

BENCHMARKING ACTIVITIES FOR THE CENTER OF SHARED SERVICES

HYDRO-QUEBEC - CENTRE OF SHARED SERVICES

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Requested R –3492-2002 - Phase 2

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1 SETTING IN CONTEXT

- 1 The Center for Shared Services offers, via its fields of expertise, a very
- 2 broad range of products and services to all the units of Hydro-Quebec.
- 3 The table on the following page presents the allocation of the value of the
- 4 products and services provided to Hydro-Quebec as well as the relative
- 5 invoice allocation to Hydro-Quebec Distribution.

2004 allocation of the products and services Center of Shared Services			
Fields of expertise	HQ Distribution (M\$)	HQ (M\$)	HQ Distribution (%)
Real estate (Building services)	58.7	155	37.9%
Buildings rental, registered office and customer properties – Office	30.7	81.2	37.8%
Buildings rental, registered office and customer properties – Industrial	15.5	27.6	56.2%
Others	12.5	46.2	27.1%
Data-processing solutions	45.1	69.6	64.8%
Development and maintenance of data-processing solutions	45.1	69.6	64.8%
Transportation services	42.3	100.4	42.1%
Fleet vehicle usage	37.5	65.4	57.3%
Other – air transport	4.8	35.0	13.7%
Material	35.1	73.5	47.8%
Provision of materials for use	29.7	56.5	52.6%
Others	5.4	17.0	31.8%
Telecommunications service	32.6	112.3	29.0%
Telephony	22.8	89.5	25.5%
Corporate services	9.8	22.8	43.0%
Information technologies usage	27.8	44.1	63.0%
Information processing systems usage	19.7	29.1	67.7%
Others	8.1	15.0	54.0%
Office automation	27.0	56.6	47.7%
Basic office automation services	13.4	27.7	48.4%
Others	13.6	28.9	47.1%
Document management	6.7	16.2	41.4%
Document information, document transmission and photocopiers	4.2	9.8	42.9%
Others	2.5	6.4	39.1%
Acquisition	6.0	24.9	24.1%
Acquisition of property and services, contract administration and obtaining professional services	6.0	24.9	24.1%
Others	20.4	51.5	39.6%
Centre of Competence - Management Software	13.2	33.8	39.1%
Accounting departments	7.2	17.7	40.7%
Technical training and expertise	1.2	2.8	42.9%
Total	302.9	706.9	42.8%

6

1 As of its creation in 2002, the Center for Shared Services wanted to collect
2 the feedback of its customers in order to know their level of satisfaction. It
3 thus put in place an integrated and systematic mechanism for evaluating
4 the satisfaction of its customers with regard to its products and services.
5 The results are used to target the agreed upon improvement efforts and
6 consequently, the activities which will be the subject of the objectives. The
7 first annual survey was carried out in autumn 2002. It related to the
8 principal products and services of the eight fields of expertise which the
9 Center of Shared Services consisted of then. The following table
10 illustrates the satisfaction ratings attributed by our customers. It makes it
11 possible to compare the average ratings obtained for the whole of the
12 company with those of the two principal vice-presidencies of Hydro-
13 Quebec Distribution. The ratings represent the proportion of customers
14 who showed themselves "very satisfied" and "somewhat satisfied".
15

Fields	Satisfaction Ratings		
	HQ	HQ – Distribution	
		VP Sales and Customer Services	VP Network
Office automation	92	93	91
Data-processing systems *	89	89	91
Building occupancy services **	81	81	81
Transportation services	77	75	78
Acquisition	77	100	78
Material	79	85	78

16

17 * Includes the Data-Processing Solutions and Information Technologies usage fields because these
18 two activities cannot be evaluated independently by the operators

19 ** Includes the Document management and Real estate fields.
20

1 The more detailed results including the well performed components and
2 the components to be improved upon are available in the appendix.

3

2 OBJECTIVE: POSITION OF THE CSP

4 Hydro-Quebec is inspired by the best practices in the market to create and
5 structure its Center for Shared Services. It was based on tested models of
6 companies working in the field of energy such as Duke Energy, Dominion
7 Resources Inc and Texas Utilities. The Center for Shared Services was
8 integrated with the "Shared Services Network" network whose objective is
9 to support regular exchanges between the leaders of shared services
10 firms from the point of view of continuous improvement.

