**KPI Handbook**

**1. Introduction**

To maximise the value of the KPI data to the Contract it is imperative that data is collected and analysed as regularly as possible throughout the quarter.

Measurement periods for each KPI are given within the Handbook and formal performance review meetings are required quarterly for the Energy Procurement and Associated Services Contract. The meeting will take place up to a maximum of 4 weeks in arrears of the quarter being measured to allow data to be collected and analysed. For example, the monthly review meeting for April 2016 will take place in May 2016.

It should be noted that meeting frequency will be significantly increased during mobilisation of the contract.

**1.1 Key Performance Indicators**

The Key Performance Indicators are given in this Handbook and are outlined below in section 3.

**1.2 Performance Management and Benchmarking**

A KPI is best defined as:

*“A Key Performance Indicator (KPI) is the measure of performance of an activity that is critical to the success of an organisation.”*

Benchmarking is best defined as:

*“Comparing Performance and cost against others, and using lessons from the best to make targeted improvements”*

The use of KPI’s and Benchmarking allows MH to:

* Set performance targets at the outset of the Contract
* Monitor performance during the contract lifetime
* Assess completed work
* Benchmark performance to provide a basis for continuous improvement
* Benchmark cost to identify that the contract still demonstrates value for money

Midland Heart reserves the right to carry out regular benchmarking activities to validate the value for money delivered by this contract.

**1.3 The Handbook**

Each KPI is defined under the following headings:

* Purpose – identifies why the KPI is being measured
* Definition – defines the measurement
* Method – clearly demonstrates how the KPI is measured
* Measurement – measurement intervals
* Target – the agreed target score(s) for the KPI
* Target Source – Where the target has been derived from
* Scorer – defines who is responsible for collecting score/data
* Audit Mechanism – How the KPI data will be verified

For each KPI where a standard format for data collection is required these have been prepared and are given in the Appendices to the Handbook.

**1.4 Targets and Sources of Information**

The targets for each KPI are provided within the Handbook. The targets have devised to help place MH in the top quartile of its peer group.

**1.5 Data Collection**

The means of data collection are defined within the handbook and all necessary documentation for collecting the data is provided. The responsibility for collecting data is clearly defined and the Parties have a responsibility for ensuring that data is captured in a timely manner to allow accurate reporting at the given intervals.

**1.6 KPI Amendments**

The KPI Handbook will be the responsibility of the Contract Manager for the duration of the contract and they will be responsible for reviewing both the performance against the KPI’s and also the effectiveness of the KPI’s in delivering value and improvements to the delivery of the project.

As such, it is possible that KPI’s may need to be amended, either in the way they are collected or the targets that are set against them. Additionally, if over a period of time KPI’s within the Handbook are felt to offer no value they may be removed and/or replaced. Similarly, additional KPI’s may be added if they are felt to provide additional value to the Contract.

Any amendments shall be made via a formal contract variation and the KPI Handbook will be amended accordingly and re-issued to all parties, with a new Issue number and date. The previous KPI Handbook should be deleted by all Parties to avoid any potential confusion.

It is imperative that when an amended KPI Handbook is issued that all staff are made aware of this and there is duty on all Parties to cascade the information within their organisation.

As with all other contractual matters the Contract Manager has control of the amendments and as such consensus must be achieved to enable any amendments.

**1.7 Performance upon Commencement of the Contract**

Unless otherwise specified, Midland Heart will agree to a “soft landing” period in relation to target performance levels for the initial 6 months from the date of the contract **and** upon full service delivery once energy supply has commenced (year 4 of the master broker contract).

