

Subpart 17.2 - Options

Parent topic: [Part 17 - Special Contracting Methods](#)

17.200 Scope of subpart.

This subpart prescribes policies and procedures for the use of *option solicitation* provisions and *contract clauses*. Except as provided in agency regulations, this subpart does not apply to contracts for (a) services involving the *construction*, alteration, or repair (including dredging, excavating, and painting) of buildings, bridges, roads, or other kinds of real property; (b) *architect-engineer services*; and (c) research and development services. However, it does not preclude the use of *options* in those contracts.

17.201 [Reserved]

17.202 Use of options.

(a) Subject to the limitations of paragraphs (b) and (c) of this section, for both sealed bidding and *contracting* by negotiation, the *contracting officer* may include *options* in contracts when it is in the Government's interest. When using sealed bidding, the *contracting officer* shall make a written determination that there is a reasonable likelihood that the *options* will be exercised before including the provision at [52.217-5](#), Evaluation of Options, in the *solicitation*. (See [17.207\(f\)](#) with regard to the exercise of *options*.)

(b) Inclusion of an *option* is normally not in the Government's interest when, in the judgment of the *contracting officer*-

(1) The foreseeable requirements involve-

(i) Minimum economic quantities (*i.e.*, quantities large enough to permit the recovery of startup costs and the production of the required *supplies* at a reasonable price); and

(ii) Delivery requirements far enough into the future to permit competitive *acquisition*, production, and delivery.

(2) An indefinite quantity or requirements contract would be more appropriate than a contract with *options*. However, this does not preclude the use of an indefinite quantity contract or requirements contract with *options*.

(c) The *contracting officer* shall not employ *options* if-

(1) The contractor will incur undue risks; *e.g.*, the price or availability of necessary materials or labor is not reasonably foreseeable;

(2) Market prices for the *supplies* or services involved are likely to change substantially; or

(3) The *option* represents known firm requirements for which funds are available unless-

- (i) The basic quantity is a learning or testing quantity; and
- (ii) Competition for the *option* is impracticable once the initial contract is awarded.
- (d) In recognition of-
 - (1) The Government's need in certain service contracts for continuity of operations; and
 - (2) The potential cost of disrupted support, *options may* be included in service contracts if there is an anticipated need for a similar service beyond the first contract period.

17.203 Solicitations.

- (a) *Solicitations shall* include appropriate *option* provisions and clauses when resulting contracts will provide for the exercise of *options* (see [17.208](#)).
- (b) *Solicitations* containing *option* provisions *shall* state the basis of evaluation, either exclusive or inclusive of the *option* and, when appropriate, *shall* inform *offerors* that it is anticipated that the Government *may* exercise the *option* at time of award.
- (c) *Solicitations* normally *should* allow *option* quantities to be offered without limitation as to price, and there *shall* be no limitation as to price if the *option* quantity is to be considered in the evaluation for award (see [17.206](#)).
- (d) *Solicitations* that allow the *offer* of *options* at unit prices which differ from the unit prices for the basic requirement *shall* state that *offerors may offer* varying prices for *options*, depending on the quantities actually ordered and the dates when ordered.
- (e) If it is anticipated that the Government *may* exercise an *option* at the time of award and if the condition specified in paragraph (d) of this section applies, *solicitations shall* specify the price at which the Government will evaluate the *option* (highest *option* price offered or *option* price for specified requirements).
- (f) *Solicitations may*, in unusual circumstances, require that *options* be offered at prices no higher than those for the initial requirement; *e.g.*, when-
 - (1) The *option* cannot be evaluated under [17.206](#); or;
 - (2) Future competition for the *option* is impracticable.
- (g) *Solicitations* that require the offering of an *option* at prices no higher than those for the initial requirement *shall*-
 - (1) Specify that the Government will accept an *offer* containing an *option* price higher than the base price only if the acceptance does not prejudice any other *offeror*; and
 - (2) Limit *option* quantities for additional *supplies* to not more than 50 percent of the initial quantity of the same *line item*. In unusual circumstances, an authorized person at a level above the *contracting officer may* approve a greater percentage of quantity.
- (h) Include the value of *options* in determining if the *acquisition* will exceed the World Trade

Organization Government *Procurement* Agreement or Free Trade Agreement thresholds.

