

## **Purchasing Policy**

**ISO New England Inc.**

**Revision History:**

<b>Revision Date</b>	<b>Version Number</b>	<b>Reason/Comments</b>
07/13/2001	0	Initial approval of document per Robert C. Ludlow
1/14/2014	1	Section 6 Competitive Quote Procedure -Updated 6.3 RFP/RFQ's for Consulting Services Staff Augmentation.
9/1/2015	2	Section 11 Contracts -Updated 11.1 Exceptions: Purchasing manager will approve ISO-NE Templates without changes.
5/9/2016	3	Section 5- Updated 5.1 Purchase Orders
1/10/2017	4	Added Section 19 - Purchasing Credit Card
1/24/2019	5	Q1 2019 Review and new form updates.
3/07/2019	6	Update the Director PMO approval amount. Clarify SDO use in Section 5.1
11/20/2019	7	Section 5.1 – Include Employee Cash Awards to exception list and remove need for SDO with Check Requests under \$1,000.
6/19/2020	8	Remove Small Dollar Order references and update for CIP-013 Supply Chain Risk Management compliance.
10/01/2020	9	Section 5.1 – Add clarifying language in bullet six on when to use a Procurement Requisition. Section 5.1(A) remove bullet regarding Check Requests.
3/24/2021	10	Q1 2021 Review. No changes.
6/29/2021	11	Q2 2021 Review. No changes.
8/16/2021	12	Q3 2021 Review. Major revisions. Please read the policy in its entirety.
12/15/2021	13	Q4 2021 Review. Updates to Sections 4.3, 4.6 and 7.1
3/30/2022	13.1	Q1 2022 Review. No changes.
6/17/2022	14.0	Q2 2022 Review. Included language under Section 2 Responsibility with regard to Sarbanes Oxley violation.

12/6/2022	15.0	Revised Section 4.3 to include requirements for authorizing Approvers.
2/8/2023	16.0	Added exemptions list to Credit Card purchases, updated PO exemptions list.
2/16/2023	17.0	Added language to Section 4.3 to include medical expenses exception.
6/21/2023	18.0	Q2 2023 Review and updated Section 5 threshold for competitive quotes, RFP, RFQ, Sole Source or OEM designation from \$25,000 to \$50,000.
9/19/2023	18.1	2023 Q3 review - 2023 review and updated dates
12/07/2023	18.2	2023 Q4 review - 2023 review and updated dates.
03/11/2024	18.3	2024 Q1 Review: Section 4.1 revised for purchases greater than or equal to" \$1,000, and Section 9 amended to include purchases "up to \$999.99."
06/10/2024	19.0	2024 Q2 Review: updated Purchase Order signatory to include Lead Purchasing Analyst.
10/23/2024	20.0	Updated Sections 4.1, 4.3 and 7 to clarify requirements and approval authorizations.
11/8/2024	21.0	Updated Section 4.1 for clarification purposes

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## **1. Purpose and Applicability**

- 1.1 To establish minimum guidelines governing the process of committing the funds of ISO New England Inc. (ISO-NE) to a Vendor.

This Policy applies to all ISO-NE Employees, Consultants, Officers, and agents directly or indirectly involved in the purchasing of goods and/or services for or on behalf of ISO-NE.

It is the responsibility of such individuals to acquaint themselves with and adhere to this Policy. ISO-NE strives to procure goods and services by use of contracts that have appropriate terms and conditions to protect the interests of ISO-NE. When required by the Policy, the solicitation of competitive quote is to be conducted via an open and fair process.

