be entitled, at any time and in its sole discretion:

- (A) to reject any proposal for a New Task and the NDA shall give reasons for such rejection or amendment to the Contractor in reasonable detail (subject to any constraints on such disclosure under any applicable law or for policy reasons) (save that, for the avoidance of doubt, the NDA shall not be entitled to refuse the Contractor's implementation of a New Task that arises out of a Change under Paragraph 11 (Changes NDA Cannot Refuse) of Schedule P (Setting the NTWP and Change Control) although the NDA shall be entitled to comment on, require amendment to and approve such New Task in accordance with the provisions of this Part B

(Project Validation and Financial Sanction of Tasks) in order to ensure that the Change is addressed in the manner that the NDA desires); and

- (B) to require the Contractor to amend the Initial Task Specification Notice in respect of the funding of or the method of carrying out any Task or any New Task.

1.3 Task Specification Notice

If the NDA wishes the Contractor to supply further information in respect of the Task or New Task, the Contractor shall set out in as much detail as possible given the nature of the proposal and the stage in the process that the proposal has reached:

- 1.3.1 a specification of the relevant Task or the New Task in sufficient detail to enable the NDA to evaluate it;
- 1.3.2 the reasons for proposing any New Task;
- 1.3.3 the steps and measures in as much detail as practicable which the Contractor intends to take in order to implement the Task or the New Task, including the length of time and programme for implementation, the commencement date of the Task or the New Task and the key dates for implementation (and where such Task is already specified in the NTWP, the Contractor shall highlight and/or explain whether and how the Task Specification Notice differs from the specification set out in the NTWP);
- 1.3.4 having regard to the nature of the Task or the New Task, an outline of any proposed arrangements for inspection, approval, sign-off and certification of the Task or New Task and an evaluation of its technical and operational feasibility;
- 1.3.5 a breakdown of any estimated Capital Costs and Current Costs over the life of the Task or New Task which are likely to be incurred or no longer incurred as a result of the Contractor carrying out the Task or New Task in accordance with the proposed specification;
- 1.3.6 evidence that the Contractor has the necessary expertise to fulfil its obligations under the proposed specification and the Contractor's proposed use of resources to implement the Task or the New Task including use of Employees, Nominated Staff and Key Personnel, the facilities and installations on the Site, equipment, stock and other assets;
- 1.3.7 the Contractor's assessment of whether the Task or the New Task will have an impact on the provision of the other Tasks or the Contractor's other obligations under this Contract;
- 1.3.8 the proposed method of certification of any works required in connection with the Task or any New Task and evidence of compliance with Schedule G (Construction Obligations);
- 1.3.9 any Consents (including any planning approval) which, in the opinion of the Contractor, will need to be obtained to give effect to the Task or the New Task including any such Consents which are required to be obtained or which it would be Good Industry Practice to obtain prior to the implementation of the Task or the New Task;

- 1.3.10 any date or dates by which any decision by the NDA is critical;
- 1.3.11 an assessment of the commercial and practical risks arising out of the implementation of the Task or the New Task and the Contractor's strategy for mitigating and managing those risks;
- 1.3.12 a value engineering analysis and an assessment of the options available in respect of implementing the Task or New Task and in respect of whether or not to carry out the Task or New Task so that the NDA can make an informed choice on the best available solution to meet the NDA's needs;
- 1.3.13 the stakeholder communication plan;
- 1.3.14 the Contractor's risk assessment of whether the Task or New Task would be low, medium or high risk under the gated stage review procedure set out in Part C (Gated Stage Review Procedure) of this CT-14 (Project Validation and Financial Sanction); and
- 1.3.15 any other information which the Contractor considers the NDA may find helpful in considering the Task or New Task.

1.4 **Related Approvals**

In addition to the requirements of paragraph 1.3 (Task Specification Notice), if the Contractor considers that carrying out the Task or New Task will require:

- 1.4.1 the Contractor to enter into a new Subcontract or amend an existing Subcontract, the Contractor shall explain this in the Task Specification Notice including providing details of its contracting and procurement strategy and attaching any details to the Task Specification Notice which the Contractor is required to produce pursuant to the requirements of CT-15 (Subcontracting/Procurement Requirements);
- 1.4.2 the Contractor to enter into a New Customer Contract or amend an existing Customer Contract or exercise a discretion under a Customer Contract, the Contractor shall explain this in the Task Specification Notice and attach any details to the Task Specification Notice which the Contractor is required to produce pursuant to the requirements of Clause 10A (Authority rights in respect of Customer Contracts) and CT-16 (Customer Contracts); and/or
- 1.4.3 a Change, the Contractor shall explain this in the Task Specification Notice and attach any details to the Task Specification Notice which the Contractor is required to produce pursuant to the requirements of Schedule P (Setting the NTWP and Change Control),

(“Related Approvals”).