11

2.1 The objective: a tool of improvement

12 The Center for Shared Services focuses on the objective of detecting and
13 establishing the best practices on the market. This approach allows each
14 field of the Center for Shared Services to compare the activities directly
15 related to its mission with those of the best performing companies in the
16 market. The network of contacts thus established makes it possible for the
17 organization to position itself in relation to the market and to call in
18 question its methods. This reinforces the principle of integration of the best
19 practices in order to improve its performance and its customer satisfaction.

20

2.2 The objective: its scope and orientation

21 The comparative analysis of the costs and performance is an exercise
22 whose results are subject to interpretation. Several factors influence the
23 structure of information used and makes the standardization of the bases
24 of comparison complex (accounting principles applied from one company
25 to another, type of resources implied, environment, economic context,
26 laws and regulations, scope of the study...). This makes the collection and
27 the comparative analysis of data arduous and expensive and can give it

1 mixed results. This is why the Center for Shared Services intends to carry
2 out comparative analysis of costs and performance mainly to direct the
3 search and the establishment of best practices.

4
5 Moreover, the processes being the object of objectives are selected in
6 order to concentrate the efforts on the key zones of improvement. It is a
7 matter of specific processes, particular contributions in global performance
8 in the field and preferably having an added value for the customer. Thus,
9 for the Real Estate field, the maintenance and the installation of the
10 buildings are examples of key zones of improvement which are the subject
11 of objective.

12
13 Lastly, the Center for Shared Services will ensure to obtain convincing
14 results by carefully choosing the companies towards which it will collect
15 performance data for final comparison and, if necessary, best practices.
16 These companies will be among the best performers and will use
17 comparable indicators of performance. In so doing, it will use any pertinent
18 information which it will be able to obtain from the objectives of
19 associations or private organizations.

20
21 Thus in the context of continuous improvement of its offered products and
22 services, the Center for Shared Services will proceed with objective
23 exercises of each one of its domains of activity on a periodic basis. The
24 benchmarking plan of the CSP presented in section 4 could be modified to
25 take account of the particular concerns of the Distributor in relation to its
26 specific processes of work.

1

3 ACHIEVEMENTS

2 To this date, benchmarking was carried out in a punctual way according to
3 a definite need for improvement. The studies have principally permitted
4 the posing of a performance diagnosis in comparison with the market and
5 to direct the improvements to be brought from best practices.

6

7 Principal studies carried out:

8

- 9 • **Information Technologies Usage:** The study carried out by the
10 firm Gartner Group in 2000 in support of the usage costs and the
11 database support, the central computers and the Unix servers
12 according to the Information Technology Overview Analysis (ITOA)
13 method
- 14 • **Information Technologies and Office Automation usage:**
15 Diagnosis carried out by the firm DMR in 2002 bearing on the
16 conformity of the support processes according to the framework of
17 reference of the best practices established by the Information
18 Technology Infrastructure Library (ITIL)
- 19 • **Acquisition:** Workshop completed by the firm Cap Gemini Ernst
20 & Young in January 2003, supporting the business practices in
21 acquisition
- 22 • **Document Management:** Comparative analyses of the prices in
23 the market realized between 1998 and 2000 (Cost of
24 storage/packaging, Cost of black and white and color reproduction,
25 Rate of hourly printing)

1 Certain of these studies will be resumed in the benchmarking plan by
2 fields in order to measure the improvements obtained.

3

4 PLANNING

4 The benchmarking plan below was established according to priorities for
5 improvement of the products and services of the Center for Shared
6 Services for all of its customers. These priorities have determined from the
7 expectations expressed at the time of the client satisfaction survey and the
8 relative importance of the products and services provided to Hydro-
9 Quebec Distribution division. The plan is presented in descending order
10 based on the value of the products and services provided to this division.

11

12 The performance indicators and costs used for the comparative analyses
13 are mentioned for each product or service. Also, the processes defined as
14 most contributing to the realization of the products and services will be the
15 subject of objective making it possible to determine and introduce best
16 practices.

17

18 The frequency of realization of the benchmarking exercises varies from
19 one field to another according to the speed of market trends and the
20 follow-up of the impacts of the improvement interventions. The estimated
21 workload and the availability of the resources involved in the fields
22 determine the quarterly results submitted.

