AMENDED AND RESTATED BYLAWS

OF

ELECTRIC RELIABILITY COUNCIL OF TEXAS

(A Texas Non-Profit Corporation)

Approved on September 17, 2007

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ARTICLE 1
OFFICES

Section 1.1 Principal Office. The principal office of Electric Reliability Council of Texas, Inc. ("ERCOT") shall be located at such place in Texas as the ERCOT Board of Directors (the "Board") may determine. Additional offices may be established and maintained at such place or places as the Board may from time to time designate.

Section 1.2 Registered Office and Registered Agent. ERCOT will maintain a registered office and a registered agent in Texas. The Board may change the registered office and the registered agent as permitted in the Texas Non-Profit Corporation Act.

Section 1.3 Texas Regional Entity Division. ERCOT will maintain separate facilities or a separate office within ERCOT's existing facilities in which a division called the Texas Regional Entity Division ("TRE") will function independently of the rest of the company for purposes of developing and enforcing federally mandated reliability standards within the ERCOT Region (the "Delegated Authority" as defined below). If the TRE maintains offices within ERCOT's facilities, it shall be required to pay ERCOT a fair market rate of rent.

ARTICLE 2
DEFINITIONS

For purposes of these Bylaws, the following definitions apply:

1. **Affiliate**. This includes an entity (e.g. a person or any type of organization) in any of the following relationships: (i) an entity that directly or indirectly owns or holds at least five percent of the voting securities of another entity, (ii) an entity in a chain of successive ownership of at least five percent of the voting securities of another entity, (iii) an entity which shares a common parent with or is under common influence or control with another entity or (iv) an entity that actually exercises substantial influence or control over the policies and actions of another entity. Evidence of influence or control shall include the possession, directly or indirectly, of the power to direct or cause the direction of the management and/or policies and procedures of another, whether that power is established through ownership or voting of at least five percent of the voting securities or by any other direct or indirect means. In cases where the level of control or influence is disputed, the Board shall have discretion to determine whether or not the entities are Affiliates of one another. Membership in ERCOT shall not create an affiliation with ERCOT.

2. **Consumers**. Any entity meeting the definition for Residential Consumers, Commercial Consumers or Industrial Consumers as set forth in this Article.

3. **Commercial Consumers**. A commercial consumer ~~or an organization representing the interests of commercial consumers~~ in the ERCOT Region: (a) **Small Commercial Consumer** – A commercial consumer having a peak demand of 1000 kilowatts or less (or an organization representing such consumers); (b) **Large Commercial Consumer** – A

commercial consumer having a peak demand of greater than 1000 kilowatts~~ (or an organization representing such consumers)~~. An entity applying for ERCOT membership as either a Small Commercial Consumer or a Large Commercial Consumer is ineligible if that entity has interests in the electric industry in any other capacity than as an end-use consumer or represents the interests of another entity that has interests in the electric industry in any other capacity than as an end-use consumer, such as but not limited to, aggregators, power marketers, retail electric providers, transmission or distribution companies, cooperatives, municipals, or generators and the interest is of such an extent or nature that its decisions might be affected or determined by it. ~~In the case of an organization representing interests of commercial consumers, the organization may have members who have interests in the electric industry provided that such members do not control, or have the ability to control, the activities of the consumer organization. Additionally, in order to qualify for Membership, the organization's membership must represent at least one million MWh of annual electric consumption in the ERCOT Region.~~ The three Board Consumer Directors have the right to determine by majority vote of the Consumer Directors whether any applicant or member is ineligible, as described above, to become or remain a member of the Consumer Segment.

4. **Cooperative**. An entity operating in the ERCOT Region that is:

   a. a corporation organized under Chapter 161 of the Texas Utilities Code or a predecessor statute to Chapter 161 and operating under that chapter;

   b. a corporation organized as an electric cooperative in a state other than Texas that has obtained a certificate of authority to conduct affairs in the State of Texas;

   c. a cooperative association organized under Tex. Rev. Civ. Stat. 1396-50.01 or a predecessor to that statute and operating under that statute; or

   d. a River Authority as defined in Tex. Water Code §30.003.

5. **Delegated Authority**. The authority delegated by NERC to the TRE to propose and enforce Reliability Standards in the ERCOT Region, pursuant to the Federal Act.

6. **Entity**. An Entity includes an organization and all of its Affiliates.

7. **ERCOT Protocols**. The document adopted by ERCOT and approved by the Public Utility Commission of Texas ("PUCT"), as amended from time to time that contains the scheduling, operating, planning, reliability, and settlement policies, rules, guidelines, procedures, standards, and criteria of ERCOT.

8. **ERCOT Region**. The geographic area and associated transmission and distribution facilities that are not synchronously interconnected with electric utilities operating outside the jurisdiction of the Public Utility Commission of Texas.

9. **Federal Act**. Subtitle A of the Electricity Modernization Act of 2005, which added Section 215 to the Federal Power Act (16 U.S.C. § 824n).

10. **Unaffiliated Director**. A Director who is unaffiliated with a Market Participant as qualified under Section 4.3(b).

11. **Independent Generator**. Any entity that is not a Transmission and Distribution ("T&D") Entity or Affiliate of a T&D Entity and that (i) owns or controls generation capable of operating at least 10 MW in the ERCOT Region, or (ii) is preparing to operate and control generation of at least 10 MW, in the ERCOT Region, and has approval of the appropriate governmental authority, has any necessary real property rights, has given the connecting transmission provider written authorization to proceed with construction and has provided security to the connecting transmission provider.

