BuildScope

POCKET LIBRARY

NEC-002

Compensation Events

Not every extra work item is a compensation event.

Alex
Senior Engineer

Sam
Junior Engineer

- NEC4 ECC explained in practice
- Realistic site cases
- Clear decision pathway
- Practical checklist for QSs, PMs and Engineers

01 THE SITE CONVERSATION

Extra work ≠ automatic CE.









02 START WITH THE SCOPE

Three checks before calling it a CE.



1 Check the Contract Scope.

What does the Scope require? Check the drawings, specifications and other contract documents.



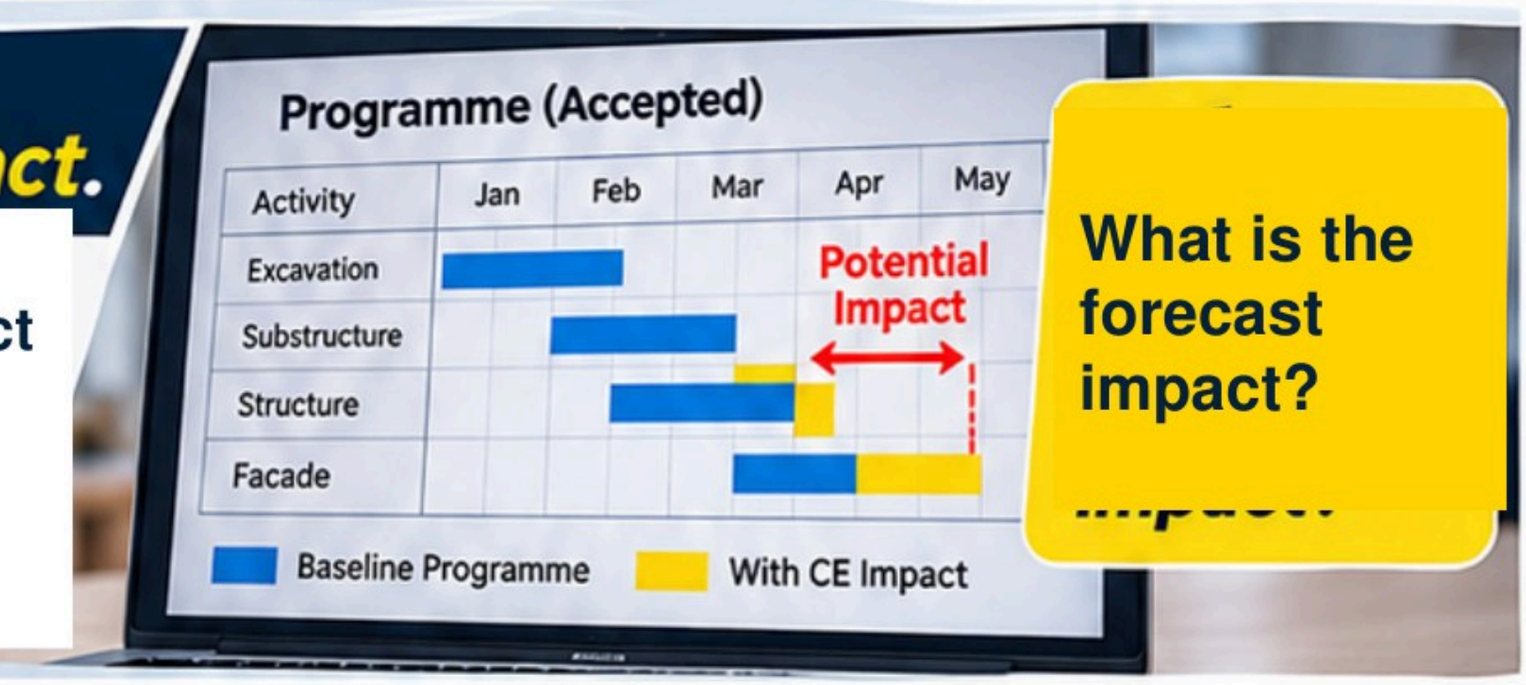
2 Check the Triggering Event.

Check clause 60.1 and any additional contractual CE grounds. Example: a PM instruction changing the Scope (60.1(1)), subject to exceptions.



3 Check the Causation and Impact.

Link the event to its forecast effect on Defined Cost, Prices, Completion and Key Dates, as applicable.



03 THREE PRACTICAL CASES

Extra work? Let's see if it is a compensation event.

Case 1 Unforeseen Ground Condition





POTENTIAL CE

Why? 60.1(12): apply the experienced Contractor's small-chance test at the Contract Date.

Case 2 Client's Instruction – Change in Design





POTENTIAL CE

Why? 60.1(1): PM instruction changing Scope, subject to contractual exceptions.

Case 3 Better Construction Method Proposed by Contractor





NOT BY ITSELF

Why? A proposed method alone does not establish a CE. Check any subsequent instruction and contract terms.

04 COMPENSATION EVENT DECISION PATHWAY

Identify the event. Notify correctly. Assess the effect.

01 IDENTIFY THE CONTRACTUAL EVENT

Check clause 60.1, applicable options and amendments. If no ground applies, entitlement is not established.

02 APPLY THE RELEVANT CONDITIONS

Compare the Scope and facts. Apply the specific tests and exceptions for that event; there is no universal outside-control test.

03 NOTIFY UNDER CLAUSE 61

Check who must notify. Contractor notice is generally subject to eight weeks from awareness, with the clause 61.3 exception for events the PM should have notified.

04 PROJECT MANAGER RESPONSE

Follow the contractual decision and response procedure. A late notice may affect entitlement; check exceptions and amendments.

