

Payment Plans with or without Direct Payment by ESA

(HJ - Issue 1.0 dated 20/04/2015)

Principle of Direct Payment by ESA

Direct Payment by ESA has been in practice for a long time. Although not applied on all projects and not for all sub-contractors, it is important to identify and control the funds flows associated with the various payment plans within the Industrial Team of the projects.

The principle of Direct Payment by ESA is rather simple. When a milestone has been recognized as completed by the upper-tier contractor then ESA is informed about this decision and the payment is directly made by ESA to the sub-contractor having achieved the milestone.

This avoid potential funds retention along the contractual chain that could result in significant delays between the time the milestone completion is accepted and the moment the funds are actually credited to the sub-contractor.

When identifying Direct Payment by ESA?

Direct Payment by ESA general requirements will normally be specified within the Special Condition of Tender and later on retained or not during the various negotiations taking place when sub-contracts are being placed.

ECOS has now foreseen the possibility to cope with any possible scenarios. The initial proposal is established based on an initial payment plans scenario but later on, the ECOS files can be reused after contract award to adapt payment plans based on decisions made with respect to Direct Payment by ESA to the sub-contractors.

The default setting is that no Direct Payment is made by ESA at any level.

How to account for Direct Payment by ESA?

The selection of the sub-contractors directly paid by ESA is very simple.

Once the Integration of the sub-contractors has been performed, go to the [Tender Answer] tab. You will see a table listing all the sub-contractors involved at all levels.

Included in Payment Plan						
Company	ITT	Tenderer	Version	Integrated Exp.	Own Expenses	Covered Exp.
EDIS	ITT01	TEN POWER	T2	21,985,721	2,924,000	2,924,000
MAMU	ITT02	TEN BATT	T2	7,600,000	3,459,000	3,459,000
ABS	ITT04	TEN BATT	2	1,940,000	1,940,000	1,940,000
EU	BUD SUBCO	PCDU PH. B2	5.0 0136	200,000	200,000	200,000
EU	BUD SUBCO	PCDU PH. C/D	5.0 0136	2,000,000	2,000,000	2,000,000
EREM	ITT03	TEN TTC	T2	3,750,000	1,806,363	1,806,363
EU	BUD SUBCO	TRSP PH. B2		100,000	100,000	100,000
EU	BUD SUBCO	TRSP PH. B2		1,000,000	1,000,000	1,000,000
GB	BUD SUBCO	RFDU PH. B2		62,212	62,212	62,212
GB	BUD SUBCO	RFDU PH. B2		622,123	622,123	622,123
US	BUD SUBCO	ANTENNA PH. B2		15,638	15,638	15,638
US	BUD SUBCO	ANTENNA PH. B2		156,384	156,384	156,384
ES	BUD SUBCO	DHS S/S PH. B2		400,000	400,000	400,000
ES	BUD SUBCO	DHS S/S PH. C/D		4,000,000	4,000,000	4,000,000
EU	BUD SUBCO	PROP. S/S PH. B		300,000	300,000	300,000
EU	BUD SUBCO	PROP. S/S PH. C		3,000,000	3,000,000	3,000,000

It is important that you are aware which sub-contractor at which level is under direct payment by ESA or not because the amounts that you will claim will have to cover for your own expenses and the

sub-contractors paid by yourself at any level. For this reason, elaborating the payment plan can be quite an iterative process when Direct Payment by ESA is involved. This is why an integrated tool such as ECOS can help you going rapidly and reliably through these iterations.

Defining Direct payment by ESA leads to consider Covered Expenditures.