12. **Independent Power Marketer**. Any entity that is not a T&D Entity or Affiliate of a T&D Entity and is registered at the PUCT as a Power Marketer to serve in the ERCOT Region.

13. **Independent REP**. Any entity that is certified by the PUCT to serve in the ERCOT Region as a Retail Electric Provider ("REP") under Public Utility Regulatory Act ("PURA") §39.352 and that is not an Affiliate of a T&D Entity.

14. **Industrial Consumers**. An industrial consumer is a consumer with at least one meter with average monthly demand greater than 1 megawatt consumed within the ERCOT Region engaged in an industrial process.

15. **Investor Owned Utility ("IOU")**.

    a. An investor-held, for-profit "electric utility" as defined in PURA §31.002(6) that (a) operates within the ERCOT Region, (b) owns 345 KV interconnected transmission facilities in the ERCOT Region, (c) owns more than 500 pole miles of transmission facilities in the ERCOT Region, or (d) is an Affiliate of an entity described in (a), (b) or (c);

    b. A public utility holding company of any such electric utility.

16. **Market Participant**. For purposes of these Bylaws, a Market Participant is (i) any entity that engages in any activity that is in whole or in part the subject of the ERCOT Protocols and has, or should have, a contract regarding such activities with ERCOT or (ii) any entity that qualifies for ERCOT membership.

17. **Member**. The Member or the Member's appointed representative as the context so requires.

18. **Municipal**. An entity operating in the ERCOT Region that owns or controls transmission or distribution facilities, owns or controls dispatchable generating facilities, or provides retail electric service and is either:

    a. a municipal owned utility as defined in PURA §11.003 or

    b. a River Authority as defined in Tex. Water Code §30.003.

19. **NERC**. The North American Electric Reliability Corporation, which has been authorized by the Federal Energy Regulatory Commission ("FERC) as the Electric Reliability Organization ("ERO") under the Federal Act.

20. **PUCT**. The Public Utility Commission of Texas, which is the Texas state agency that has responsibility and oversight of the activities conducted by ERCOT.

21. **Reliability Standards**. The standards adopted by NERC which set forth the reliability requirements for planning and operating the North American bulk electric system, as specifically applicable to the ERCOT Region.

22. **Residential Consumers**. The appointed Board Director representing residential consumer interests, an organization or agency representing the interests of residential consumers in the ERCOT Region, or the Residential Consumer Technical Advisory Committee ("TAC") Representative. An entity applying for ERCOT membership as a Residential Consumer is ineligible if that entity has interests in the electric industry in any other capacity than as an end-use consumer or represents the interests of another entity that has interests in the electric industry in any other capacity than as a end-use consumer, such as but not limited to, aggregators, power marketers, retail electric providers, transmission or distribution companies, cooperatives, municipals, or generators. The three Board Consumer Directors have the right to determine by majority vote of the Consumer Directors whether any applicant or member is ineligible, as described above, to become or remain a member of the Consumer Segment.

23. **Segment Alternate**. An elected designated alternate Board representative who can attend meetings in the absence of a Director and vote on the absent Director's behalf in the event that such Director cannot attend a Board meeting. Each Segment Alternate must meet all qualifications of a Director and shall receive all Board materials.

24. **Texas Regional Entity Division ("TRE")**. The functionally separate and independent division of ERCOT that is responsible for performing the activities and functions required: (i) pursuant to the Delegated Authority and (ii) for compliance monitoring and enforcement of the ERCOT Protocols.

25. **Transmission and Distribution Entity**. Any entity that is an IOU, Cooperative or Municipal that owns or controls transmission and/or distribution facilities including at least 200 pole miles of such facilities in the ERCOT Region or any entity that is a "retail electric utility," as defined in PURA §37.001, operating in the ERCOT Region.

ARTICLE 3
MEMBERS

Section 3.1 Membership.

(a) Members must qualify in one of the following segments as defined in Article 2:

(1) Cooperative;

(2) Independent Generator;

(3) Independent Power Marketer;

(4) Independent REP (For the purposes of Segment classification, an aggregator, if such Member does not fit in any other classification, shall participate as an Independent REP);

(5) Investor Owned Utility;

(6) Municipal; or,

(7) Consumer – three subsegments: Commercial, Industrial, and Residential. The Commercial Consumer subsegment is further divided into Large and Small Commercial Consumers.

(b) Except for the Consumer Segment, Members must have an actual financial interest in the retail or wholesale electric market in the ERCOT Region and be able to do business in one of these markets. A Member must maintain its registration or certification by the PUCT to the extent it is required to do so by statute or PUCT rule.

(c) The Board may adopt and amend Member application procedures.

Section 3.2 Membership Types and Voting Rights. ERCOT Members may be Corporate Members, Associate Members, or Adjunct Members as hereinafter described:

(a) Corporate Members – shall have the rights and obligations as described in these Bylaws including the right to vote on all matters submitted to the general membership (such as election of Directors, election of TAC Representatives and amendments to the Articles of Incorporation and these Bylaws).

(b) Associate Members – shall have the rights and obligations as described in these Bylaws excluding the right to vote on any matter submitted to the general Membership (such as election of Directors, election of TAC Representatives and amendments to the Articles of Incorporation and these Bylaws).

(c) Adjunct Members – may be approved for Adjunct Membership by the Board if such entity does not meet the definitions and requirements to join as a Corporate or Associate Member. Adjunct Members shall have no right to vote on any matter submitted to the general Membership nor any right to be elected or appointed to the ERCOT Board, TAC or any subcommittee of the Board or TAC. Adjunct Members shall be bound by the same obligations as other Members of ERCOT.

