

# **Subpart 517.2 - Options**

**Parent topic:** [Part 517 - Special Contracting Methods](#)

## **517.200 Scope of subpart.**

- (a) Except as provided in paragraph (b) of this section, this subpart applies to contracts for supplies and services, including architect-engineer services.
- (b) Policies and procedures for the use of options in solicitation provisions and contract clauses for services involving construction, alteration, or repair (including dredging, excavating, and painting) of buildings, bridges, roads, or other kinds of real property are prescribed in [536.270](#). FAR subpart 17.2 and this subpart do not apply to the use of options in solicitation provisions and contract clauses for services involving construction, alteration, or repair (including dredging, excavating, and painting) of buildings, bridges, roads, or other kinds of real property.

## **517.202 Use of options.**

- (a) Options may be used when they meet one or more of the following objectives:
  - (1) Reduce procurement lead time and associated costs.
  - (2) Ensure continuity of contract support.
  - (3) Improve overall contractor performance.
  - (4) Facilitate longer term contractual relationships with those contractors that continually meet or exceed quality performance expectations.
- (b) An option is normally in the Government's interest in the following circumstances:
  - (1) There is an anticipated need for additional supplies or services during the contract term.
  - (2) When there is both a need for additional supplies or services beyond the basic contract period and the use of multi-year contracting authority is inappropriate.
  - (3) There is a need for continuity of supply or service support.
- (c) An option shall not be used if the market price is likely to change substantially and an economic price adjustment clause inadequately protects the Government's interest.

## **517.204 Contracts.**

- (a) Telecommunication contracts may not exceed 10 years.
- (b) Public utility contracts are limited to 10 years ([40 U.S.C. 501\(b\)\(1\)\(B\)](#)).

(c) *Requests to exceed 5-year limitation.* A deviation request to exceed the 5-year limitation specified in FAR 17.204(e) must provide all the following information:

- (1) Clearly explain the contract(s) and organization(s) covered by the request.
- (2) Support the need for and reasonableness of the extension. Consider factors such as the following:
  - (i) The results of market research.
  - (ii) Stability of the requirement(s).
  - (iii) Benefits to the Government.
  - (iv) Use of a performance-based contracting approach.
  - (v) Availability of funds to cover estimated cancellation costs as well as costs for the first contract period.
  - (vi) Customary commercial practice.
  - (vii) Mechanisms to adjust for economic fluctuations.

(d) *Approval authority.* Deviation requests to exceed the 5-year limitations specified in FAR 17.204(e) must be approved by-

- (1) The head of the contracting activity for individual contracts; and
- (2) GSA's Senior Procurement Executive for classes of contracts.

## **517.207 Exercise of options.**

In addition to the requirements of FAR [17.207](#), the contracting officer shall:

- (a) Document the contract file with the rationale for exercising the contract option to extend the period of performance if the contractor's performance under the contract is less than satisfactory.
- (b) Determine that the option price is fair and reasonable.
- (c) If applicable, consider any tiered solutions (see subpart [Subpart\\_507.71.html](#)) or mandated solutions that were otherwise not available at the time of award.
- (d) Conduct a Personal Identity Verification card review to determine the need for continued access, see 504.1370(c). This function may be delegated to the COR.
- (e) For FSS contracts, verify the contractor is currently in compliance with GSAR clause [552.238-77 Submission and Distribution of Authorized Federal Supply Schedule \(FSS\) Price Lists.](#), Submission and Distribution of Authorized Federal Supply Schedule Price Lists.
- (f) If applicable, verify that the contractor's subcontracting plan goals have been reviewed and approved (inclusive of any amendments) and review the contractor's performance and compliance under the subcontracting plan (see FAR [19.705-6](#) and [19.706](#), and [519.706 Responsibilities of the](#)

cognizant administrative contracting officer).

## **517.208 Solicitation provisions.**

(a) Insert a provision substantially the same as the provision at 552.217-70, Evaluation of Options, in solicitations for the Special Order Program when the following conditions apply:

- (1)The solicitation contains an option to extend the term of the contract; and
- (2)The contract will be fixed price and contain an economic price adjustment clause.

(b)Insert a provision substantially the same as the provision at 552.217-71, Notice Regarding Option(s), in solicitations that include an option for increased quantities of supplies or services or an option clause to extend the term of the contract.