1

Real Estate	2003				2004				2005				2006			
	Quarters				Quarters				Quarters				Quarters			
Products and services: Rented buildings/Customer properties	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
• Maintenance costs/m ²						X									X	
• Cost of occupation/m ²						X									X	
• Preventive and corrective maintenance						X									X	
Installation																
• Cost of installation/employee								X								X
• Turnover rate							X								X	
• Installation process							X								X	

2

Data Processing Solutions	2003				2004				2005				2006			
	Quarters				Quarters				Quarters				Quarters			
Products and services: Development and maintenance of DP solutions	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Hourly Rate								X			X					X
Practical processes of the Office of Projects			X													

3

1

Transportation Services	2003				2004				2005				2006			
	Quarters				Quarters				Quarters				Quarters			
Products and services: Vehicle parking usage	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
• Cost / Vehicle category						X										
• Management of the vehicle fleet process						X										
• Vehicle maintenance process										X						

2

Material	2003				2004				2005				2006			
	Quarters				Quarters				Quarters				Quarters			
Products and services: Supply of material used	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
• Operation expenses coverage rate for stock material								X								
• Supply processes for stocked material							X									
• Supply process for non-stocked material								X								

3

Information Technologies Usage	2003				2004				2005				2006			
	Quarters				Quarters				Quarters				Quarters			
Products and services: Information systems usage	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
• Uses costs to support databases, central computers and Unix and NT servers.								X								
• Support process according to the best ITIL practices (Information Technology Infrastructure Library)												X				

1

Office automation	2003				2004				2005				2006			
	Quarters				Quarters				Quarters				Quarters			
Products and services: Basic Office Automation services	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
• Costs / Call								X								
• Support Costs / Work station												X				
• Evaluation processes of the support processes according to the best ITIL practices (Information Technology Infrastructure Library).												X				

2

File Management	2003				2004				2005				2006			
	Quarters				Quarters				Quarters				Quarters			
Products and services: Document reproduction	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
• Cost / B&W copy					X											
• Cost / Color copy					X											
• Cost / Plan copy					X											
• Production and assembly hourly rate								X				X				X

3

Acquisition	2003				2004				2005				2006			
	Quarters				Quarters				Quarters				Quarters			
Products and services: Acquisition of goods and services	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
• Process costs / Acquisition costs				X				X				X				X

4

5 FOLLOW-UP

5 The detailed results of the objective exercises will be sent to Hydro-
6 Quebec Distribution when they become available for final rendering of
7 account.

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APPENDICES

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2002 Satisfaction of Client User – VP Network							Centre of Shared Services						
Rate of "Very Satisfied" and "Somewhat Satisfied"													
Field	General		Category of Use					Components performed well		Components that need improvement			
	HQ	VP Network	Exec	Office	Trades	Special & Prof.	Other						
Office Automation (n=363)	92	91	84	92		91	91	<p>All the categories used</p> <p>Support By Telephone (SCI)* 96</p> <p>Local support (S1)* 93</p> <p>Quality of equipment 87</p> <p>Conformity of software to base requirements 93</p>		<p>Remote Access* 48</p> <p>Specialized software equipment - Delay in obtaining 57</p> <p>- Follow-up of request 68</p> <p>- Facility of obtaining processes 60</p>			
			<p>The respondents express a high level of satisfaction with regard to the data-processing support, whether by telephone or on location. The conformity of the base software to the customer requirements also obtains a very high rate of satisfaction. However, the respondents are less satisfied with the following services: obtaining of software and specialized office automation equipment and remote access. The executives particularly appreciate the expertise of the personnel. However, they are definitely less satisfied with the support for the optimization of the costs and quality and the pertinence of the invoicing.</p>							<p>Uniqueness of executives</p> <p>Expertise of personnel 47</p> <p>Aptitude for making business 95</p> <p>89</p>		<p>Quality and pertinence of invoicing</p> <p>Support and cost optimization 47</p> <p>Quality and pertinence of information management 55</p> <p>89</p>	
Information Processing Systems (n=323)	89	91	89	90		93	92	<p>All the categories used</p> <p>SAP</p> <p>- availability (opening hours) 95</p> <p>- reliability 89</p>					
			<p>The respondents show themselves particularly satisfied with the availability and the reliability of the information processing systems.</p>										
Building Occupancy Services (n=380)	81	81	68	84		80	83	<p>All the categories used</p> <p>Call centre* 88</p> <p>Internal mail 95</p> <p>- Quality of service 86</p> <p>- Speed 86</p> <p>Photocopier in place 86</p> <p>- Quality of reproduction 86</p>		<p>Interior space 56</p> <p>- Quality of domestic maintenance 56</p> <p>Heating, ventilation and air conditioning - Quality of follow-up request 65</p> <p>- Delay in intervention in the case of a problem 63</p>			
			<p>The respondents show themselves particularly satisfied with the following services: the call centers dedicated to the management of the buildings and internal mail. Contrarily, the performance of the following services is subject to improvement: ventilation, heating and air-conditioning, as well as the quality of domestic maintenance.</p> <p>The executives are particularly critical of the building occupancy services concerning the following elements: the quality and pertinence of the invoicing and the speed in the completion of work development.</p> <p>The improvement of the quality of domestic maintenance constitutes the suggestion most often mentioned by the respondents.</p>							<p>Uniqueness of executives</p> <p>Development – expertise of advisor 80</p> <p>Aptitude for making business 78</p>		<p>Quality and pertinence of invoicing 44</p> <p>Quality and pertinence of information management 53</p> <p>Value of products and services 56</p> <p>Maintenance - Flexibility and speed of adjustment 52</p> <p>- Delay in work completion 51</p>	