Section 3.3 Obligations of All Members.

(a) Each Member must comply with any applicable planning and operating criteria, procedures and guides adopted by or under the direction of the Board to maintain electric system reliability, coordinate planning and promote comparable access to the transmission system by all users.

(b) Consistent with applicable laws and regulations, Members must share information at ERCOT's or TRE's request as necessary for the furtherance of ERCOT or TRE activity and consistent with PUCT and NERC rules relating to confidentiality.

Section 3.4 Annual Member Services Fees. ERCOT provides various services, as determined by the Board, to its Members. In return for such services, each Member shall pay its Annual Member Services Fees within thirty (30) days after receipt of ERCOT's annual statement of such fees. Failure to do so shall constitute such Member as being in arrears. Except as provided below, Annual Member Service Fees for Corporate Members shall be $2,000. Annual Member Service Fees for Associate Members shall be $500. Annual Member Service Fees for Adjunct Members shall be $500. The Annual Member Service Fees for Residential and Commercial Consumer Members shall be $100 for Corporate Membership and $50 for Associate Membership; provided that there will be no charge for Annual Member Service Fees for associations that qualify for Commercial Consumer Membership. Office of Public Utility Counsel ("OPUC") and the appointed Residential Consumer TAC Representative(s) shall be eligible to be Corporate Members without the payment of Annual Member Service Fees. Any Member may request that the Member's Annual Member Service Fees be waived for good cause shown.

Section 3.5 Representation. Each Member shall appoint a representative to receive notices from ERCOT and shall give to the ERCOT Chief Executive Officer ("CEO") or his designee in writing (signed by a duly authorized representative of the Member) the name of the person thus appointed. For Corporate Members, such appointed representative shall also act on behalf of the Corporate Member at all meetings of the Corporate Members.

Section 3.6 Participation.

(a) No Entity shall simultaneously hold more than one Corporate Membership. Any Entity may also simultaneously have a maximum of one seat on each of the following: the Board, TAC, and the Regional Standards Committee.

(b) Except for Adjunct Members, Members must qualify for Membership in a Segment. Entities may join ERCOT in any Segment in which they qualify for Membership provided that an Entity may join as a Corporate Member in only one Segment. In the event that an Entity qualifies for more than one Segment, such Entity may join such other Segments as an Associate Member upon payment of the Associate Annual Member Services Fees for each Segment in which such Entity desires to participate as an Associate Member. Once an Entity has elected to be a Corporate Member of a Segment, the Entity must continue to vote in that Segment for a minimum of one (1) year. If, at any point, an Entity no longer meets the qualifications for the Segment so elected, the Entity may not vote in that Segment; however, that Entity may then immediately elect to become a Corporate Member in any Segment for which it does qualify. Except as otherwise provided in these Bylaws, an Associate Member may be selected by the Corporate Members of a Segment in which the Associate Member participates to serve as a voting member of the Board, TAC or any subcommittee of the Board or TAC.

(c) Subject to any specific provisions in these Bylaws or the Articles of Incorporation, each Corporate Member in good standing is entitled to one vote on each matter submitted to a vote of the Corporate Members. A Corporate Member in good standing is one that is not in arrears for payment of its Annual Member Services Fees for a Corporate Membership or payment of any other fees owed to ERCOT unless in good faith disputed, is not in breach of any contract with ERCOT, and is not suspended or expelled as of the record date of the meeting. Corporate Members that are not in good standing are not entitled to vote on any matters until they have regained good standing.

Section 3.7 Meetings of the Corporate Members.

(a) Corporate Members shall meet at least annually on a date and at a place to be established by the Board ("Annual Meeting"). Except for appointed Directors, the representatives of the Corporate Members shall confirm the members of the Board at the Annual Meeting, and conduct such other business as may be properly brought before them.

(b) Special meetings of the Corporate Members may be called by the Board.

(c) Written or printed notice of any meeting of the Corporate Members shall be delivered to each Member at least three weeks prior to the date of the meeting. Notice to Members of such meetings shall be by mail or facsimile. Notice shall include an agenda explaining the purpose of the meeting and any business upon which the Corporate Members will be requested to vote.

(d) The record date for determining Corporate Members entitled to notice shall be on the Friday which is at least thirty days but not more than thirty-six days prior to the meeting date.

(e) Representation at any meeting of ERCOT of at least fifty-one percent (51%) of the Corporate Members, in person or by proxy, shall constitute a quorum for the transaction of business at such meeting. Except as otherwise provided in these Bylaws and in the

Texas Regional Entity Standards Development Process, an act of fifty-one percent (51%) of the Corporate Members shall be the act of the Corporate Members.

Section 3.8 Sanction, Suspension, Expulsion, or Termination of Members. No Member, either a Member organization or a Member representative, may be sanctioned, expelled or suspended, and no Membership or Memberships in ERCOT may be terminated or suspended except pursuant to a procedure that is fair and reasonable and is carried out in good faith. The Board may, by resolution, establish a procedure to terminate, expel, suspend, or sanction a Member. In the event that the Board does not adopt procedures, the following procedures shall apply:

(a) Written notice. An intent to terminate, expel or suspend a Member shall be preceded by twenty (20) days written notice of the date when a hearing will be held to determine whether the Member shall be expelled, suspended, terminated or sanctioned. Such notice shall set forth the reasons therefore. Said notice must be given by first class or certified mail sent to the last address of the Member to be expelled, suspended, terminated or sanctioned, as shown in ERCOT's records.