1.5 **Living Document**

The Task Specification Notice shall be a living document which shall develop as the proposal progresses so that it includes (as applicable) the information listed in paragraphs 1.3.1 to 1.3.15 and paragraphs 1.4 (Related Approvals) above and the information provided in accordance with paragraph 2 (Evaluation of the Task Specification Notice) below.

2. EVALUATION OF THE TASK SPECIFICATION NOTICE

- 2.1 The NDA may request from the Contractor such additional information as the NDA reasonably requires for the purposes of considering the Task Specification Notice and shall make any such request to the Contractor as soon as reasonably practicable (taking into account the timing of the critical path) after receiving the Task Specification Notice.
- 2.2 The Contractor shall provide any information requested by the NDA pursuant to paragraph 2.1 as soon as reasonably practicable (taking into account the timing of the critical path) after receiving such request.
- 2.3 Following the receipt of the Task Specification Notice (and any additional information requested pursuant to paragraph 2.1), the NDA shall evaluate, taking into account the timing of the critical path, the Task Specification Notice taking into account all relevant issues, including whether:
- 2.3.1 the Task or New Task will affect the Contractor's performance of other Tasks in the NTWP or its ability to comply with Clause 4.1 (Nature of Contractor's Obligations);
 - 2.3.2 the Contractor in the NDA's opinion has the necessary expertise and resources to implement the Task or the New Task in accordance with the proposed specification;
 - 2.3.3 the specification fulfils the NDA's requirements in respect of the relevant Task or New Task;
 - 2.3.4 the method of carrying out the Task or the New Task materially affects the risks or costs to which the NDA is exposed;
 - 2.3.5 the Task or New Task is well conceived such that, if implemented, it would be likely to achieve its objectives and meet the NDA's needs,

and, at the same time as evaluating the Task Specification Notice, the NDA shall consider any Related Approvals in accordance with the procedures set out in CT-15 (Subcontracting/Procurement Requirements), CT-16 (Customer Contracts) and/or Schedule P (Setting the NTWP and Change Control) (as applicable).

- 2.4 Without prejudice to paragraph 2.6 below, as soon as reasonably practicable, taking into account the timing of the critical path, after the NDA receives the Task Specification Notice the NDA shall either inform the Contractor:
- 2.4.1 that it should proceed to the next gate of the procedure set out at Part C (Gated Stage Review Procedure) of this CT-14 (Project Validation and Financial Sanction) without further reference to the NDA (except if the NDA is a gate reviewer under Part C (Gated Stage Review Procedure)); or
 - 2.4.2 that the NDA wishes to be involved in the evaluation of the Task or New Task and the Parties shall discuss and attempt to agree the contents of the Task Specification Notice (or any modifications made pursuant to paragraph 2.5) including the Contractor's risk assessment provided pursuant to paragraph 1.3.14 in which case paragraphs 2.5 to 2.13 shall apply (as appropriate) to such evaluation.

- 2.5 As a result of the discussions undertaken pursuant to paragraph 2.4.2, the Contractor shall modify the Task Specification Notice to reflect the comments and requirements of the NDA and shall issue any such modifications to the NDA as soon as reasonably practicable, taking into account the timing of the critical path.
- 2.6 The NDA shall be entitled, at any time and in its sole discretion:
- 2.6.1 to reject any proposal for a New Task and the NDA shall give reasons for such rejection or amendment to the Contractor in reasonable detail (subject to any constraints on such disclosure under any applicable law or for policy reasons) (save that, for the avoidance of doubt, the NDA shall not be entitled to refuse the Contractor's implementation of a New Task that arises out of a Change under Paragraph 11 (Changes NDA Cannot Refuse) of Schedule P (Setting the NTWP and Change Control) although the NDA shall be entitled to comment on, require amendment to and approve such New Task in accordance with the provisions of this Part B (Project Validation and Financial Sanction of Tasks) in order to ensure that the Change is addressed in the manner that the NDA desires); and
 - 2.6.2 to require the Contractor to amend the Task Specification Notice in respect of the funding of or the method of carrying out any Task or any New Task;
 - 2.6.3 to become involved in the evaluation of a Task or New Task despite its decision under paragraphs 1.2.2 or 2.4.1 above in which case the NDA shall be entitled to ask for an Initial Task Specification Notice in accordance with paragraph 1.1 (Contractor's Initial Task Specification Notice) and paragraphs 1.2 to 1.5 and paragraph 2 shall apply (as appropriate) to such evaluation.
- 2.7 The NDA shall notify the Contractor in writing if the NDA consents to the contents of the Task Specification Notice (as modified (where relevant) pursuant to paragraph 2.5 and/or paragraph 2.6.2) being put forward for the next stage of the gated stage review approval and, if the NDA does so consent, the Contractor shall seek to obtain gated stage review approval to the relevant Task or New Task in accordance with the procedure set out at Part C (Gated Stage Review Procedure) of this CT-14 (Project Validation and Financial Sanction). For the avoidance of doubt, where the NDA participates in the gated stage review approval process and/or is a gate reviewer under Part C (Gated Stage Review Procedure) of this CT-14 (Project Validation and Financial Sanction), any approval or guidance given by the NDA gate reviewer shall not constitute, or replace the obligation to obtain, the NDA's approval under this Part B (Project Validation and Financial Sanction of Tasks).
- 2.8 The Contractor shall keep updating and re-dating the Task Specification Notice to reflect any comments of the reviewers under each gate of Part C (Gated Stage Review Procedure) and shall attach to each updated Task Specification Notice copies of the relevant results, reports and recommendations provided to the Contractor under each of the gates of Part C (Gated Stage Review Procedure).
- 2.9 The Contractor shall also keep updating and re-dating the Task Specification Notice and any attachments to it to reflect the progress of any Related Approvals.
- 2.10 The Contractor shall submit any amended Task Specification Notice to the NDA and, upon receipt of any modification pursuant to paragraphs 2.8 and/or 2.9, the provisions of paragraphs 2.1 to 2.6 shall apply with the necessary changes according to the circumstances.

[Guidance Note: The Contractor will keep updating the Task Specification Notice to reflect any gated stage review comments and so that it is the control document keeping track of what is happening under other procedures. The NDA will discuss and/or approve, reject and/or amend the Task Specification Notice as necessary so that the Task Specification Notice is a living document and the process is an iterative one with on-going communication between the NDA and the Contractor.]

- 2.11 If the Task Specification Notice (as amended in accordance with the paragraphs 2.8 to 2.10), achieves sign-off at the final implementation gate under paragraph 5.2.7 of Part C (Gated Stage Review Procedure), the NDA shall consider the Contractor's amended Task Specification Notice and shall, as soon as reasonably practicable, subject and without prejudice to the NDA's rights under paragraph 2.6, provide the Contractor with written notice that the Task or New Task is approved, financial sanction given and that any Related Approvals are no longer conditional.
- 2.12 The consent by the NDA to the Contractor's Task Specification Notice:
 - 2.12.1 shall be without prejudice to any of the NDA's rights under this Contract;
 - 2.12.2 shall not, unless expressly agreed, relieve or excuse the Contractor from any liability or obligation under this Contract; and
 - 2.12.3 shall not in respect of any cost arising in relation to the Task or the New Task, unless expressly agreed, alter whether such cost is treated by the NDA as an Allowable Cost or a Disallowable Cost.
- 2.13 Upon implementation of the Task or the New Task, the Contractor shall provide the NDA with a final update to the Task Specification Notice setting out the results, reports and recommendations provided to the Contractor under the gate which considers how well a Task or New Task has delivered its anticipated benefits in Part C (Gated Stage Review Procedure).

