

## 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.

**Parent topic:** Subpart 17.2 - Options