

Natural Gas Utility Performance-based Service Contracting Policy Implementation

understand. collaborate. implement.

The Performance-based Service Contracting (PBSC) Policy Implementation provided the high-level process and critical elements required for the Supply Chain organization to administer 100% performance-based contractor acquisition, contract administration, and contract management across all business organizations.

Overview

- Development of comprehensive Request for Services (RFS) Shell Packet(s) for Engineering Services and Pipeline Infrastructure Construction services to be leveraged for enterprise-wide implementation
- Development of Tiered Contract Management Approach (TCMA) Guidelines in order to right-size the rigor required by the PBSC Policy
- Development of PBSC Policy Education Program to include Instructor Guide, Training Manual and Job Aids, including integration into Supply Chain SharePoint site

Participants

- EVP, Engineering & Operations
- Vice President, Engineering & Supply Chain
- Managing Director, Supply Chain
- Directors (4): Office of Corporate Engineering, Engineering Design, Strategic Sourcing
- Manager, Project Controls
- Corporate Attorneys (2)
- CPA, Internal Auditing

Approach

- Define a “100% performance-based contracts policy” in collaboration with key stakeholders to ensure only contracts that meet all of the criteria will be classified as performance-based and can be submitted to Supply Chain
- Design a Quality Assurance Monitoring Plan (QAMP) as a key component for effective on-going contract administration and contract management
- Create new staff roles and responsibilities (functions and inputs) for improved contract formation, contractor acquisition, contractor administration, and contract monitoring including a Contract Quality Analyst (CQA) position to report on the contractor’s technical performance
- Develop PBSC Training Program with a well balanced approach to prepare the organization to perform new responsibilities and track on-going contractor performance
- Capture, verify, and socialize requirements with key stakeholders to identify critical data elements, current issues/gaps, and key performance indicators
- Provide guidelines for the TCMA to be applied based upon contract size and complexity to ensure the final solution is manageable and user-friendly across various business units

Results

- Identified and analyzed a \$62.3 million project budget variance (cost overrun) directly attributed to ineffective contract scope management and poor contractor management
- Confirmed all organizational critical core competencies are currently outsourced and performed exclusively by contractors
- Provided critical tools (RFS Shell Packet, job aids, training program, etc.) to ensure customer requirements (internal and external) are clearly understood, articulated and effectively managed when working in partnership with contractors
- Socialized the relationship between poorly articulated requirements and increased contract risk underscoring the need for better mitigation measures to more equitably share risk with contractors
- Initiated pilot test with critical contract owners to ensure PBSC solution addressed identified issues/gaps