Less is more: streamlining your SLA

An ELEXON and Logica case study

Like most commodities, electricity is produced, sold into a wholesale market and then resold to consumers. Contracts are made for each half hour between generators who produce the electricity, and suppliers, who sell it on to commercial and domestic consumers.

ELEXON is at the heart of the UK’s electricity supply and distribution industry. It administers the “Balancing and Settlement Code”, which governs the wholesale electricity balancing and settlement arrangements for the UK. This touches some 27 million customers and every company in the electricity energy market.

For over 12 years, Logica has partnered with ELEXON in a variety of BPO and ITO capacities, creating the IT infrastructure to help ELEXON cater to the changing customer needs of the future.

During 2011, ELEXON and Logica decided to review and rationalise the considerable number of SLAs in their original contract with the underlying objective of reaching “a common agreement on a clearly defined set of service levels for all client services, which are: measurable, within our direct control and underpin our commitment to continual service improvement.”

This is how we did it
With both organisations committed to the SLA rationalisation, we held a series of collaborative workshops to determine all SLAs were still relevant to the current and future service requirements and in proportion to the mission criticality of the activities measured. A particular focus was the impact of a service level failure on ELEXON’s customers.

The result was the decision to reduce the number of SLAs from 155 to 40.

The dispensable – The SLAs that were no longer relevant
Most of the SLAs we decided to remove tended towards reporting or providing information. We agreed to measure them as KPIs instead, as KPIs can still give a good indication of the health of the service whilst validating that Logica delivers on their obligations. Here are two examples:

• Process of new or updated Registration Data. Target: 100% of valid new or updated Registration Data within 1 working hour of receipt
• Notify the Client of any failure by SAA to provide FAA with information in accordance with the Service Description. Target: By 11:00 hours of the Working Day that the information was not received
The essential – An SLA we could never be without
An example of an SLA that we have retained, relates to one of the key applications. This SLA is critical to the settlement process because it ensures Balancing and Settlement Codes (BSC) Parties can submit their contracts for electricity trading.

Timely processing of submissions, in accordance with the Service Requirement. Target: 100% processed accurately within 15 minutes of receipt.

Reaching an agreement
We then reviewed and updated the service level definitions and measurement criteria to ensure a common understanding and improved reporting. In parallel, Logica undertook a review of its sub-contract agreements so that the service levels being discussed with ELEXON would also be cascaded down to underpinning contracts and Operational Level Agreements with suppliers.

This would guarantee that the commitment ELEXON makes to its customers was supported throughout the supply chain.

With the new service levels now defined, work then turned to reviewing the service credit regime. Once again the process of discussing service credits was collaborative and we considered several iterations before finalising the agreement.

The final model
The resulting model has brought an increased focus to continual service improvement and proactive problem management. We achieved this by introducing a surcharge, payable by Logica, when a service level fails in two or more consecutive months due to the same root cause. This approach is designed to promote the investigation of problem root cause leading to a reduction in repeat incidents and ultimately an even higher level of service. The service credit mechanism also includes the opportunity for Logica to win back the full amount of any surcharge where a high level of service is achieved over a number of consecutive months, following a service failure.

Finally, the new service levels and service credit regime were run in parallel with the original service levels for 3 months, prior to the new model being accepted into contract. This was done to ensure customers remained at the heart of the service level agreement, showing once more the commitment of both parties to a long-lasting, collaborative and fair working relationship.