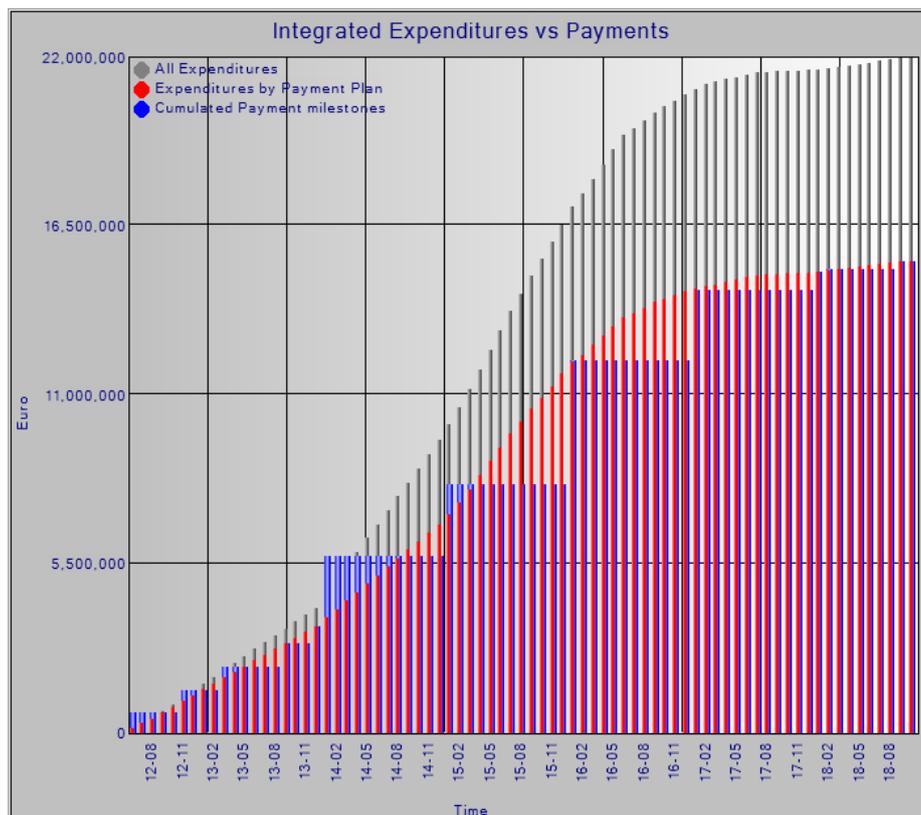
Covered Expenditures = Total Expenditures - Expenditures covered by ESA Direct Payment.

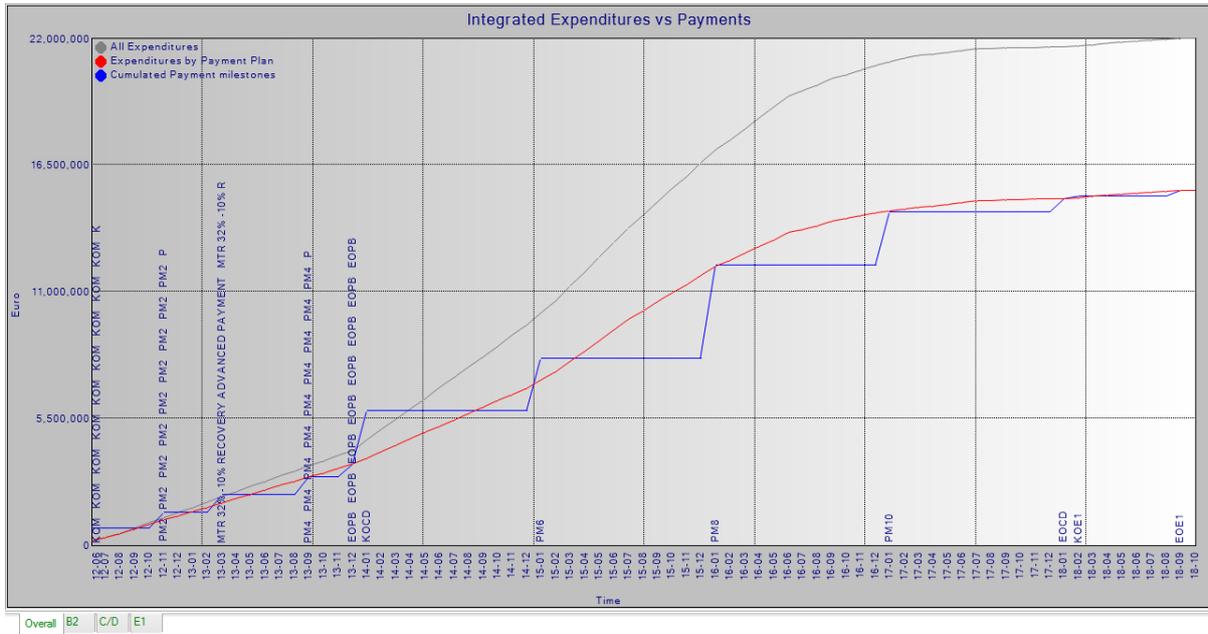
Covered Expenditures define the reference amount used to define the Payment Milestones