(b) Hearing. An opportunity shall be provided for the Member to be heard, orally and in writing. The Member shall be entitled to have counsel present at and to participate in the hearing at his, her or its own expense, and to present and cross-examine any witnesses. The hearing shall be conducted at the next meeting of the Board for which there is time to give proper notice.

(c) Liability. A Member who has been sanctioned, expelled, terminated or suspended shall be liable to ERCOT for fees as a result of obligations incurred or commitments made prior to sanction, expulsion, termination or suspension.

(d) Challenges. Any proceeding challenging an expulsion, suspension, sanction or termination, including a proceeding in which defective notice is alleged, must be commenced within one year after the effective date of the expulsion, suspension, sanction or termination. Any such proceeding before the Board will be subject to the hearing requirements described in (b) of this section.

Section 3.9 Resignation. Any other provision of these Bylaws notwithstanding, any Member may withdraw from participation in the activities of ERCOT at any time upon written notice to the CEO, whereupon it shall cease to be a Member, shall cease to be entitled or obligated to participate in the activities of the Board, TAC or any subcommittee of the Board or TAC and shall have no further obligations as a Member; provided, however, that if such notice is given more than thirty (30) days after such Member's receipt of its statement of fees and expenses for a fiscal year, the Member shall be obligated to pay its Annual Member Services Fees for the full fiscal year within which such termination is effective.

Section 3.10 Reinstatement. A former Member may submit a written request for reinstatement of Membership. The Board may choose to reinstate Membership on any reasonable terms that the Board deems appropriate.

Section 3.11 Property Ownership and Control. Subject to applicable laws, rules, regulations, agreements, and ERCOT Protocols, each Member shall retain sole control of its own facilities and the use thereof, and nothing in these Bylaws shall require a Member to construct or dedicate facilities for the benefit of any other electric system or allow its facilities to be used by any other Member, or to construct or provide any facilities for its own use, and nothing herein shall be deemed to impair the ability or right of any Member to take such actions or to fail to act, as it deems necessary or desirable, with respect to the management, extension, construction maintenance and operation of its own facilities, present and future. A Member has no interest in specific property of ERCOT and waives the right to require a partition of any ERCOT property.

ARTICLE 4
BOARD OF DIRECTORS

Section 4.1 Powers. The affairs of ERCOT shall be managed by the Board ("Board").

Section 4.2 The Board. The Board shall include a total of sixteen (16) Directors apportioned among the Segments as follows:

(a) One (1) Independent REP and one (1) Segment Alternate

(b) One (1) Independent Generator and one (1) Segment Alternate

(c) One (1) Independent Power Marketer and one (1) Segment Alternate

(d) One (1) IOU and one (1) Segment Alternate

(e) One (1) Municipal and one (1) Segment Alternate

(f) One (1) Cooperative and one (1) Segment Alternate

(g) Three (3) Consumers: the Public Counsel, representing Residential Consumers and Small Commercial Consumers, as an *ex officio* voting member, one (1) Large Commercial, and one (1) Industrial

(h) Five (5) Unaffiliated Directors

(i) The CEO as an *ex officio* voting member

(j) The Chair of the PUCT as an *ex officio* non-voting member

Section 4.3 Selection, Tenure, and Requirements of Directors and Segment Alternates.

(a) Selection of Market Participant Directors and Segment Alternates:

(1) For Consumer Directors, the following shall apply: The Director from the Commercial Consumer subsegment shall be selected by the Large Commercial Consumer Corporate Members and must be an employee of a Large Commercial Consumer which is either a Large Commercial Consumer Member of ERCOT or a member of an organization that is a Large Commercial Consumer Member of ERCOT. If there are no Large Commercial Consumer Corporate Members, then the current Large Commercial Consumer Director shall appoint the Large Commercial Consumer Director. The Industrial Consumer Director shall be elected by the Corporate Members of that subsegment.

(2) Within each Market Participant elected Segment, only Corporate Members of the Membership Segment described for the available Board seat shall be allowed to elect a Director and a Segment Alternate for that seat.

(3) The Board shall establish procedures for the election and appointment of new Directors, Segment Alternates and Representatives of TAC. A Segment may choose an alternate election procedure for the year by an affirmative vote of at least sixty-seven percent (67%) of members of that Segment.

(4) Each Market Participant Director and each Segment Alternate, except as provided above for the Commercial Consumer Director, must be an employee of a Member. Unless otherwise provided in these Bylaws, if an employee of a Member is elected or appointed to serve on the Board, such person is only eligible to serve in such capacity so long as he or she is an employee of the same Member or organization as he or she was at the time of such election or appointment.

(b) Selection of Unaffiliated Directors:

(1) The Nominating Committee shall consist of all of the voting Directors, other than the CEO.

(2) The Nominating Committee shall retain an executive search firm to locate and present candidates with the required qualifications. Qualifications for Unaffiliated Directors shall be as follows:

(i) Experience in one or more of these fields: senior corporate leadership; professional disciplines of finance, accounting, engineering or law; regulation of utilities; risk management; and information technology.

(ii) Independence of any Market Participant in the ERCOT Region. Requirements of such independence include, but are not limited to, the following:

a. Unaffiliated Directors or family members (any spouse, parent, spouse of a parent, child or sibling, including step and adoptive relatives and household member) shall not have current or recent

ties (within the last two years) as a director, or officer ~~or employee~~ of a Market Participant or its Affiliates.

~~a.~~b. Unaffiliated Directors or family members (any spouse, parent, spouse or a parent, child or sibling, including step and adoptive relatives and household member) shall not have current or recent ties (within the last two years) as an employee of a Market Participant or its Affiliates other than a Market Participant that qualifies for ERCOT membership in the Consumer Segment.