APPENDIX 1: INITIAL TASK SPECIFICATION NOTICE

Date / / **Region** **Site** **TSN No.**

Task Title

Task Contact

Comments must be limited to the space provided and there should be no attachments to the TSN unless further information is requested by NDA

1. DESCRIPTION OF TASK/NEW TASK

Brief description of the Task or New Task and the overall project (if relevant) together with the position of the Task or New Task in the Contractor's Gated Stage Review Procedure

2. KEY PROGRAMME DECISION DATES

Key programme dates for the Task or New Task including decision dates for the Contractor, the NDA and any other stakeholders e.g. Regulators. State whether this Task or New Task is on critical path for the overall project

3. THE REASONS FOR PROPOSING THE TASK/NEW TASK (THE BUSINESS CASE)

The need for the Task or New Task should be briefly explained (e.g. does the Task or New Task support operations, aid decommissioning etc)

4. AN ESTIMATE OF LIFETIME COST AND COST OF THE PORTION OF THE TASK/NEW TASK CURRENTLY REQUIRING VALIDATION

Global estimate of the overall cost of the project and the cost of this particular Task or New Task including a breakdown of any estimated Capital Costs and Current Costs over the life of the Task or New Task which are likely to be incurred or no longer incurred as a result of the Contractor carrying out the Task or New Task

5. WHETHER THE TASK/NEW TASK IS NOVEL, CONTENTIOUS OR REPERCUSSIVE

Provide reasons for the Task or New Task being considered novel, contentious or repercussive

C. GATED STAGE REVIEW PROCEDURE

1. DEFINITION

The Project/ Programme Validation Process is the business term describing the formal strategic “gated¹” process of determining, through systematic application of a “stage-gate” analysis; if a project or programme of work (comprising several projects) achieves the strategic intent of the LCBL and satisfies the appropriate business need case. By progression through the gates in order, the project risk is reduced in stages and by regularly reviewing the capability of the project or programme of works to satisfy the business need at each stage, the “best” value option is identified for appropriate financial sanction.

2. PURPOSE, APPLICATION AND CONTEXT

The NDA shall require the Contractor to establish and apply an approved project² or programme of work³ validation process (“the Process”). This document is to provide guidance on the essential elements, which such a process must exhibit if it is to achieve approval from the NDA.

The process is required to formally and if appropriate, independently (from the delivery organisation), ensure that the Project or Programme of Work risks are understood and mitigated such that nuclear safety and environmental benefit is not compromised, that compliance with the strategic intent is achieved and value added can be demonstrated with a high degree of confidence at all stages.

The validation process sits within and relates to the overall suite of NDA procedures. Key to the NDA’s approach is an established life cycle baseline (LCBL) and the more detailed immediate three years in the near term work plan (NTWP). These represent a continuum of activities for a site that is updated annually as projects and programmes of work are satisfactorily delivered.

Work identified in these documents is initially characterised in terms of scopes of work, cost estimates and schedule. As projects or programmes of work are progressed through the project validation process confidence builds as the scope, cost and schedule estimates are refined (as risk is understood and mitigated) to the point that the delivery to realistic scope, costs and schedule becomes assured. Once this appropriate level of confidence is reached the make/buy process is utilised to clarify actual work execution, including the supply chain involvement.

Sanctioning sits alongside the NTWP and LCBL Change process of Schedule P (Setting the NTWP and Change Control). Activities already in the LCBL and NTWP but falling within the scope of the Contractor’s sanctioning procedure will nevertheless need financial

¹ In this context a “gate” implies a specific project or programme of work break point or decision point at which an evaluation of risk can be made by judicious questioning of the project team to determine if and how the project should proceed.

² A **Project** is defined as, “A unique set of tasks and activities, planned and executed in a structured manner to achieve a specific business requirement to a defined duration”.

³ A **Programme of Work** is defined as, “A co-ordinated portfolio of projects to achieve a set of corporate goals or business objectives”.

sanctioning before work proceeds past the stage gates in the validation process at which implementation commences.

The finalised scope cost and schedule are incorporated into the NTWP and the funding distribution as part of the change control process within the Change procedure of Schedule P (Setting the NTWP and Change Control) and the work prioritised using the prioritisation process for implementation.

3. RESPONSIBILITIES

3.1 Contractor

3.1.1 The Contractor must demonstrate that a Project / Programme of Works validation procedure and process exist and be able to demonstrate how the process would be used to meet the principles of such a process as defined by the NDA.

3.1.2 The Contractor should demonstrate clear ownership of the process and support at Senior Executive level must be evident.

