



Technical

## 7 Secrets to Successfully Quoting Compensation Events Under the NEC Form of Contracts - Part One

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### Introduction

1. From experience our clients have no problems identifying change but do struggle to understand the different approach taken by NEC to other forms of contract for dealing with those changes. The free seminar on 22 November 2012 will address the issues set out below (and more) from both the Subcontractor's and the Main Contractor's perspective.
2. Within these notes the parties are considered to be the Project Manager and the Contractor operating under an ECC contract. The principles are the same if the parties were the Contractor and Subcontractor operating under an ECS contract albeit in that case the timescales are different.

### Submit required notices especially to ensure you remain within the time bar (1)

3. There is an 8 week (7 weeks – ECS) time bar which is a condition precedent to receiving compensation for an event which has occurred. The starting point for the time bar is the Contractor becoming aware of the event which may be before the event actually happened

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and could be when the early warning was, or should or could, have been submitted.

## Early warnings and compensation events – differences (2)

4. NEC splits the notification of change into two processes – the early warning process and the compensation event process. A common misconception is that both processes must be followed in order to receive entitlement to time and money.
5. A simple difference between an early warning and a compensation event is that usually the early warning process deals with events that have not yet happened but have a high chance of occurring. The compensation event process is for events that have already occurred.
6. Any instruction from the Project Manager is a compensation event because it has already occurred and no early warning is required.

## Contract timescales (3)

7. Once an early warning has been notified the parties may attend a risk reduction meeting to decide how to deal with the potential event. The potential event is a '*risk*' because it has yet to occur. The risk can be dealt with in a number of ways including agreeing on methods of reducing or eliminating the risk and if so what action is required by who. Usually this should lead to an instruction from the Project Manager for a quotation for a proposed compensation event.
8. In any event where the Project Manager issues an instruction but does not request a quotation, as he should, then it is advisable to proceed with preparing a quotation in any case.
9. The Contractor should then be aware of its commitments to provide further notifications if the Project Manager fails to follow his obligations because in doing so a compensation event may be accepted by default to the benefit of the Contractor.

[Click here for 7 Secrets to Successfully Quoting Compensation Events Under the NEC Forms of Contract - Part Two](#)

<p><b>Sheffield</b></p> <p>The Annexe 260 Ecclesall Road South Ecclesall Sheffield S11 9PS</p> <p>Tel – 0114 230 1329 E-mail – <a href="mailto:frances.sawicki@ramskillmartin.co.uk">frances.sawicki@ramskillmartin.co.uk</a></p>	<p><b>London</b></p> <p>Adam House 7-10 Adam Street London WC2N 6AA</p> <p>Tel – 020 7520 9295 E-mail – <a href="mailto:clive.ramskill@ramskillmartin.co.uk">clive.ramskill@ramskillmartin.co.uk</a></p>
<p><b>Birmingham</b></p> <p>Birmingham Business Park 4200 Waterside Centre Solihull Parkway Birmingham B37 7YN</p> <p>Tel – 0121 481 2381 E-mail – <a href="mailto:clive.ramskill@ramskillmartin.co.uk">clive.ramskill@ramskillmartin.co.uk</a></p>	<p><b>Manchester</b></p> <p>3 Hardman Street Manchester Lancashire M3 3HF</p> <p>Tel – 0161 932 1535 E-mail – <a href="mailto:nick.cheetham@ramskillmartin.co.uk">nick.cheetham@ramskillmartin.co.uk</a></p>
<p>Head Office The Annexe 260 Ecclesall Road South Sheffield, S11 9PS UK</p> <p>Tel – 0114 230 1329</p>	