~~b.~~c. Unaffiliated Directors or family members (any spouse, parent, spouse of a parent, child or sibling, including step and adoptive relatives and household member) shall not have direct business relationships, other than retail customer relationships, with a Market Participant or its Affiliates.

~~c.~~d. To the extent that an Unaffiliated Director or family member (any spouse, parent, spouse of a parent, child or sibling, including step and adoptive relatives) living in the same household or any other household member owns stocks or bonds of Market Participants, these must be divested or placed in a blind trust prior to being seated on the Board.

~~d.~~e. Unaffiliated Directors shall not have any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of an ERCOT board member, including the Delegated Authority.

(iii) Residence in the State of Texas preferred.

(iv) Other criteria as approved by the Board.

(3) The Nominating Committee shall interview the qualified candidates and select, by at least a two-thirds majority, an Unaffiliated Director(s) (as such seat is vacant) to present to ERCOT Membership for its approval.

(4) The Membership shall vote by Segment as described in Section 13.1(d) in favor or against the proposed Unaffiliated Director(s) during the same time period as election of the Market Participant Directors. A proposed Unaffiliated Director(s) that is approved by at least four out of seven Segments shall become an Unaffiliated Director(s). Upon approval of the Membership, the proposed Unaffiliated Director(s) shall be filed with the PUCT for approval.

(5) Pending PUCT approval, the Membership-approved Unaffiliated Director(s) shall be seated at the Annual Meeting. Should the PUCT not approve the Unaffiliated Director(s), the seated Director(s) shall remain seated until a new Unaffiliated

Director(s) is elected and approved in accordance with the process set forth above.

(c) Terms. The term for all Market Participant Directors shall be for one year. Any Market Participant Director may be reappointed or reelected for consecutive terms. The term for all Unaffiliated Directors shall be staggered three year terms unless changed by Amendment to these Bylaws. An Unaffiliated Director may be reelected for up to two consecutive terms. Notwithstanding the forgoing, in 2005, three of the five Unaffiliated Directors will be seated, serving subject to the final approval of the PUCT. Of these three, one position shall be for a term of two years and two positions shall be for three year terms.

(d) Director Voting Weights. All voting Directors shall have a single vote each.

(e) Alternates and Proxies. Directors serving in Segments with a Segment Alternate may not designate other alternate representatives and may not designate another Director as a proxy unless their Segment Alternate is unavailable. Unaffiliated Directors may designate another Director as a proxy if unable to attend a Board meeting. Consumer and *ex officio* Directors may designate a proxy or an alternate representative who may attend meetings and vote (if applicable) in the absence of such Director.

Section 4.4 Chair and Vice Chair. Annually, the Board shall elect, from the Board's membership, by an act of the Board as set forth in Section 4.7, a Chair and a Vice Chair. Beginning no later than September 1, 2006, the Chair shall be one of the Unaffiliated Directors. The CEO shall not be qualified to act as the Vice Chair.

Section 4.5 Vacancies and Removal. A vacancy will occur if the Director elected or appointed is no longer employed by the Entity for which the Director was employed at the time of his/her election or appointment. A vacancy will also occur through any other resignation of a Director from the Board. A Director may be removed with or without cause at any time by whomever had the right to appoint such Director, or if elected, by an affirmative vote of sixty percent (60%) of the Members allowed to elect that Director. In addition, the Board may remove a Director for cause, upon at least seventy-five percent (75%) affirmative votes of the eligible, remaining voting Directors. The right to elect Directors may not be assigned, sold, pledged or transferred in any manner. A vacancy may be filled only by the persons authorized to elect or appoint such Director. Any Director so chosen shall hold office until his successor is duly elected or appointed and qualified or until his earlier resignation, ineligibility or removal.

Section 4.6 Meetings.

(a) The Board shall meet at least quarterly, with at least one meeting occurring in conjunction with the Annual Meeting of the Members. Additional meetings of the Board shall be held at such time and at such place as may from time to time be determined by the Board. Special meetings of the Board may be called by the Chair, Vice Chair, or the CEO or his designee.

(b) Notice stating the purpose, business to be transacted, place, date and hour of any meeting of the Board or any Board subcommittee where at least one Board Director is present shall be given to each Director and made available electronically to the public on the Internet not less than one week before the date of the meeting; provided, however, the Board may meet on urgent matters on such shorter notice, not less than 2 hours, as the person or persons calling such meeting reasonably may deem necessary or appropriate for urgent matters (emergency conditions threatening public health or safety, or a reasonably unforeseen situation). Notice of the agenda, place, date, and hour of any meeting of the RSC shall be made available electronically to the public on the Internet not less than one week before the day of the meeting; provided however, the RSC may meet on urgent matters on such shorter notice, not less than 2 hours, as the person or persons calling such meeting reasonably may deem necessary or appropriate for urgent matters (emergency conditions threatening public health or safety, or a reasonably unforeseen situation).

(c) The Board and its subcommittees having at least one Director may meet by teleconference to consider urgent matters in accordance with Section 14.8. The Board must ratify any action taken on notice of less than one week or by teleconference at its next regularly scheduled meeting.

(d) The Board shall promulgate procedures allowing public access to meetings of the Board and Board subcommittees and allowing for members of the public to provide comment on the matters under discussion at public portions of meetings of the Board and subcommittees.

