

## **Contracting of Services**

### **Purpose**

Pursuant to the instruction of City Council in resolution number 8 under EX32.9 adopted on July 16, 17, 18 and 19, 2013, the Board of Directors of Toronto Hydro Corporation (the "Corporation", and with its subsidiaries hereinafter collectively referred to as "Toronto Hydro") was required to report on the "recently reported contracting of services, such as mapping and accounts payable, to the United States and India".

The Corporation therefore recommends that this report be received by City Council at its next upcoming meeting.

### **Conclusion - Results of the Outsourcing Arrangements**

The map digitization and accounts payable contracts which City Council has inquired about, and which are further discussed herein, provide Toronto Hydro with cost savings and result in greater value for ratepayers. No Toronto Hydro employees were laid off or suffered any reduction in pay as a result of these arrangements and the contracting of services was done in compliance with collective agreements. Staff formerly engaged in accounts payable roles were re-assigned to other understaffed roles in essential electricity distribution-oriented business units more closely aligned to delivering the organization's essential capital program. Toronto Hydro is also confident that in the contracting of these functions, it is following best practices for information security and no additional security risk is created. Deloitte LLP was recently engaged to conduct a review of Toronto Hydro's standards for third party access to its information technology systems. Deloitte LLP reported that the standards used by Toronto Hydro included all 55 controls established by NIST SP 800-53 rev 4, a North American benchmark for such standards.

### **Why Contract for Services?**

The current electricity regulatory environment requires Toronto Hydro to reduce its costs and seek overall increased efficiencies at the same time as its shareholder has directed it to optimize returns. As a result, Toronto Hydro's Board of Directors determined that the organization should be focused on its essential electrical distribution, professional and skilled-trades functions. To achieve and maintain cost efficiencies, certain functions not related to electrical distribution were contracted to external suppliers for lower cost, without compromising service quality.

### **What was the Process for Outsourcing the Accounts Payable and Digitization Functions?**

Thirteen firms were identified and invited to respond to Toronto Hydro's RFP for a turnkey accounts payable service. Four of these were Canadian firms. Two of the Canadian firms chose not to bid. Another Canadian firm joined with an international bidder to submit a joint bid, but that bid did not score well under the RFP evaluation. The fourth Canadian firm's bid did not meet the minimum criteria for the scope of services required.

The successful bidder was ExlService Holdings, Inc. ("EXL"). EXL is a major Indian firm with global clients such as Aviva, Barclays, GM and Direct Energy. Based on evaluation criteria

covering cost, breadth of service and service level guarantees, EXL was the best respondent by a wide margin. As evidence of its organizational excellence, EXL is ISO 9001 certified in quality management systems and OHSAS 18001 certified for its employee health and safety systems. A contract was entered into with EXL which included rigorous protection over confidential and personal information and EXL is ISO 27001 certified in respect of information security

The mapping digitization relating to the organization's geographic information system was not previously done by Toronto Hydro staff. The work was contracted to RMSI Private Limited (RMSI) while a full RFP process was undertaken. RMSI is an Indian firm with operations in thirty countries. RMSI is ISO 9001 certified in quality management systems and all RMSI staff providing services to Toronto Hydro have Bachelor's degrees in engineering. The firm has been repeatedly rated by recognized international bodies as being one of India's best IT firms to work for. Our agreement with RMSI provides for thorough protection of Toronto Hydro's information and RMSI is ISO 27001 compliant. RMSI clients include Hydro One and Enbridge.

Toronto Hydro issued the RFP for asset records management services to five bidders, including three Canadian firms. None of the Canadian firms responded. After a careful analysis of the evaluation criteria, RMSI was chosen as the successful respondent.

Toronto Hydro's arrangements with each of EXL and RMSI comply with existing laws and in no way relate to Canada's Temporary Foreign Worker Program, for the use of which RBC was recently criticized. The contracts entered into clearly delineate third party, arm's length service arrangements and do not set up branch plants or employment relationships.