3.1.3 In order to satisfy NDA requirements, the Contractor is required to provide the following:

(A) A procedure that identifies the individual accountabilities, responsibilities, authorities and overall approval route for the Project / Programme of Work validation Process.

(B) Clarity of each “gate” in the process with details of:

(1) What is needed to successfully pass each gate

(2) Gate to gate sanctioning to ensure that expenditure in development is controlled until the project risk is adequately quantified and the business benefit appropriately confirmed such that the gate for full sanction can be achieved.

(3) A sub-process to identify the initial Project /Programme of Work level of risk and to specify the level of gate scrutiny appropriate to the risk

(4) Appropriate training in the use of the process across all grades to ensure a consistent application

(5) Clarity of links to the Procurement processes and the Financial Sanction arrangements as linked to specific gates

(6) Specific recording processes and procedures for each application of the process to facilitate NDA audits

3.1.4 Engagement / Consultation with regulators and other stakeholders:

- *In developing the process the Contractor needs to decide on the extent to involve regulators and other stakeholders. However in making the decision on the degree of involvement it must be recognised that the*

exclusion of regulators and other stakeholders from the early stages of project validation has the potential to significantly increase project risk.

- **Contractors’ arrangements need to reflect the formality of the Nuclear Site Licence and Regulatory Requirements. In particular it should recognise that specific documents related to projects are mandatory and the process needs to account for the time required for the regulators’ approval processes.**

3.2 Nuclear Decommissioning Authority

The NDA’s approval of the process is required. Such approval can be obtained through the NDA’s review of the Contractor’s Internal Procedures.

4. CONSIDERATIONS FOR PROJECT/PROGRAMME OF WORK VALIDATION PROCESS

- *Decision trees or flow charts are one way of simplifying and focussing the process, according to the complexity of the site and/or its related work scopes. See Appendix A for a sample Decision Process flow chart.*
- *The greater the number of people involved in the process, typically the longer the chain of approval. A balance needs to be struck as to the size and membership of gate review teams. The process must include for a degree of independent review (Independent from the project or programme of work management) with direct links between the risk and the degree of independent review. The greater the estimated risk, either financial, reputational or both, the greater the degree of independent review.*
- *All Projects are candidates for the process. The degree of rigour with which the process is applied is a function of the contract value and the perceived reputational risk. Note in this context reputational risk includes nuclear safety, radiological, and environmental impact risk which could ensue from a low value project which is inadequately conceived or executed.*

5. KEY PRINCIPLES OF THE PROJECT/PROGRAMME OF WORK VALIDATION PROCESS

The arrangements will be a “gated” process with entry to the process through a project risk assessment sub process. Elements that may be considered as part of a project /programme of work validation process which would meet the NDA requirements are as follows:

5.1 The risk assessment sub-process determines:

- 5.1.1 Whether the project or programme of works meets the threshold for the process to be applicable.
- 5.1.2 If applicable, the degree of independent scrutiny (dependent on value and risk)
- 5.1.3 Whether the business benefits are “obvious” and the project direction (solution to the problem) clear to all potential reviewers such that a “Fast track” application of the process can be validated. The “Fast Track” approach could be achieved by

combining gates addressing them consecutively rather than missing them out of the process.