(e) Meetings of the Board or Board subcommittees shall be open to the public provided that the Board or Board subcommittee on which at least one Board Director sits may, at its discretion, exclude any persons who are not Directors from any meeting or portion of any meeting held in Executive Session, including for purposes of voting. An Executive Session shall be held at the discretion of the Board or Board subcommittee for sensitive matters including, but not limited to, confidential personnel information, contracts, lawsuits, deliberation of purchase of real property, competitively sensitive information, deployment or implementation of security devices or other information related to the security of ERCOT's regional electrical network and discussion of any matters on which the Board receives legal advice from its attorney(s) in which the Texas Disciplinary Rules of Professional Conduct impose on the attorney(s) a duty to preserve confidentiality, including but not limited to anticipated or pending litigation, administrative agency contested cases, and other regulatory matters.

(f) The Secretary shall keep minutes of every Board meeting.

Section 4.7 Quorum; Action by Directors. Except as may be otherwise specifically provided by law, the Articles of Incorporation or these Bylaws, at all meetings of the Board, fifty percent (50%) of the seated Directors shall constitute a quorum for the transaction of business. The act of at least sixty-seven percent (67%) affirmative votes of the eligible voting Directors shall be the act of the Board, unless the act of a greater number is otherwise required by law, the Articles of

Incorporation, or these Bylaws. If a quorum shall not be present at any meeting of the Board, the Directors present may adjourn the meeting.

Section 4.8 Subcommittees. The Board shall confirm the Representatives of TAC and may appoint subcommittees as it deems necessary and appropriate to conduct the business of ERCOT. The designation of subcommittees and the delegation thereto of authority shall not operate to relieve the Board or any individual Director of any responsibility imposed upon it or him by law. Any non-Director who becomes a member of TAC or a subcommittee shall have the same responsibility with respect to TAC or such subcommittee as a Director who is a member thereof.

Section 4.9 Other Appointments. If requested by the North American Electric Reliability Council ("NERC"), the Board shall elect, from among its members, persons to serve on the NERC Stakeholders Committee. The selection of the representatives shall require an act of the Board as set forth in Section 4.7. If more than one representative is requested, such representatives shall be from different Segments.

Section 4.10 Duties. It shall be the duty of the Board to initiate any specific action required, in their opinion, to fulfill the purposes of ERCOT as stated in the Articles of Incorporation, within the limitations of the Articles of Incorporation, applicable law, and these Bylaws. Such action may be taken by the Board, by such subcommittee(s) as may be formed by the Board, the CEO as directed by the Board or by individuals appointed by the Board provided that the following actions of the Board may not be delegated: (a) approval of the Budget (as defined in Section 10.3); (b) approval of the employment and terms for the CEO, as well as termination of CEO's employment; (c) ratification of other officers of ERCOT; (d) annual selection of a qualified public accounting firm ("Auditor") to audit the financial statements of ERCOT; (e) approval of the initiation of any non-routine filing to a regulatory agency that requests regulatory action; (f) initiation of any lawsuit; and (g) management and oversight of the TRE. The Board shall adopt policies regarding the delegation of the following actions: (a) the acquisition of real property; (b) the sale of ERCOT assets; (c) the execution of contracts; (d) large purchases; and (e) borrowing money or establishing a line of credit in the name of ERCOT.

ARTICLE 5
TECHNICAL ADVISORY COMMITTEE

Section 5.1 TAC Representatives.

(a) For the purposes of this section, membership in the TAC shall be divided in accordance with the definitions of the Segments described in Section 3.1. TAC shall be comprised of the following ("Representatives"):

(1) Representatives of ~~four~~ two Members elected from each of the six Segments listed in Section 3.1.

(2) For the Consumer Segment, Corporate Members of each subsegment shall elect its Representatives. For any subsegment in which there are no Corporate

Members, the Consumer Director of that subsegment shall appoint such Representatives. For the Residential, Commercial and Industrial subsegments, the TAC Representative seats are as follows:

(i) Two Representatives of Industrial Consumers

(ii) One Representative of Small Commercial Consumers

(iii) One Representative of Large Commercial Consumers

(iv) One Representative of Residential Consumers

(v) The Public Counsel or his or her designee as an *ex officio* voting member

(b) Each TAC Representative shall be entitled to one vote on matters submitted to TAC.

(c) Fifty-one percent (51%) of the eligible, seated Representatives of TAC shall constitute a quorum for the transaction of business. Affirmative votes of sixty-seven percent (67%) of the eligible, seated Representatives of TAC shall be the act of TAC.

(d) Each Segment may choose to participate in "Participatory Voting" as described herein. If a Segment chooses to engage in Participatory Voting, each TAC Representative elected by that Segment shall be required to present the decision of the Corporate Members of that Segment. A Corporate Member may delegate an employee or agent other than the Member representative described in Section 3.5 to vote on its behalf for purposes of Participatory Voting. If a Corporate Member of a Segment using Participatory Voting is unable or does not wish to attend a TAC meeting that Member may deliver a written proxy, at any time prior to the start of the meeting at which it will be voted, to a Participatory Voting delegate of any Member of the same Segment. A Corporate Member delegate in attendance at a TAC meeting may give a written proxy to a Participatory Voting delegate of any Member of the same Segment during such meeting.

(e) All TAC Representatives shall be appointed or elected annually by the Corporate Members of their respective Segments. The term for all TAC Representatives shall be one year. Any TAC Representative may be reappointed or reelected for consecutive terms, without limitation. A vacancy shall be filled by the same means used to elect or appoint the previous TAC Representative. No Entity shall participate in more than one Segment of TAC. The Representatives of TAC shall elect from amongst themselves a Chair and Vice Chair subject to confirmation by the Board, provided that the Chair and Vice Chair must each be an employee of a Member.