17.204 Contracts.

- (a) The contract *shall* specify limits on the purchase of additional *supplies* or services, or the overall duration of the term of the contract, including any extension.
- (b) The contract *shall* state the period within which the *option* may be exercised.
- (c) The period *shall* be set so as to provide the contractor adequate lead time to ensure continuous production.
- (d) The period *may* extend beyond the contract completion date for service contracts. This is necessary for situations when exercise of the *option* would result in the obligation of funds that are not available in the fiscal year in which the contract would otherwise be completed.
- (e) Unless otherwise approved in accordance with agency procedures, the total of the basic and *option* periods *shall* not exceed 5 years in the case of services, and the total of the basic and *option* quantities *shall* not exceed the requirement for 5 years in the case of *supplies*. These limitations do not apply to *information technology* contracts. However, statutes applicable to various classes of contracts, for example, the Service Contract Labor Standards statute (see [22.1002-1](#)), *may* place additional restrictions on the length of contracts.
- (f) Contracts *may* express *options* for increased quantities of *supplies* or services in terms of:
 - (1) Percentage of specific *line items*,
 - (2) Increase in specific *line items*; or
 - (3) Additional numbered *line items* identified as the *option*.
- (g) Contracts *may* express extensions of the term of the contract as an amended completion date or as additional time for performance; *e.g.*, days, weeks, or months.

17.205 Documentation.

- (a) The *contracting officer* *shall* justify *in writing* the quantities or the term under *option*, the notification period for exercising the *option*, and any limitation on *option* price under [17.203\(g\)](#); and *shall* include the justification document in the contract file.
- (b) Any justifications and approvals and any determination and findings required by [part 6](#) *shall* specify both the basic requirement and the increase permitted by the *option*.

17.206 Evaluation.

- (a) In awarding the basic contract, the *contracting officer* *shall*, except as provided in paragraph (b) of this section, evaluate *offers* for any *option* quantities or periods contained in a *solicitation* when it

has been determined prior to soliciting *offers* that the Government is likely to exercise the *options*. (See [17.208](#).)

(b) The *contracting officer* need not evaluate *offers* for any *option* quantities when it is determined that evaluation would not be in the best interests of the Government and this determination is approved at a level above the *contracting officer*. An example of a circumstance that *may* support a determination not to evaluate *offers* for *option* quantities is when there is a reasonable certainty that funds will be unavailable to permit exercise of the *option*.

17.207 Exercise of options.

(a) When exercising an *option*, the *contracting officer shall* provide written notice to the contractor within the time period specified in the contract.

(b) When the contract provides for economic price adjustment and the contractor requests a revision of the price, the *contracting officer shall* determine the effect of the adjustment on prices under the *option* before the *option* is exercised.

(c) The *contracting officer may* exercise *options* only after determining that-

(1) Funds are available;

(2) The requirement covered by the *option* fulfills an existing Government need;

(3) The exercise of the *option* is the most advantageous method of fulfilling the Government's need, price and other factors (see paragraphs (d) and (e) of this section) considered;

(4) The *option* was synopsisized in accordance with [part 5](#) unless exempted by [5.202\(a\)\(11\)](#) or other appropriate exemptions in [5.202](#);

(5) The contractor does not have an active exclusion record in the *System for Award Management* (see FAR [9.405-1](#));

(6) The contractor's *past performance* evaluations on other contract actions have been considered; and

(7) The contractor's performance on this contract has been acceptable, e.g., received satisfactory ratings.

(d) The *contracting officer*, after considering price and other factors, *shall* make the determination on the basis of one of the following:

(1) A new *solicitation* fails to produce a better price or a more advantageous *offer* than that offered by the *option*. If it is anticipated that the best price available is the *option* price or that this is the more advantageous *offer*, the *contracting officer should* not use this method of testing the market.

(2) An informal analysis of prices or an examination of the market indicates that the *option* price is better than prices available in the market or that the *option* is the more advantageous *offer*.

