

## Industrial Performance Based Contracting

### Ratteree Authors Industrial Performance Based Contracting

Performance Based Contracting is a popular concept in the private sector today and it is beginning to find acceptance in government contracting. The term “Performance Based Contracting” covers a wide range of contract definitions and customer/contractor relationships. For most contractors and customers, Performance Based Contracting puts a small portion of the contract fee “at risk”, based on agreed upon performance and cost goals. SSC Incorporated is a “Performance Based Contractor” and this has a special meaning for our business, because virtually all of our revenues are “at risk”. This paper is an attempt to define Performance Based Contracting as it applies to SSC and our customers, in order that we better understand the nature of the unique demands imposed on SSC managers and personnel as a result of conducting our business this way.

Performance Based Contracting is a means of allocating the business risks, associated with any project, to the party best able to control the probability and seriousness of that risk. It is also a means for compensating the party assuming the risk for its exposure. Business risks can be classified into four categories:

- Analysis and Implementation Risks
- Business Level Risks
- Energy Price Risks
- Credit and Dispute Risks

[970k5 Performance Based Contracting \(](#)

### Frost and Sullivan Compares Ratteree's Industrial Performance Contracting Quote with Competitors

Frost & Sullivan was retained by Shared Savings Contracts, Incorporated (SSC) to evaluate certain aspects of SSC's business model, specifically the attractiveness of SSC's KVI performance measurement tool. A market demand-based approach required that Frost & Sullivan contact current SSC clients, SSC competitors and various electric power utilities.

The project was completed during the month of August, 1999. Summaries, market observations and strategic recommendations found in this report are based mainly on feedback that was obtained during primary research conducted specifically for this report. Content in this report is also derived from Frost & Sullivan's experience in the public utilities sector, and secondary information sources such as published government tables.

[1,460Kb Frost and Sullivan Report \(](#)