## **2. Responsibility**

- 2.1 The Purchasing Department is responsible for the effective control of budgeted spend of funds by engaging in sound procurement decisions for materials, services and/or equipment. The Purchasing Department works to minimize costs of goods and services where possible, while maximizing the quality of materials and services purchased and minimizing the potential for extended down time due to delivery or availability.
- 2.2 Procurement activities are conducted in a manner that maximizes the efficient use of ISO-NE resources and ensures that the goods and/or services are procured effectively and meet the requirements of the users within ISO-NE.
- 2.3 Compliance with the Purchasing Policies, requires that a purchase order be issued prior to any work beginning and/or may require a contract to be in place and/or before the start of a term subscription/contract. Certain expenditures, as defined in the Purchasing Policies, are excluded from the requisition and contract process. Non-compliance of this Policy will constitute a Sarbanes-Oxley violation.

## **3. Administration**

- 3.1 The Purchasing Department manages Procurement Requisitions, Purchase Orders including revisions, Receiving Documents, Requests for Proposals, Requests for Quotes, and Contracts including records retention of all related documents. There is no agency for purchase within any ISO department other than Purchasing, subject to the Emergency Purchasing Procedures (see Section 6).

To the extent not covered by another ISO department policy, the Purchasing Department keeps final versions of all contracts.

- 3.2 All procurement activities shall be conducted in an impartial, transparent and accountable manner. In ensuring impartiality, potential suppliers of goods and/or services shall be

afforded equitable treatment and their offers shall be evaluated based on their legal and enterprise risk profiles, technical abilities and financial standing.

In promoting transparency, information relating to the procurement process shall be documented in a manner that facilitates appropriate examination of procurement activities, in each case in accordance with relevant ISO-NE Purchasing procedures.

#### **4. Purchase Orders**

4.1 An ISO New England Requisition and Purchase Order are required for any purchases greater than or equal to \$1,000. For the following types of purchases a Requisition and Purchase Order are required, regardless of the dollar amount:

- IT Products/Services
- Credit Card purchases
- Software/Hardware Purchases
- On-Line Memberships/Subscriptions
- Any purchase that requires an on-line login (including cloud services)
- Purchases from a Foreign Vendor
- Conferences/Trainings ((exception: conferences/trainings with a cost less than or equal to \$1,000 in which case they can be processed via employee expense)

4.2 The following expenditures are exempt from the Purchase Order requirement:

- Annual State Filings
- Applicable Taxes, Regulatory Fees
- Utility Bills
- Catering Vendors (including supplies associated with cafeteria)
- BOD Fees & Expenses
- Ground, Express and Air Freight Delivery Services
- NEPOOL and Participant Expenses Invoices
- Legal Fees (including Regulatory/Government related Legal Fees (FERC, NERC, etc. and outside counsel engagements)
- Cleaning and Office Supplies (office supply vendors)
- HR Recruiting Fees\*
- Employee Cash Awards (CEO Award)
- Insurance Premiums
- Transmission Owner Payments and Deposit Returns for Various Studies
- Debt payments and Bank Fees
- Medical Expenses
- Pension Payments

\* Purchase Orders are processed by HR after the Candidate has accepted Employment Offer. These services are not subject to the three bid process as each search is in itself competitive.

#### 4.3 **Purchase Order Approval Authorizations**

The following have the authority to approve purchases within their respective areas of responsibility and approved budgets according to the dollar limits defined, with the exception of medical expenses where the Vice President of Human Resources is the authorized approver without dollar limits and reimbursable Purchase Orders such as System Impact Studies and Feasibility Studies where the President and Chief Executive Officer and Chief Financial Officer are authorized approvers without dollar limit:

<b>Management Level</b>	<b>Approval Limit</b>
Chairman of the Audit & Finance Committee	No Limit**
President and Chief Executive Officer	\$3,000,000
Chief Financial Officer	\$1,000,000
Chief Operating Officer	\$1,000,000
Sr. Vice Presidents/Vice Presidents	\$500,000
Director PMO	\$500,000
Market Monitoring Executive Director	\$500,000
Cost Center Owner	\$100,000

\*\* In the absence of an authorized signer, the Chief Executive Officer is authorized to approve transactions without dollar limit.

