Transnet Service Credit Methodology

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1. SERVICE CREDIT PHILOSOPHY

1.1. Introduction

The Service Credit Methodology aims to be an appropriate and adequate remedy for non-performance by the Service Provider. The philosophy of the Service Credit Methodology is such that it should drive positive behaviour by encouraging compliance with the Service Level Requirements (SLRs) and be consistent with the outcomes required by Transnet. The Service Credit Methodology has been designed recognising this philosophy and also incorporates need to:

- match Service Credit payments to the severity of the failure/defect;
- provide appropriate incentives based on regimes to cure any defect or failure as quickly as possible;
- avoid an inappropriate impact on Service Provider funding;
- be easily understood and unambiguous the;
- be administratively manageable; and
- avoid consistent non-performance.

1.2. Principles

The principles for the calculation of the penalties are described below:

- Service Credits only occur as a result of Service Level Failures.
- The Service Levels are calculated for each SLR according to the Measurement Interval specified in each SLR table (monthly by default), then compared with the Service Level Requirements Performance Target specified.
- The Service Credits are calculated according to the formula associated with the SLR as specified in the SLR table. The SLR table can be found in a separate Service Level Agreement document, which should be read in conjunction with this document.
- The Service Credits are totalled for each SLR and valued using the contractual value of a Service Credit.
- A good performance on a SLR cannot compensate for a bad performance on another one.
- The SLRs that are considered as critical by Transnet will always be associated with Service Credits being assigned. The other set of SLRs can be subject to Service Credits mechanisms, if they are included in a service improvement plan, or if the Service Levels attained are periodically below requirements.
- The fact that an SLR is not associated with a Service Credit does not mean that this SLR is not important to Transnet.
- Transnet reserves the right to associate a Services Credit mechanism to SLRs where the Service Provider has been in failure over several consecutive months.
- Transnet reserves the right to not apply some or any Service Credits that may occur at its sole discretion.

1.3. Definitions

Unless otherwise expressly defined herein, the terms used herein shall have the meaning assigned to them.

At-Risk Amount – means the maximum monetary value that Transnet may receive in Service Level Credits in any one month. The full maximum At-Risk Amount will only be credited if all Service Levels are failed in any one month. In any one Month, the At-Risk Amount is calculated by applying the At-Risk Percentage to the Monthly Bill for that Month.

In other words, the At-Risk amount is the cap on Service Credits for that month.

At-Risk Percentage – means the percentage that is applied to the Monthly Bill to calculate the At-Risk amount. The percentage is specified in this annexure.

Monthly Bill – means for any Month, the total amount that Transnet is invoiced for services provided under the Master Services Agreement.

Service Level Failure(s) - means whenever the Service Provider actual level of performance for a particular Service Level metric (as calculated by that particular metrics Service Level calculation) is worse than the Target Performance.

Service Level Performance Target – means the minimum percentage, or other metric, that the Service Provider must achieve for a Service Level in a Measurement Interval for the Service Level to be achieved.

Service Level / Service Level Requirement (SLR) – means a service delivery performance area, with a Service Level Performance Target. The SLR table can be found in a separate Service Level Agreement document, which should be read in conjunction with this document.

Service Level Credit / Service Credit – means an amount in South African Rands which shall be credited by the Service Provider to Transnet in the event of a Service Level Failure.

Weighting Factor / Service Level Weighting Factor - Each Service Level has a Weighting Factor expressed as a percentage. In the event of a Service Level Failure, the associated Weighting Factor is used in a formula to calculate the Service Level Credit due in respect of that failure. The sum of all Weighting Factors shall equal 100%.

2. METHODOLOGY

2.1. Reports

The Service Provider shall report to Transnet its performance of the Services against each SLR on a monthly basis beginning on the Commencement Date, along with detailed supporting information. As part of the standard monthly Service Level reports, the Service Provider shall notify Transnet of any (i) Service Level Failures, and (ii) Service Credits to which Transnet becomes entitled. The Service Provider shall provide such reports and supporting information to Transnet no later than 10 (ten) Business Days following the end of the applicable Measurement Interval. The raw data and detailed supporting information shall be Confidential Information of Transnet.

2.2. Service Credits

2.2.1. Calculating Service Credits

For each Service Level Failure, the Service Provider will credit to Transnet a Service Credit that will be computed by multiplying (a) the Monthly Bill by (b) the At-Risk Percentage by (c) the Service Level Weighting Factor for such Service Level.