5.2 Determination of Key Process Activities

- 5.2.1 The starting point (first gate) is always the business strategy plan (*for instance, assessing issues and information of the type set out in paragraphs 1.3.2, 1.3.3, 1.3.4, 1.3.6, 1.3.9, 1.3.10 and 1.3.14 of Part B (Project Validation and Financial Sanction of Tasks) of this CT-14 (Project Validation and Financial Sanction)*).
- 5.2.2 All gates will review the business benefit derived from the project and its technical and operational feasibility and will consider the continued appropriateness of the project outcomes in light of the overall strategy (*for instance, assessing issues and information of the type set out in paragraphs 1.3.1, 1.3.7, 1.3.8 and 1.3.11 of Part B (Project Validation and Financial Sanction of Tasks) of this CT-14 (Project Validation and Financial Sanction)*).
- 5.2.3 All gates can be potential project stoppers if the criteria for business benefit cannot be shown.
- 5.2.4 One or more gates will relate to optioneering to deliver the best project solution (*for instance, assessing issues and information of the type set out in paragraph 1.3.12 of Part B (Project Validation and Financial Sanction of Tasks) of this CT-14 (Project Validation and Financial Sanction)*).
- 5.2.5 A gate or gates will relate to procurement strategy (*for instance, assessing issues and information of the type set out in paragraphs 1.2.1 and 1.1.18 of Part B (Project Validation and Financial Sanction of Tasks) of this CT-14 (Project Validation and Financial Sanction)*).
- 5.2.6 A gate or gates will relate to the financial sanction processes (*for instance, assessing issues and information of the type set out in paragraph 1.1.10 of Part B (Project Validation and Financial Sanction of Tasks) of this CT-14 (Project Validation and Financial Sanction) and, if applicable, any financial issues of the type required to be assessed under CT-15 (Subcontracting/Procurement Procedures) and CT-16 (Customer Contracts)*). Each gate will require the appropriate sanction to the subsequent gate and on achieving a specified gate the approach for full project sanction is validated.
- 5.2.7 The final gate will be delivery or implementation with a loop to assess how well the project/ programme delivered the anticipated benefits.
- 5.2.8 The requirements package for each gate will comprise:
- (A) The specific deliverables for the particular gate showing an improved evaluation of the risk related to the Project or Programme of Work since the previous gate review. Included in these deliverables may be the essential documents required by the regulator's approval processes. (See Appendix B showing diagrammatically how risk should progressively reduce as gates are passed.)
 - (B) The plan and timescales of activities to achieve the next gate
 - (C) The financial justification for sanction sufficient to achieve the next gate.

5.2.9 Gate reviewers shall be required to reject inadequate review packages and the gate will be revisited. Note this could result in unacceptable project delays, which, in a worst case, could be detrimental to safety. In such circumstances the process should require the Contractor to revisit the gate as soon as practicable, accelerating work if appropriate.

5.3 **Process Continuous Learning**

There will be a continuous learning loop in the process and the Contractor will be requested to demonstrate administrative arrangements that ensure learning is captured from each review and deployed at subsequent reviews. These arrangements will be subject to audit by the NDA and could be the subject of management PBI's against which good performance will attract fee.

5.4 **Selection and Training of Gate Reviewers**

Identification of the gate reviewers will be determined by the Contractor dependent on the project value and by the sub-process, which determines the project risk.

For all projects the leading reviewer will be independent of the project delivery team. Contractors should propose suitable candidates for agreement by the NDA. Candidates could be from other sites, other parts of the same company, from academic establishments (if appropriate), from government departments or from the DTI. The NDA in its sole discretion shall be entitled to provide a reviewer for high risk projects.

The size of the gate review team is a matter for the lead reviewer and could be different for each gate particularly if specialist expertise is needed e.g. a procurement specialist for the procurement strategy gate. For straightforward gates and low risk projects a single reviewer would be acceptable.

Candidates for gate reviewers must be suitably qualified and experienced personnel (SQEP). It would be beneficial if they also had an appropriate knowledge of nuclear safety issues relevant to the site and project being reviewed. Lead reviewers in addition must be senior managers with business and project management experience.

All reviewers will have received training in the validation process, which will be current at the time of the review. For high-risk projects reviewers and in particular the lead reviewer, will be an experienced project manager⁴ or sponsor⁵ as appropriate.