* Level of satisfaction calculated by way of many criteria

** Satisfaction by the following criteria: availability, reliability, speed

2002 Satisfaction of Client User – VP Network							Centre of Shared Services				
Rate of "Very Satisfied" and "Somewhat Satisfied"											
Field	General		Category of Use					Components performed well		Components that need improvement	
	HQ	VP Network	Exec	Office	Trades	Special & Prof.	Other				
Transportation Services (n=325)	77	78	70	82	76		89	<p>All the categories used</p> <p>Quality of new vehicles 94</p> <p>Courtesy of personnel* 96 - Quality and follow-up of files 63</p> <p>Training 93 - Respect for deadlines 43</p> <p>Quality of modification to vehicles 84</p> <p>Acquisition of new vehicles - Quality and follow-up of files 59</p> <p>- Respect for deadlines 57</p> <p>Uniqueness of executives</p> <p>Aptitude for making business 81</p> <p>Hours of workshop operation 79</p> <p>Quality and pertinence of invoicing 50</p> <p>Quality and pertinence of information management 63</p> <p>Flexibility and the speed of adjustment 58</p>			
Acquisition (n=11)	77	78	<p>The respondents are particularly satisfied with the services relating to the acquisition of the various and strategic goods. Contrarily, the performance related to administration of manufacturing contracts in strategic goods is subject to improvement.</p>					<p>All the categories used</p> <p>Various goods - < \$5,000 via purchase order* 88</p> <p>Strategic goods < \$5,000 via purchase order* 84</p> <p>Travel and special services <\$2,000 via purchase order* 72</p> <p>Administration of manufacturing contracts and strategic goods* 69</p>			
Materials (n=432)	79	78	80	90	70		90	<p>All the categories used</p> <p>Quality of material 93</p> <p>- Various 93</p> <p>- Individual protection 92</p> <p>- Office furniture 97</p> <p>- Strategic – line and station repair 84</p> <p>- Minor 89</p> <p>Courtesy of personnel* 96</p> <p>Uniqueness of executives</p> <p>Aptitude for making business 96</p> <p>Respect for engagements 91</p> <p>Hours of store operation 84</p> <p>Strategic material for the breakdowns and the maintenance of the lines and stations 48</p> <p>- Appropriate delay when material is not available 62</p> <p>- Delay on obtaining 61</p> <p>- Follow-up of orders when the material is not available 64</p> <p>Quality and pertinence of invoicing 64</p> <p>Value of products and services obtained by the executive contracts 65</p>			

