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 synopsized 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.

Parent topic: Subpart 17.2 - Options