**2 Key Performance Indicators**

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| **KPI1** | **Query Response and Resolution** |
| Purpose: | 1. To measure the percentage of operational queries which are acknowledged within 4 hours of issue.
2. To measure the percentage of operational queries which are resolved within agreed timescales.
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| Definitions: | * Operational queries will only be issued by e-mail.
* Operational queries will be flagged as ‘Important’ and described as “OQ” in the subject of the e-mail.
* Agreed timescales are the Service Level agreed for that type of query during mobilisation of the contract. For the avoidance of doubt these Service Levels, and any replacements if changes are made, will be appended to this contract as SCHEDULE 3B.
* In the absence of an agreed Service Level, the timescales will be agreed upon receipt and acknowledgement of the query by the supplier.
* Extension of Service Levels is prohibited where this is requested **after** the initial deadline has passed.
* Failure to perform to the Service Levels required due to technical or mechanical failure of the Supplier’s e-mail or systems will only be accepted if supported by evidence that this failure has occurred.
* Continued or persistent failure of the Supplier’s e-mail or systems will be considered a material breach of contract on the basis that the Supplier does not have the adequate infrastructure required to deliver the contract.
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| Method: | 1. The number of operational query e-mails acknowledged within 4 hours versus the number sent.
2. The number of operational query e-mails resolved within agreed timescales versus the number sent.
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| Example: | 1. Of the 10 operational query e-mails sent, 9 were acknowledged within 4 hours. The performance achieved against this KPI is 90% (9/10\*100).
2. Of the 10 operational query e-mails sent, 8 were resolved or responded to within the agreed Service Level. The performance against this KPI is 80% (9/12\*100).
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| Measurement: | Monthly |
| Target: | 95% |
| Target Source: | Supplier Records (a sample of which will be audited and verified by Midland Heart’s Contract Manager). |
| Scorer: | Midland Heart’s Contract Manager. |

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| **KPI2** | **Additions** |
| Purpose: | To measure the percentage of site additions to the contract(s) which were completed within 20 Working Days. |
| Definitions: | * A site addition may be a half-hourly, non half-hourly or unmetered MPAN or a gas MPR.
* For an addition to be completed it must have been priced and accepted by the incoming supplier and confirmed as live with that supplier.
* This KPI applies regardless of whether a site addition is being placed on a bridging contract or added to the main supply contract(s).
* Additions to contract are measured within the month in which the 20 Working Days expires not the month in which they were submitted for addition.
* Additions to contract will be issued to the supplier in line with the process outlined in section 6 of the Specification in SCHEDULE 1.
* In the event of an objection from the incumbent supplier on the basis of debt owed, the time taken by Midland Heart from the point of notification to the point of resolution will not count towards the period monitored for this KPI.
* In the event of an objection from the incumbent supplier on the basis that a contract is in place, the time from the point of notification to the point of contract expiry will not count towards the period monitored for this KPI.
* Independent Gas Transporter MPRs are not reportable under this KPI but are monitored under KPI 1.
* Shipperless MPANs or MPRs are not reportable under this KPI but are monitored under KPI 1.
* Midland Heart reserves the right, upon giving 30 days written notice, to change the number of days within which supplies must be added to contract in line with any legislative or regulatory stipulation on how quickly a supply should switch.
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| Method: | The number of sites added to contract within 20 Working Days versus the number of sites submitted for addition to contract. |
| Example: | Of the 20 sites submitted for addition to contract, 19 were added to contract within 20 Working Days. The performance achieved against this KPI is 95% (19/20\*100). |
| Measurement: | Annually (please note that performance will be monitored monthly to ensure this remains on track to achieve the KPI each year). |
| Target: | 95% |
| Target Source: | Supplier Records (a sample of which will be audited and verified by Midland Heart’s Contract Manager). |
| Scorer: | Midland Heart’s Contract Manager. |
| **KPI3** | **Disposals** |
| Purpose: | To measure the percentage of site removals from the contract(s) which were completed within 20 Working Days. |
| Definitions: | * For a Disposal to be completed the site must have been removed from contract and invoicing reconciled to the handover reading provided.
* Removals from contract are measured within the month in which the 20 Working Days expires not the month in which they were submitted for addition or removal.
* Removals from contract will be issued to the supplier in line with the process outlined in section 7 of the Specification in SCHEDULE 1.
* Independent Gas Transporter MPRs are not reportable under this KPI but are monitored under KPI 1.
* Midland Heart reserves the right, upon giving 30 days written notice, to change the number of days within which supplies must be removed from contract in line with any legislative or regulatory stipulation on how quickly a change of tenancy notification should be processed.
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| Method: | The number of sites removed from contract within 20 Working Days versus the number of sites submitted for removal from contract. |
| Example: | Of the 20 sites submitted for removal from contract, 18 were removed from contract within 20 Working Days. The performance achieved against this KPI is 90%. |
| Measurement: | Annually (please note that performance will be monitored monthly to ensure this remains on track to achieve the KPI each year). |
| Target: | 95% |
| Target Source: | Supplier Records (a sample of which will be audited and verified by Midland Heart’s Contract Manager). |
| Scorer: | Midland Heart’s Contract Manager. |