2002 Satisfaction of Client User – VP VSALC							Centre of Shared Services				
Rate of "Very Satisfied" and "Somewhat Satisfied"											
Field	General		Category of Use					Components performed well		Components that need improvement	
	HQ	VP VSALC	Exec	Office	Trades	Special & Prof.	Other				
Office Automation (n=457)	92	93	82	97		94	69	<p>All the categories used</p> <p>Support By Telephone (SCI)* 95</p> <p>Local support (S1)* 96</p> <p>Quality of equipment 89</p> <p>Conformity of software to base requirements 92</p> <p>Uniqueness of executives</p> <p>Expertise of personnel 91</p> <p>Aptitude for making business 89</p>		<p>Remote Access* 53</p> <p>Specialized software equipment - Delay in obtaining 46</p> <p>- Follow-up of request 56</p> <p>- Facility of obtaining processes 51</p> <p>Quality and pertinence of invoicing Support and cost optimization 58</p> <p>Quality and pertinence of information management 56 67</p>	
Information Processing Systems (n=345)	89	91	89	93		90		<p>All the categories used</p> <p>Availability (opening hours)</p> <p>- SAP 96</p> <p>- Recovery 92</p> <p>- Call centre 92</p> <p>- Evaluation and raises 88</p> <p>- Sales and post-sales 97</p> <p>Reliability of the system 87</p>		<p>Speed of system</p> <p>- Evaluation and raises 74</p> <p>- Sales and post-sales 77</p>	
Building Occupancy Services (n=456)	81	78	80	80		74	75	<p>All the categories used</p> <p>Call centre* 91</p> <p>Internal mail</p> <p>- Quality of service 94</p> <p>- Speed 88</p> <p>Photocopier in place</p> <p>- Quality of reproduction 86</p> <p>Uniqueness of executives</p> <p>Maintenance</p> <p>- Expertise of advisor 85</p> <p>- Conformity of work 87</p> <p>Aptitude for making business 84</p>		<p>Interior space - Quality of domestic maintenance 43</p> <p>Heating, ventilation and air conditioning - Quality of follow-up request 65</p> <p>- Delay in intervention in case of problem 68</p> <p>- Comfort 64</p> <p>Quality and pertinence of invoicing 59</p> <p>Quality and pertinence of information management 64</p> <p>Value of products and services 67</p> <p>Maintenance - Flexibility and speed of adjustment 60</p> <p>- Delay in work completion 54</p>	

* Level of satisfaction calculated by way of many criteria

** Satisfaction by the following criteria: availability, reliability, speed

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2002 Satisfaction of Client User – VP VSALC							Centre of Shared Services				
Rate of "Very Satisfied" and "Somewhat Satisfied"											
Field	General		Category of Use					Components performed well		Components that need improvement	
	HQ	VP VSALC	Exec	Office	Trades	Special & Prof.	Other				
Transportation Services (n=127)	77	75	73	68	81			<p>All the categories used</p> <p>Quality of new vehicles 96 Preventive maintenance of the vehicles 56</p> <p>Courtesy of personnel* 90 Delay for the repair of vehicles 60</p> <p>Training 93 Information on the interventions carried out at the time of the maintenance of the vehicles 63</p> <p>Quality of modification to vehicles 94 the time of the maintenance of the vehicles 45</p> <p>Delay in obtaining roadside assistance 45</p> <p>Uniqueness of executives</p> <p>Hours of workshop operation 81 Quality and pertinence of invoicing 59</p> <p>Value of products and services obtained 83 Quality and pertinence of information management 60</p> <p>Information and formation on the procedures for obtaining 63</p>			
Acquisition (n=1)	77	78	<p>In Hydro-Quebec (n=55):</p> <p>The respondents are particularly satisfied with the services relating to acquisition of work and specialized services of \$2 000 and greater. Contrarily, the performance of the following services is subject to improvement: acquisition of strategic goods of \$5 000 or greater by the means of a purchase order and administration of manufacturing contracts in strategic goods.</p> <p>Among all of the suggestions formulated, several refer to the length of the times relating to obtaining the goods and services required.</p>								
Materials (n=245)	79	78	80	90	70		90	<p>All the categories used</p> <p>Quality of material Processes for return of materials</p> <p>- Various 89 - Various materials 67</p> <p>- Individual protection 89 - Office furniture 63</p> <p>- Office furniture 88 Individual protection</p> <p>Courtesy of personnel* 92 Follow-up on request when material is not available 66</p> <p>Uniqueness of executives</p> <p>Aptitude for making business 90 Quality and pertinence of invoicing 72</p>			
			<p>The respondents show themselves particularly satisfied with the following aspects, independently of the type of material evaluated: courtesy of the personnel and the quality of the material. However, the respondents are relatively less satisfied of the process of returning goods.</p> <p>The executives are satisfied of the facility to make deals with the interveners and of the respect of engagements. However, they are relatively less satisfied with the information and the formation on the procedures for obtaining the materials</p>								

in store.

Respect for engagements	89	Quality and pertinence of information	71
Hours of store operation	89	management	
		Information and formation of the procedures of	70
		obtaining materials in store	