The payment milestones for a given contractual phase are then defined, preferably as percentages, to balance the Covered Expenditures.

Changing “Direct payment by ESA” scenarios can then be easily accommodated through few [Right-clicks] in the Contract Breakdown Structure of the [Tender Answer] tab as shown above. Some milestone percentages adjustments might be required depending on the new definition of Covered Expenditures profile resulting from the selection.

Graphics on [Info] and [Tender Answer] tabs will display separate curves when Direct payment by ESA sub-contractors have been selected. See the examples here below:





It is to be noted that the Bidder does not consider Payment profiles that may have been included into their tender file. The reason is that at the time of the proposal submission, the payment plans have not yet been negotiated.

In a future ECOS release we intend to introduce the notion of approved payment plans that will allow to aggregate at later stages the actual approved payment plans from the sub-contractors. This will allow to analyze and include the actual approved aggregate from lower tiers into the overall requested payment plan.

Payment milestones indexing

A new feature since ECOS 5.1 release is the milestone indexing. Each milestone hold an index number. This allows identifying in a unique manner milestones placed at the same date (YY-MM format). This can be for instance the case for differentiating between an Advance Payment and a regular milestone placed at the same date.

Payment Plan						
	Date	Nr	Phase	%	Amount (EUR)	Description
Companies Involved	12-06	1	B2	10.00	348,748	ADVANCE PAYMENT ADVANCE
	12-06	2	B2	10.00	348,748	KOM KOM KOM KOM KOM K
	12-11	3	B2	20.00	697,495	PM2 PM2 PM2 PM2 PM2 P
	13-03	4	B2	22.00	767,245	MTR 32% -10% RECOVERY ADVAN
	13-09	5	B2	22.00	767,245	PM4 PM4 PM4 PM4 PM4 P
	13-12	6	B2	16.00	557,996	EOPB EOPB EOPB EOPB EOPB
	14-01	1	C/D	20.00	2,307,649	KOCD
	15-01	2	C/D	20.00	2,307,649	PM6
	16-01	3	C/D	35.00	4,038,385	PM8
	17-01	4	C/D	20.00	2,307,649	PM10
	18-01	5	C/D	5.00	576,912	EOCD
	18-02	1	E1	30.00	108,000	KOE1
	18-09	2	E1	70.00	252,000	EOE1

Contractual Phase:

Add Milestone

Edit Milestone

Delete Milestone

When elaborating the Payment Plan you might have to introduce a milestone in-between already existing ones. When doing so ECOS will assign the next available index even though this milestone is not the last one. You have the possibility to simply re-index the milestone by pressing the first icon of the Task Bar on the [Tender Answer] tab called "Reindex Plan".

Reporting on Payment Plans and Expenditures – The new features of the report 5405

The report 5405 allows to report either from the Contractor point of view i.e. Payment Plan vs. Covered Expenditures or from the Agency Point of view i.e. Payment vs. Total Expenditures taking into account a payment plan estimate of the coverage for the non-approved Payment Plans based on their Expenditures profiles.

Here are some examples:

