SCHEDULE 7

DETERMINATION OF BASE PRICE

Fourth requirement

5.—(1) Taking the base prices for the winning principal stage bids together, the opportunity cost variance of those base prices calculated in accordance with sub-paragraph (2) shall be less than the opportunity cost variance, calculated in accordance with sub-paragraph (2), of any other prices for the winning principal stage bids that satisfy the requirements set out in paragraphs 2 to 4.

(2) The opportunity cost variance ("OCV_B") of prices mentioned in sub-paragraph (1), is the amount calculated in accordance with the formula—

$$OCV_B = \sum (p_B - c_B)^2$$

where—

(a) "p_B" is the price for a winning principal stage bid; and

(b) "c_B" is the amount calculated in accordance with the formula set out in sub-paragraph (3) in respect of that winning principal stage bid.

(3) The formula is—

$$c_B = u_B - t_B + b_B$$

where—

(a) "u_B" is the amount calculated in accordance with sub-paragraph (4);

(b) "t_B" is the total value of the winning combination of bids calculated in accordance with regulation 67(9); and

(c) "b_B" is the amount of the winning principal stage bid for which p_B is the price.

(4) The amount calculated in accordance with this sub-paragraph is the total value of the valid combination of principal stage bids or one of the valid combinations of principal stage bids (as the case may be) for which the total value of the combination calculated in accordance with regulation 67(9) is the highest where the valid combination or combinations of principal stage bids do not include any of the primary bids or supplementary bids made by the winning bidder that submitted the winning principal stage bid for which p_B is the price, but may include valid opt-in bids made by that bidder (if any).