

NEC4 – ECC - X Clauses Explained

The NEC Engineering and Construction Contract (ECC) contains an array of core and optional clauses. These clauses are used to develop the terms and conditions of a particular construction contract. The contract is then used as a framework to administer the design and/or build and/or maintenance of a project. The clauses fall under the following categories:

1. **Core Clauses** – these clauses are the bread and butter of the construction contract. Although often amended slightly to suit the client's requirements. It's recommended these are left mostly untouched so the aims and objectives of the NEC are upheld.
2. **Main Option Clauses (A,B,C,D,E, F & W)** – To supplement the Core Clauses, a Main Option Clause must be selected. This will determine how risk is shared between parties and by what means the contractor is reimbursed.
3. **Secondary Option Clauses (X,Y & Z)** – These are optional bolt on clauses which can be implemented into a contract. X & Y being a selection of pre-written clauses and Z clauses which are completely customisable prior to contractual agreement.

The NEC4 X clauses are as follows:

Option X1	Price adjustment for inflation (Used only with option A,B,C & D) – This clause provides the means for adjusting the price of works. By factoring the base index (when prices were set) against the latest index, forming the PAF	Option X12	Multiparty collaboration (not used with Option X20) - Used when there are multiple parties or partners who have a contract in connection with the subject matter of the contract. In essence, multiparty collaboration
Option X2	Changes in the law – Allowance for a compensation event, should a change in law occur after the Contract Date	Option X13	Performance bond – Client insurance against the contractor failing to fulfil contractual obligations. Issued by either an insurance company or the bank
Option X3	Multiple currencies (used only with options A & B) – This is used where the contractor is paid in currencies other than the currency of the contract	Option X14	Advanced payment to the contractor – Used when there is advanced payment agreements between Contractor and Client

Option X4	Ultimate holding company guarantee – Used as a guarantee to the Client of the Contractor's performance when the Contractor is a subsidiary of another company	Option X15	The contractor's design – Used when the contractor is carrying out their own design
Option X5	Sectional completion – Used when completion of works may mean a section of works, rather than the whole of the works	Option X16	Retention (not used with option F) – Used as insurance to the Client for works defects. Retention is a percentage of money retained from the contractor until completion of the works.
Option X6	Bonus for early completion – Monetary incentive for contractor finishing ahead of time	Option X17	Low performance damages – If a defect is linked to low performance (by the Contractor) and this clause is enacted, the Contractor pays the amount of low performance damages stated in the contract data
Option X7	Delay damages – Monetary disincentive for contractor finishing late	Option X18	Limitation of liability – This clause gives grounds for the limitation of Contractor's liability to the Client for certain events which cause loss to the Client.
Option X8	Undertakings to the client or others – When the Contractor gives undertakings to Others as stated in the Contract Data	Option X20	Key performance indicators (not used with option X12) – Used as incentives for the Contractor to meet a certain level of performance stated in the Incentive Schedule.
Option X9	Transfer of rights – When the Client owns the Contractor's right over material prepared for the design of the works	Option X21	Whole life cost – Used when Client's want Contractor's to propose revisions to the Scope in order to reduce the cost of operating and maintaining an asset
Option X10	Information Modelling – Used when there is electrical integration of Project Information	Option X22	Early contractor involvement (used only with Options C and E) – Allows contractor involvement into

			a project before a full design or price has been established, enabling the contractor to take part in design development and construction at the planning stage.
Option X11	Termination by the client – Provides the Client with the rights to terminate the Contractor's obligation to Provide the Works		