POWER PURCHASING POLICY

Category: Facilities Purchasing  
Responsible Office: University Facilities  
Responsible Executive: VP for Finance and Administration  
Date Established: 9-17-12  
Date Last Revised: 9-17-12

This policy has not yet been vetted or formatted as part of the policy review project, however, all requirements of the policy are current and in force.

Summary

This document provides a Risk Management policy and procedure to satisfy current NYISO requirements as per the NYISO Market Services Tariff. University Facilities will follow this policy to reduce or eliminate risks specific to University interactions with the NYISO when purchasing products or services.

Policy

POLICY STATEMENT

University at Buffalo  
Risk Management Policies and Procedures  
Specific to NYISO interactions

1. The University at Buffalo (UB, University), as a direct customer of the New York Independent System Operator (NYISO), maintains a risk management framework addressing market, credit, and liquidity risks associated with NYISO interactions. Mark-to-market exposure considerations do not exist since UB buys only the energy it directly consumes. Energy hedging opportunities are not associated with purchases from or transactions with the NYISO. Energy hedging options external to NYISO interactions are capped at no more than 15% of expected monthly consumption and are used solely for internal budget planning purposes.

In accordance with State University of New York (SUNY) policies “Internal Control Program” and “Internal Control Program Guidelines,” the UB Policy and Internal Control Office manages a formalized program of internal control designed to ensure that the University has a system of accountability for and oversight of its operations and to assist the University in obtaining its goals and objectives. The internal control program includes a Risk Assessment Questionnaire designed to evaluate a unit’s system of internal control, identify areas of risk, and implement procedures to manage and/or mitigate such risks.
2. The University does not engage in market trading functions with NYISO offered products and services. UB maintains an organizational structure in the State operated SUNY system as a teaching and research institution which purchases commodities from the NYISO as a direct customer for use at properties owned or leased by UB. All risks interacting with the NYISO are kept to a minimum or eliminated when possible. Individuals employed by UB, such as the Utilities Manager, have clearly defined roles engaging in the day ahead and real time markets of the NYISO. The sole purpose of interactions with the NYISO is to provide reliable, low cost energy supplies to the University. Activity in the NYISO Transmission Congestion Contract (TCC) market is not necessary or permitted by the University. Products or services purchased from the NYISO will not be resold or purchased as a hedge.

3. Trading functions required by UB, specifically purchasing power and installed capacity (ICAP), are performed by an independent consulting firm having the experience and systems in place to reliably participate in the NYISO Market. See item 7. Safeguards are maintained. As the direct customer “system administrator” for UB, the UB Utilities Manager has the ability to delegate, and if necessary, deactivate the authority of any user assigned in the organization user account at any time.

4. The UB Utilities Manager has adequate training to purchase power and system capacity, manage secure users of NYISO web interface, and engage in special case resource demand reduction programs. The Utilities Manager has the ability to deactivate the authority of any user assigned in the NYISO system at any time.

5. Risk limits at UB are held to an absolute minimum, as purchases from the NYISO are in direct balance with the daily needs of the University operated power systems. Redundancy built into the energy forecasting process system utilized by UB will prevent over or under forecasting UB energy needs. The Utilities Manager has the ability to monitor all NYISO transactions including forecast and purchasing decisions, participation in the ICAP market, and participation in the demand response program.

6. Reporting of risks within the University related to interactions with and purchases from the NYISO will originate from the Utilities Manager and flow to the Associate VP for Facilities for consideration.

7. A consulting firm is on-contract to assist UB with all purchases from and interactions with the NYISO. The firm has significant experience working directly with the NYISO and has highly qualified employees who have received appropriate NYISO training. The firm provides a reliable and accurate load forecasting system capable of combining historical consumption, new UB site requirements, trend analysis, and weather adjustment factors.
The firm is approved by the Utilities Manager and Associate VP for Facilities before they receive the authority to manage any of UB's activities with the NYISO.

8. Mark-to-market evaluation is not required as all purchases of products or services are consumed and accounted for at their original value, without any adjustment for fair market values.

BACKGROUND

The University, as a direct customer of the NYISO, must follow all NYISO procedures, policies, and directives to maintain continued purchasing access to the wholesale power markets.

APPLICABILITY

This policy applies to all interactions with the NYISO managed by University Facilities staff and the consulting firm hired by the University to act on behalf of the University.

DEFINITIONS

NYISO - the New York Independent System Operator responsible for managing the operation of the New York State power grid.

RESPONSIBILITY

University Facilities
Director of Facilities Operations

Contact Information

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Related Information

Related Links:
State University of New York Policy “Internal Control Program”
State University of New York Policy “Internal Control Program Guidelines”