(f) Each person (other than the Residential Consumers Representative) serving on TAC or any subcommittee thereof must be an employee or agent of a Member. Unless otherwise provided in these Bylaws, if an employee or agent of a Member is elected or appointed to serve on TAC or any subcommittee thereof, such person is only eligible to serve in such

capacity so long as he or she is an employee or agent of the same Member as he or she was at the time of such election or appointment.

(g) In the event that a Small Commercial Consumer Representative cannot be identified to serve on TAC, that seat may be filled by any other Commercial Consumer representative appointed by the Consumer Director of the same subsegment provided that such representative represents at least one consumer in the ERCOT Region. Any Representative of the Consumer Segment appointed to TAC by a Consumer Director, if not otherwise a Member of ERCOT, shall be allowed to vote on TAC without the payment of the Annual Member Service Fees. An appointed Commercial Consumer TAC Representative is eligible to serve in such capacity so long as he or she is an employee or representative of the same company as he or she was at the time of such appointment.

Section 5.2 Functions of TAC. TAC shall have the authority to create subcommittees, task forces and study groups ("subcommittees"). TAC shall determine the eligibility requirements, quorum requirements and voting structure for each subcommittee. TAC shall (a) through its subcommittees make such studies and plans as it deems appropriate to accomplish the purposes of ERCOT, the duties of its subcommittees and the policies of the Board, (b) report the results of such studies and plans to the Board as required by the Board, (c) review and coordinate the activities and reports of its subcommittees, (d) make such recommendations to the Board as it deems appropriate or as required by the Board, (e) perform such other duties as directed by the Board and (f) make recommendations regarding ERCOT expenditures and projects. In accordance with ERCOT procedures and applicable law and regulations, certain guidelines, criteria and other actions approved by TAC may be effective upon approval by TAC; provided however, that such actions are reported to the Board for review and nothing herein shall affect the ability of the Board to independently consider such guidelines, criteria and actions, and to take such action with respect thereto as the Board deems appropriate, including revocation and remand with instructions.

Section 5.3 Meetings. TAC and its subcommittees shall meet as often as necessary to perform their duties and functions. All meetings of TAC and its subcommittees shall be called by their respective chairmen and all such meeting notices shall be sent in writing to each member at least one week prior to the meeting, unless an emergency condition should suggest otherwise (such emergency to be by mutual consent of a majority of the seated Representatives of TAC or subcommittee). Any Member may request notification of any such meetings and may have an employee or a TAC-approved representative for that Member attend as an observer. Each Representative of TAC may designate in writing an alternate representative who may attend meetings in the absence of the Representative and vote on the Representative's behalf.

Section 5.4 Other Appointments. ~~If requested by NERC,~~ TAC shall elect representatives to the various NERC committees and associated subcommittees, task forces, and working groups whose members are appointed by the NERC Regions. The selection of TAC representatives to NERC shall require an act of TAC as set forth in Section 5.1(c). If more than one representative is requested, TAC should consider selecting representatives from different Segments.

ARTICLE 6
TEXAS REGIONAL ENTITY

Section 6.1 TRE Responsibilities and Duties. The TRE shall be a functionally independent division within ERCOT which shall be responsible for proposing, developing, implementing and enforcing Reliability Standards in accordance with the Delegated Authority. The TRE shall also be responsible for investigating compliance with and enforcing violations of the ERCOT Protocols ("ERCOT Compliance"), so long as the ERCOT Compliance activities do not conflict with the Delegated Authority. The TRE shall develop policies, processes, standards, and procedures to implement the Delegated Authority and the ERCOT Compliance activities. The TRE shall form a Reliability Standards Committee ("RSC"), comprised of members from all ERCOT Segments, to propose, receive, consider, authorize, and vote on Reliability Standards and Reliability Variances, in accordance with the Texas Regional Entity Standards Development Process and procedures. All proposed ERCOT-specific Reliability Standards and Reliability Variances requests must be approved by the Board, prior to being submitted to NERC.

Section 6.2 TRE Independence. The TRE and its employees shall function independently of the other divisions, departments and employees of ERCOT. TRE employees shall be responsible for creating and monitoring a separate budget to be submitted to the Board for approval and then to the North American Electric Reliability Corporation ("NERC") for approval, pursuant to a Delegation Agreement ("TRE Budget"). The portion of the TRE Budget which is for activities that are not related to the Delegated Authority but are for ERCOT Compliance activities will be approved by the PUCT. Except for ERCOT Compliance activities and any extraordinary activities that are specifically approved by NERC in the TRE Budget, the TRE shall be funded separately by NERC. The TRE shall (i) maintain separate books and records to account for its finances, separating income and expenditures for the Delegated Authority and the ERCOT Compliance Activities and (ii) pay a fair market rate for any goods and services obtained from ERCOT, or if a fair market rate is not readily determinable without undue effort or expense, at least the out-of-pocket cost incurred by ERCOT in respect thereof. ERCOT acknowledges that the TRE Chief Compliance Officer and the TRE staff will conduct investigations into and will prosecute enforcement actions regarding the matters within the scope of the TRE's responsibilities and duties, including investigations and prosecutions of ERCOT.