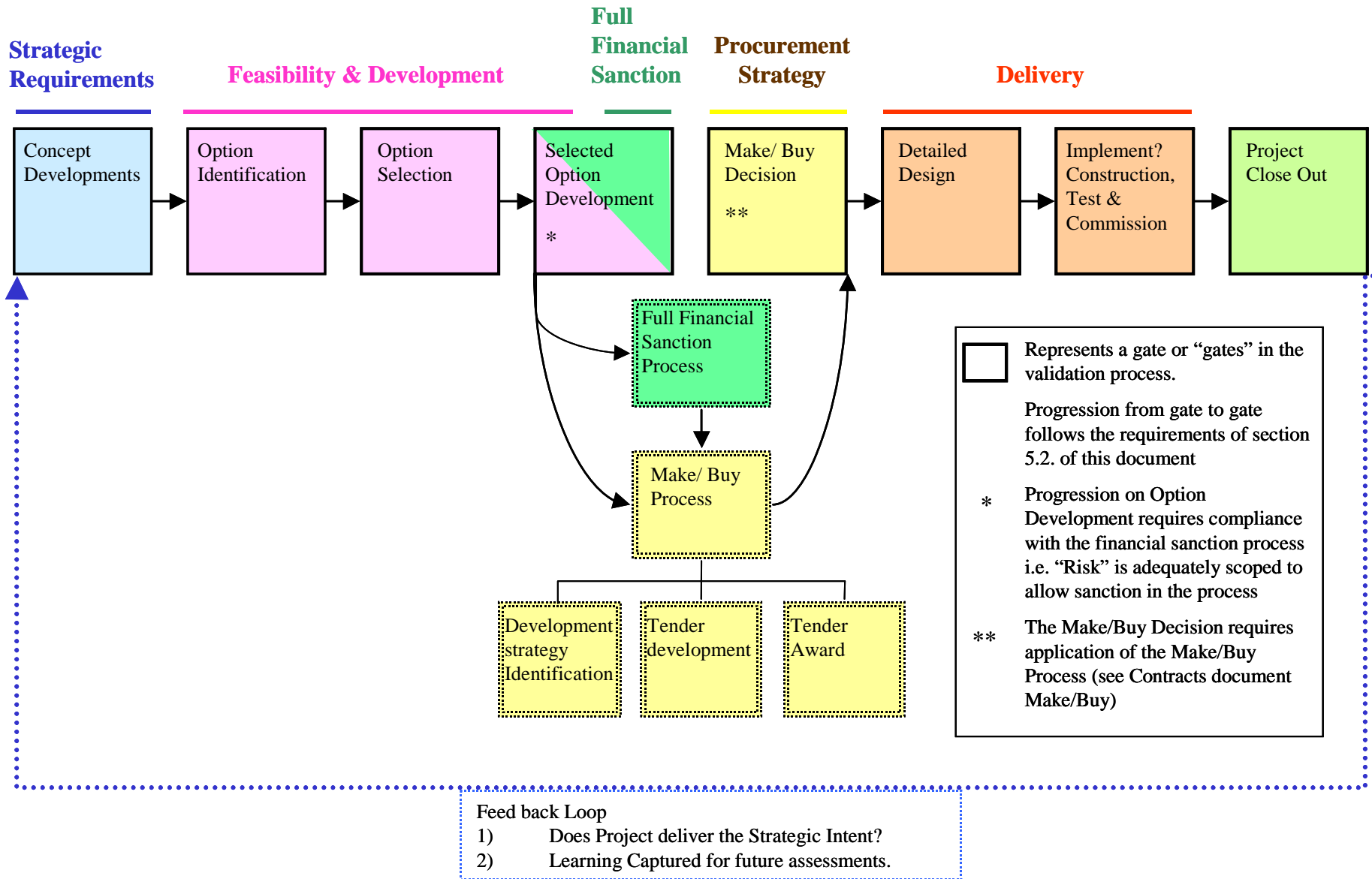
In addition to training on the process reviewers will need related site based training related to the site on which the project is to take place. Also depending on the individual reviewers some generic training on the specifics of the nuclear industry such as nuclear safety, licence arrangements and environmental discharge authorisations may be needed.

⁴ A project manager is defined as a senior manager with authority and extensive, demonstrable and successful project management skills within the nuclear or similarly regulated industry.

⁵ A project sponsor is a senior experienced business manager who could be called upon to act as the "owner" of large, high value or high risk projects, is ultimately responsible for the delivery of project benefits and can set these in the context of the business strategy.