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| **KPI4** | **Bill Validation** |
| Purpose: | To measure whether all overpayments and underpayments identified by the Bill Validation Process have been recovered on Midland Heart’s behalf within 1 month of being identified. |
| Definitions: | * The bill validation service required for this KPI is outlined in section 11 of the Specification in SCHEDULE 1 of this contract.
* If an invoice has failed bill validation because the incorrect rate of VAT has been levied, and where no valid VAT declaration has been provided by Midland Heart, the time taken by Midland Heart from the point of notification to the point of provision of the VAT declaration will not count towards the period monitored for this KPI.
* If an invoice has failed bill validation because site ownership has been queried, the time taken by Midland Heart from the point of notification to the point of ownership being confirmed will not count towards the period monitored for this KPI.
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| Method: | This section will be completed once the method of bill validation has been selected during mobilisation of this contract. |
| Example: | Of the 10 errors identified, 10 resulted in the overpayment or underpayment being rectified within 1 month. The performance achieved against this KPI is 100% (10/10\*100). |
| Measurement: | Monthly |
| Target: | 95% |
| Target Source: | Supplier Records (a sample of which will be audited and verified by Midland Heart’s Contract Manager). |
| Scorer: | Midland Heart’s Contract Manager. |

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| **KPI5** | **Budget Reporting** |
| Purpose: | 1. To measure whether the full site budget has been prepared, validated and issued to Midland Heart by the 15th October of each Supply Year.
2. To measure the accuracy of the first six months of the full site budget (excluding consumption forecasts).
3. To measure the accuracy of the final six months of the full site budget (excluding consumption forecasts).
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| Definitions: | * The budget report required for this KPI is outlined in section 8B of the Specification in SCHEDULE 1 of this contract.
* Accuracy is assessed in terms of the unit rates and pass through costs used to create the budget (a 2% sample will be verified which equates to 1 HH, 30 NHH and 3 Gas based on the current portfolio).
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| Method: | 1. Was the full site budget issued to Midland Heart by close of business on the 15th October?
2. Were the unit rates and pass through costs for the first six months of the budget accurate?
3. Were the unit rates and pass through costs for the final six months of the budget within a 5% tolerance of the actual figures?
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| Example: | 1. The full site budget was provided to Midland Heart at 4:23PM on 14th October. The performance achieved against this KPI is 100% (1/1\*100).
2. Of the 1% sample, 1 HH site, 30 NHH sites and 3 Gas sites had been budgeted for correctly. The performance achieved against this KPI is 100% (34/34\*100).
3. Of the 1% sample, 1 HH site, 29 NHH sites and 3 Gas sites had been budgeted for correctly. The performance achieved against this KPI is 97.06% (33/34\*100).
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| Measurement: | Annually |
| Target: | 1. 100%
2. 100%
3. 95%
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| Target Source: | Supplier Records (a sample of which will be audited and verified by Midland Heart’s Contract Manager). |
| Scorer: | Midland Heart’s Contract Manager. |