The Consolidated Infrastructure Platform Service At-Risk Percentage is 10%.

Formula:

Service Level Credit = A × B × C

Where:

A = Monthly Bill
B = At-Risk Percentage
C = Service Level Weighting Factor

For example, assume for purposes of illustration only, that the Service Provider fails to meet a Service Level with a Weighting Factor of 20% (twenty percent) and that the Monthly Bill equals R100,000.00 (one hundred thousand rand) and the At-Risk Percentage is 10% (ten percent). The Service Credit due to Transnet for such Service Level Failure would be: (R100,000.00 x 10%) x 20% = R2,000.

2.2.2. Successive Service Level Failures

If a Service Level Failure with respect to a given Service Level recurs in consecutive Measurement Intervals, the amount of the applicable Service Credit payable to Transnet shall be multiplied by the following factors for subsequent Measurement Intervals:

- **(i)** **Service Level Failure in two consecutive Measurement Intervals**, then twice the amount of the Performance Credit as originally calculated; and
- **(ii)** **Service Level Failure in three or more consecutive Measurement Intervals**, then four times the amount of the Service Credit as originally calculated. The Service Credit for any given Service Level shall only be increased as described above, and such increase shall be payable for all consecutive Service Level Failures with respect to such Service Level.

2.2.3. Service Credits Cap

In no event shall the aggregate amount of Service Credits credited or paid to Transnet with respect to all Service Level Failures occurring in a single month exceed the At-Risk Amount.

2.2.4. Payments of Service Credits

The Service Provider shall itemise the total amount of Service Credits it is obliged to credit to Transnet with respect to Service Level Failures occurring in a given month on the invoice that contains charges for such month. The Service Provider shall engage Transnet about the credits (based on Service Level Failure), upon presentation and agreement of the credits, the Service Provider shall offset the total amount of such Service Credits related to a given month in the subsequent monthly invoice after Transnet signoff of the Service Credits for the applicable Measurement Interval. Upon termination or expiration of the Term, the Service Provider shall pay to Transnet the amount of any Service Credits not so paid or credited to Transnet's account or any unused portion of such Service Credits.

2.2.5. Non-exclusion Remedy

The Service Provider acknowledges and agrees that the Service Credits shall not be deemed or construed to be liquidated damages or a sole and exclusive remedy or in lieu of any other rights and remedies Transnet has under the Agreement or in law.

2.3. Changes to Performance Measures

2.3.1. Changes to Weighting Factors

Transnet may request changes to the Weighting Factors for any Service Level by sending written notice to the Service Provider. These requested changes will be negotiated through the appropriate Vendor Management structures to gain mutual agreement on such changes prior to them taking effect during the next full measurement interval pertaining to such changed metrics. It is recorded that in certain cases, the Service Provider may initiate a motivation to Transnet for changes to the Weighting Factors for certain Service Levels

3. SERVICE LEVEL WEIGHTING FACTORS

The Service Levels and the Service Level Performance Targets associated with each Service Level are set forth in the applicable Service Level Agreement. Below Tables 1 and 2 give a summary listing of Service Levels with their corresponding Weighting Factors, for Project Phase Service Levels and Post-implementation Service Levels respectively.

Table 1: Project Phase Service Credits

No.	Service Levels	Weighting Factor
1	**Communication Forum attendance**	**10**
2	**Installation and Commissioning**	**25**
3	**Progress Reports**	**10**
4	**Quality Assurance & Testing**	**20**
5	**Training**	**20**
6	**Stakeholder Feedback & Evaluation (Customer Satisfaction)**	**10**
7	**Billing**	**5**
	Sum of Weighting Factors	**100%**

Table 2: Service Level Weighting Factors - Post Implementation

No.	Service Levels		Weighting Factor
1	Incident & Request Response and Resolution	Priority 1 – Critical	25
2		Priority 2 – High	15
3		Priority 3 – Medium	10
4		Priority 4 – Low to no impact	5
5	**Infrastructure Monitoring and Asset Visibility**		15
6	**Reporting and Analytics**		5
7	**Infrastructure Availability**		20
8	**Monthly Service Review Pack**		5
		Sum of Weighting Factors	**100%**