Requests for modifications to Purchase Order Approval Authorizations listed in this Section 4.3 and within the Finance Approver Listing must be reviewed by the Controller and Director, Accounting and approved by the Chief Financial Officer or the Chief Executive Officer, in his/her absence.

#### 4.4 **Excess Expenditures**

For expenditures in excess of approved limits and budgets provided in Section 4.3, the following guidelines apply:

- The President and Chief Executive Officer and the Chief Financial Officer shall have joint authority to increase the annual budget by an aggregate of up to \$500,000;
- Increases in the annual budget in excess of \$500,000 but less than \$1,000,000 shall require the additional approval of the Chairman of the Audit and Finance Committee; and
- Increases in the annual budget of \$1,000,000 or more shall require the approval of the Audit and Finance Committee of the Board of Directors.

#### 4.5 **Purchase Order Signatory**

Purchase Orders are signed by the Purchasing Manager or Lead Purchasing Analyst (in the absence of the Purchasing Manager). In the absence of the Purchasing Manager and Lead Purchasing Analyst, Purchase Orders are signed by the Controller or the Chief Financial Officer.

#### 4.6 **Purchase Order Revisions**

Revisions to Purchase Orders are be subject to the same management approval levels for transactions within their respective areas of responsibility and approved budgets according to the dollar limits defined in Section 4.3 of this document. Revisions to Purchase Orders exceeding \$1,000,000 require approval by the Chief Executive Officer or may be approved by the Chief Financial Officer, or in accordance with Section 4.3 above if within 20% of the Original PO Total.

### 5. **Competitive Thresholds**

The extent of competition required in the procurement of goods and/or services shall be based on the following thresholds, established by reference to the estimated value of goods and/or services to be procured.

5.1 For purchases with an estimated cost less than or equal to \$50,000:

- Use sound business practices in efforts to obtain the products and services needed at the lowest cost possible while still maintaining the required quality.

5.2 For purchases with an estimated cost greater than \$50,000, one of the following designations, process and/or justification is required:

- CMP (Competitive Quotes) – A minimum of three quotes were solicited from three different sources of supply (Vendors).
- RFP (Request for Proposals) – Competitive solicitation issued by the Purchasing Manager or Lead Purchasing Analyst in conjunction with the Subject Matter Expert(s) for the competitive procurement of a specific product(s), project(s) and/or service(s).
- OEM (Original Equipment Manufacturer) – A purchase that is a specific fit to the original product, no other product, support or service will meet the business requirements. For example:
  - a) Maintenance or repair calls by the original equipment manufacturer (OEM) are required for a piece of equipment, and the manufacturer does not have multiple agents to perform these services.
  - b) Replacement or spare parts are required from the OEM, and the OEM does not have distributors for those parts.
- SOS (Sole Source) – A purchase under which only one Supplier, based upon thorough research, is able to provide the product or service. Similar types of goods or services may exist, but only one Supplier is acceptable to meet a specific need for reasons of expertise, standardization, quality, compatibility with existing equipment, specifications, and/or availability.

- RFQ (Request for Qualifications) – Competitive solicitation for Staff Augmentation services.

The ISO-NE internal purchasing procedures detail at length additional requirements to qualify a purchase for each of the designations listed herein.

## **6. Emergencies**

An emergency purchasing situation exists when immediate expenditure is necessary to: (i) protect the health and/or safety of ISO-NE Employees, Consultants, and/or the public, (ii) prevent or minimize a loss of or damage to ISO-NE property (including but not limited to real property, hardware, software, or equipment) or (iii) prevent or minimize the effects of a disruption of ISO-NE’s critical services or operations (including any disruption to ISO-NE’s services or operations related to the Bulk Electric System or New England’s wholesale electricity markets).

