

UNDERTAKING

Undertaking

UNDERTAKING NO. J7.4: TO PROVIDE AN ESTIMATE OF TOTAL SAVINGS FROM OUTSOURCING.

Response

Hydro One outsources work for the type of transmission construction projects that can be completed more cost effectively through the use of external resources. For certain categories of projects, installation of SVC's for example, Hydro One does not have the skill sets currently available to complete this work and it would be very costly to gain those skills. Large companies such as ABB, Siemens and Areva routinely undertake these types of projects on a turn key basis for other utilities. The work is competitively bid to ensure pricing is tested in the market. It would not be cost effective for Hydro One to duplicate these skills. Outsourcing this work reduces risk to Hydro One and provides a highly skilled service on a temporary basis. This removes the need to hire additional staff for the work and the associated cost implications of adding full time resources.

Given the fact that most of the work chosen for outsourcing will be in areas where Hydro One does not have the skill sets to present an internal option, it is challenging to estimate the savings. However, on an overall basis, Hydro One estimates savings of approximately 5% of project cost due to outsourcing. Based on Hydro One's forecast of the amount of outsourcing work shown in Exhibit A-12-7, page 9, savings in 2011 are estimated to be approximately \$10 million and savings in 2012 will be approximately \$12 million.