(3) The time between the award of the contract containing the *option* and the exercise of the *option* is so short that it indicates the *option* price is the lowest price obtainable or the more advantageous

offer. The *contracting officer shall* take into consideration such factors as market stability and comparison of the time since award with the usual duration of contracts for such *supplies* or services.

(e) The determination of other factors under paragraph (c)(3) of this section-

(1) *Should* take into account the Government's need for continuity of operations and potential costs of disrupting operations; and

(2) *May* consider the effect on small business.

(f) Before exercising an *option*, the *contracting officer shall* make a written determination for the contract file that exercise is in accordance with the terms of the *option*, the requirements of this section, and [part 6](#). To satisfy requirements of [part 6](#) regarding *full and open competition*, the *option must* have been evaluated as part of the initial competition and be exercisable at an amount specified in or reasonably determinable from the terms of the basic contract, *e.g.*-

(1) A specific dollar amount;

(2) An amount to be determined by applying provisions (or a formula) provided in the basic contract, but not including renegotiation of the price for work in a fixed-price type contract;

(3) In the case of a cost-type contract, if-

(i) The *option* contains a fixed or maximum fee; or

(ii) The fixed or maximum fee amount is determinable by applying a formula contained in the basic contract (but see [16.102\(c\)](#));

(4) A specific price that is subject to an economic price adjustment provision; or

(5) A specific price that is subject to change as the result of changes to prevailing labor rates provided by the Secretary of Labor.

(g) The *contract modification* or other written document which notifies the contractor of the exercise of the *option shall* cite the *option* clause as authority.

17.208 Solicitation provisions and contract clauses.

(a) Insert a provision substantially the same as the provision at [52.217-3](#), Evaluation Exclusive of *Options*, in *solicitations* when the *solicitation* includes an *option* clause and does not include one of the provisions prescribed in paragraph (b) or (c) of this section.

(b) Insert a provision substantially the same as the provision at [52.217-4](#), Evaluation of *Options* Exercised at Time of Contract Award, in *solicitations* when the *solicitation* includes an *option* clause, the *contracting officer* has determined that there is a reasonable likelihood that the *option* will be exercised, and the *option may* be exercised at the time of contract award.

(c) Insert a provision substantially the same as the provision at [52.217-5](#), Evaluation of *Options*, in *solicitations* when-

(1) The *solicitation* contains an *option* clause;

(2) An *option* is not to be exercised at the time of contract award;

(3) A firm-fixed-price contract, a fixed-price contract with economic price adjustment, or other type of contract approved under agency procedures is contemplated; and

(4) The *contracting officer* has determined that there is a reasonable likelihood that the *option* will be exercised. For sealed bids, the determination *shall* be *in writing*.

(d) Insert a clause substantially the same as the clause at [52.217-6](#), *Option for Increased Quantity*, in *solicitations* and contracts, other than those for services, when the inclusion of an *option* is appropriate (see [17.200](#) and [17.202](#)) and the *option* quantity is expressed as a percentage of the basic contract quantity or as an additional quantity of a specific *line item*.

(e) Insert a clause substantially the same as the clause at [52.217-7](#), *Option for Increased Quantity-Separately Priced Line Item*, in *solicitations* and contracts, other than those for services, when the inclusion of an *option* is appropriate (see [17.200](#) and [17.202](#)) and the *option* quantity is identified as a separately priced *line item* having the same nomenclature as a corresponding *line item*.

(f) Insert a clause substantially the same as the clause at [52.217-8](#), *Option to Extend Services*, in *solicitations* and contracts for services when the inclusion of an *option* is appropriate. (See [17.200](#), [17.202](#), and [37.111](#).)

(g) Insert a clause substantially the same as the clause at [52.217-9](#), *Option to Extend the Term of the Contract*, in *solicitations* and contracts when the inclusion of an *option* is appropriate (see [17.200](#) and [17.202](#)) and it is necessary to include in the contract any or all of the following:

(1) A requirement that the Government *must* give the contractor a preliminary written notice of its intent to extend the contract.

(2) A statement that an extension of the contract includes an extension of the *option*.

(3) A specified limitation on the total duration of the contract.