*Emergency purchases must meet one of the above criteria; failure to anticipate a need is not of itself considered a bona fide emergency.*

The Purchasing Department must be contacted as soon as a determination that an emergency purchasing situation exists; a verbal approval by the Facility Manager or authorized Cost Center Manager is required prior to proceeding with remediation of the emergency. Issuance of a PO for an emergency purchase is required within seven business days of the onset of the emergency. All required reviews and approvals for such PO must be obtained in accordance with the Purchasing Policy and Procedures prior to the seven business day deadline.

## **7. Contracts**

The Purchasing Department in collaboration with the Legal Department is responsible for ensuring that all contracts and supporting documents protect the interests of ISO-NE and minimize risks to ISO-NE.

As per the Board of Director Audit and Finance Committee by-laws, any use of external auditor staff must be approved by the Committee.

### **7.1 Contracts/Agreements Signatory**

The Chief Financial Officer and the Chief Executive Officer are the authorized signatories for all ISO-NE Contracts and Agreements.

In the absence of the Chief Financial Officer, the Chief Operating Officer may sign Contracts and Agreements provided up to the approval limits in Section 4.3 provided they are budgeted for.

## **8. Vendor Evaluations**

The Purchasing Department uses quantitative evaluation methods to monitor and measure Vendor performance for the purposes of reducing costs, mitigating risk and driving continuous improvement of Vendor performance.

## 9. **Purchasing Credit Card**

ISO-NE Purchasing Manager has an ISO-NE corporate Credit Card to pay for purchases that require Credit Card only payments such as on-line purchases, registrations, subscriptions and the like. All Credit Card purchases must comply with ISO-NE Purchasing Policy including processing and approval of a Procurement Requisition Form prior to the placing of any order and payment remittance, with the exception of the following purchases with a cost less than \$1,000.00 (up to \$999.99):

- Annual State filings
- Applicable Taxes, Regulatory Fees
- Utility Bills
- Catering Vendors (including supplies associated with cafeteria)
- BOD Fees & Expenses
- Ground, Express and Air Freight Delivery Services
- NEPOOL and Participant Expenses Invoices
- Legal Fees (including Regulatory/Government related Legal Fees (FERC, NERC, etc. and outside counsel engagements)
- Cleaning and Office Supplies (office supply vendors)
- HR Recruiting Fees\*
- Employee Cash Awards (CEO Award)
- Insurance Premiums
- Transmission Owner Payments and Deposit Returns for Various Studies
- Debt payments and Bank Fees
- Medical Expenses
- Pension Payments

Credit card purchases of any dollar value to a Foreign Vendor, including purchases of the types listed above require compliance with the ISO-NE Purchasing Policy including processing and approval of a Procurement Requisition Form prior to making the purchase.

## 10. **Vendor Diversity**

ISO-NE promotes its initiative and commitment to create opportunities for Vendors reflecting economic and cultural diversity to market their products to ISO-NE and for ISO-NE to offer opportunities to such Vendors, when appropriate. Vendor diversity includes small business enterprises (SBE), minority-owned business enterprises (MBE), woman-owned business enterprises (WBE), and local business enterprises (LBE).

## 11. **Tax Exempt Status**

ISO-NE is a 501(c)(3) charitable organization and is exempt from the payment of sales and use taxes in the Commonwealth of Massachusetts and the State of Connecticut. Tax exemption certificates are made available to Vendors upon request.

## **12. Conflicts of Interest**

All ISO-NE directors, officers, and employees are required to strictly adhere to ISO-NE's Code of Conduct<sup>1</sup>, including the provisions governing actual and potential conflicts of interest due to Vendor relationships. In addition, ISO-NE requires certain vendors to contractually agree to adhere to the Code of Conduct's conflict of interest provisions and to notify the ISO in the event of an actual or potential conflict of interest.

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<sup>1</sup> [https://www.iso-ne.com/static-assets/documents/aboutiso/corp\\_gov/bylaws/code\\_of\\_conduct.pdf](https://www.iso-ne.com/static-assets/documents/aboutiso/corp_gov/bylaws/code_of_conduct.pdf)