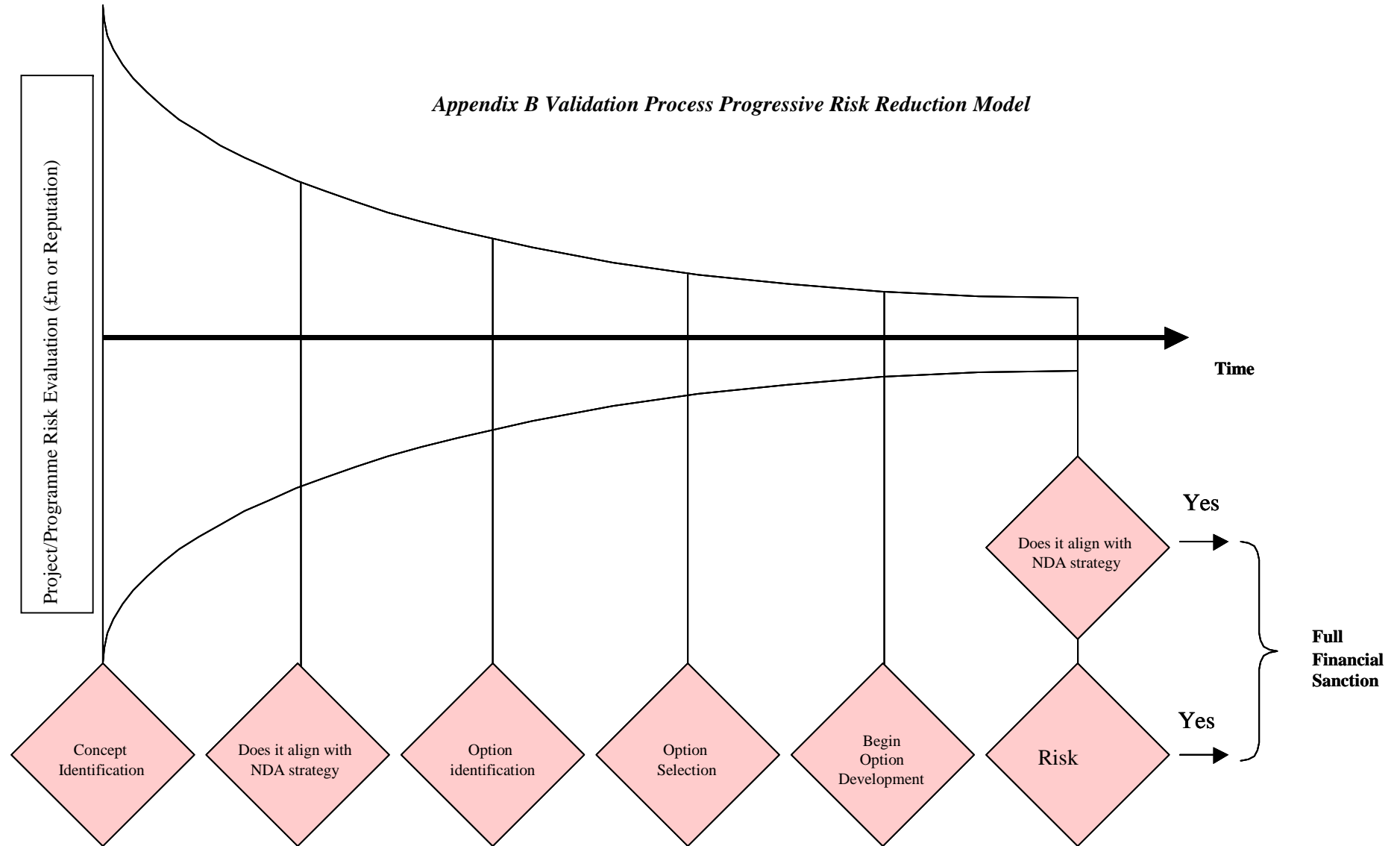
6. SUMMARY

- 6.1.1 The Contractor shall develop a “gated” project validation process to be adopted on their site.
- 6.1.2 The process shall be designed to demonstrate a progressive reduction of risk before full sanction can be achieved.
- 6.1.3 The Contractor shall select the number and designation of gates but as a minimum, key gates as defined in section 5.2 of this Part C (Gated Stage Review Procedure) shall be used.
- 6.1.4 The process shall be submitted for approval by the NDA early in the contract period and before any major new works / projects or programmes of work are proposed or commenced.
- 6.1.5 A sub-process shall be identified to evaluate the risk and estimated value of the proposals in order to fix the extent and degree of independent review necessary at each gate. The NDA may wish to be one of the reviewers or an observer for high-risk projects.
- 6.1.6 The Contractor shall ensure that all personnel and particularly reviewers are suitably qualified and experienced for the allocated role.



Appendix A Validation Process Flow Chart

Appendix B Validation Process Progressive Risk Reduction Model



Notes: a) As the process progresses through the initial Project/ Programme risk / uncertainty is progressively to a level acceptable for financial and to ensure confidence that the work can be delivered and it will meet the strategic