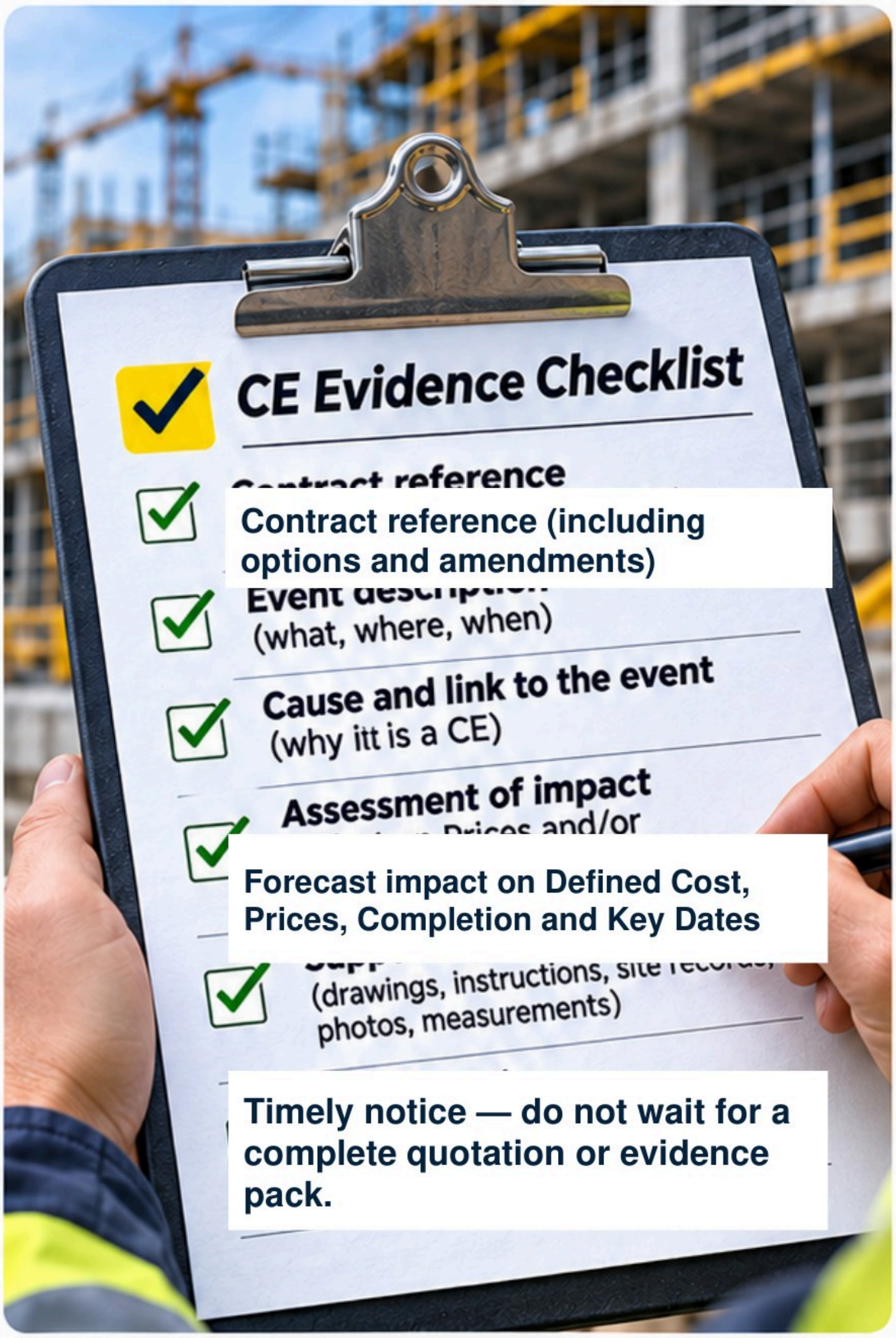
05 QUOTATION AND ASSESSMENT

Clause 62: quotations. Clause 63: assessment of the event's effect on Prices, Completion Date and Key Dates, as applicable.

Check the executed contract before reaching a conclusion.

05 PRACTICAL EVIDENCE CHECKLIST

*If you intend to notify a compensation event, prepare the **right evidence.***





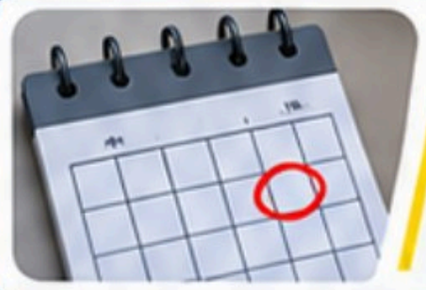
Contract Reference

Identify the relevant NEC4 clause.



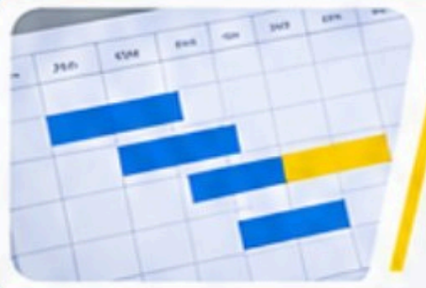
Event Description

Clearly describe the change or event.



Cause and Link

Explain how it relates to a compensation event.



Impact

Assess forecast cost and time effects, including Key Dates.



Supporting Records

Include instructions, drawings, photos, site records, etc.



Timely Notice

Give notice within the contractual time, including any applicable exception (NEC4 clause 61.3).

Quick Tip

Be clear, be timely, and keep a full record.

Good evidence makes the Project Manager's assessment faster and more objective.

06 KEY TAKEAWAY

Extra work is not automatically a compensation event.

Key Lessons

Identify a relevant CE under clause 60.1, applicable options or amendments.

Compare the Scope and apply the specific contractual conditions and exceptions.

Assess forecast cost and time effects, including Completion and Key Dates.

4. Give Timely Notice

Notify the Project Manager within the contractual time, including any applicable exception (NEC4 clause 61.3).

NEC4 ECC — Key References

Clause 60.1	CE grounds; check options and amendments.
Clause 61.3	Contractor's notification of a Compensation Event (within the contractual time, subject to any exception)

Clause 62: Quotations
Clause 63: Assessing compensation events

In Short

- ☑ Identify the event.
- ☑ Notify in time.
- ☑ Assess the impact.



General NEC4 ECC guidance. Check the executed contract and local amendments.