Section 6.3 TRE Management. The business and affairs of the TRE shall be managed directly by the Board, or a subcommittee thereof, to insure independence of the TRE from the other ERCOT operations and activities, including the ERCOT Independent System Operator functions. The Board shall hire a Chief Compliance Officer ("CCO") who, under its supervision and direction, shall carry on the general affairs of the TRE as the chief executive officer. The CCO shall be independent of any market participant, and shall be an independent member of the staff of ERCOT, reporting exclusively to the Board. The Board shall only hire a CCO after consulting the PUCT Commissioners and Executive Director, and obtaining the approval of the PUCT Executive Director. The Board may also appoint a financial director, who will report to the CCO, with responsibility for overseeing the budgeting, finance and accounting functions necessary for the independent operation of the TRE. The TRE may retain outside advisors as it deems necessary. The CCO shall have the sole authority to retain or terminate such outside counsel and other advisors as the CCO may deem appropriate in his or her sole discretion. The CCO shall

have the sole authority to approve related fees and retention terms for such advisors, in accordance with the TRE Budget. The CCO shall make an annual report and periodic reports to the Board concerning the activities and expenditures of the TRE, and the TRE shall have its separate financial statements reviewed or audited annually. The CCO shall ensure that the TRE files all required reports with NERC. CCO shall, in cooperation with the financial director of the TRE, monitor the expenditure of the monies received by the TRE to ensure that such are deployed in accordance with the TRE Budget, as approved by the Board and NERC.

Section 6.4 TRE Employees. To the fullest extent practicable under applicable law, the TRE and the CCO shall be responsible for hiring, firing and compensating all TRE employees. The TRE employees shall be compensated from the TRE budget. If permissible, and consistent with the Board's and CCO's compensation policies for the TRE employees, such employees may participate in insurance and other benefits extended to ERCOT employees, provided that the TRE reimburses ERCOT for the full cost of providing such benefits. The TRE is authorized to employ attorneys, and all such attorneys shall report to the CCO and shall have ethical and other obligations solely to the TRE and not to ERCOT. Such attorneys are expressly authorized and required to provide advice to the CCO and the TRE regarding the Delegated Authority and ERCOT Compliance activities, including investigations and enforcement actions involving ERCOT. Such attorneys are specifically authorized to assist with the prosecution of enforcement actions relating to the Delegated Authority or ERCOT Compliance activities.

Section 6.5 Evaluation of TRE Performance. The Board shall monitor the TRE and CCO's performance, establish and review the CCO's compensation and provide annual, or at its election, more frequent, evaluations. The Board may receive and will consider input from the PUCT regarding the compliance and enforcement activities of the CCO and the TRE. It shall be the CCO's duty, in cooperation with the financial director of the TRE, to monitor the expenditure of the monies received by the TRE to ensure that such are deployed in accordance with the TRE Budget, as approved by the Board, PUCT and NERC. The Board will consider input from the PUCT regarding the compliance and enforcement activities and performance of the CCO and TRE. Neither the CCO nor any TRE employee may be retaliated against by ERCOT or its Board for investigating or participating in any enforcement activities pursuant to the Delegated Authority. The Board may not terminate, discipline, or demote the CCO or any TRE employees, advisors or contractors because of compliance or enforcement activities conducted in good faith.

ARTICLE 7
CHIEF EXECUTIVE OFFICERS

Section 7.1 CEO. The Board shall hire a Chief Executive Officer ("CEO") who, under the Board's supervision and direction shall carry on the general affairs of ERCOT. The CEO shall be a member of the staff of ERCOT and shall be a voting Director. It shall be his or her duty to approve the expenditure of the monies appropriated by the Board in accordance with the Budget approved by the Board. The CEO shall make an annual report and periodic reports to the Board concerning the activities of ERCOT. The CEO shall serve as President of ERCOT. He or she shall comply with all orders of the Board. All agents and employees of ERCOT shall report, and be responsible, to the CEO, except for the CCO and other employees, contractors, and advisors

of the TRE. The CEO shall perform such other duties as may be determined from time to time by the Board.

Section 7.2 CCO. The Board shall hire a Chief Compliance Officer ("CCO") who, under the Board's supervision and direction shall carry on the affairs of the TRE. The CCO shall comply with all orders of the Board and will coordinate with the NERC regarding activities relating to the Delegated Authority and with PUCT regarding ERCOT Compliance activities. All employees and contractors of the TRE shall report and be responsible, to the CCO. The CCO shall be responsible for employment-related decisions for all employees of the TRE that are not appointed by the Board and shall provide input to the Board with respect to TRE employees appointed by the Board. The CCO shall perform such other duties as may be determined from time to time by the Board, for the benefit of the TRE. The Board may only terminate, discipline, not renew, or demote the CCO after consulting the PUCT Commissioners and Executive Director, and obtaining the approval of the PUCT Executive Director.

ARTICLE 8
OFFICERS

Section 8.1 General. The officers of ERCOT shall consist of a President, one or more Vice Presidents, a Secretary, a CCO of the TRE, and such officers and assistant officers as the Board may create. The CEO shall serve as President of ERCOT. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary or CCO. A subcommittee duly designated may perform the functions of any officer and the functions of two or more officers may be performed by a single subcommittee.

Section 8.2 Tenure. The CEO of ERCOT and the CCO of TRE shall be elected and the other officers of ERCOT shall be ratified by the Board at such time and in such manner and for such a term not exceeding one (1) one year, as shall be determined from time to time by the Board. Any officer may be re-elected or re-ratified for consecutive terms, without limitation. All officers of ERCOT shall hold office until their successors are chosen and qualified or until their earlier resignation or removal. Any officer elected or appointed may be removed by the persons authorized to elect or appoint such officer whenever in their judgment the best interests of ERCOT will be served thereby.

ARTICLE 9
TRANSACTIONS OF CORPORATION

Section 9.1 Deposits and Checks. All of ERCOT's funds will be deposited to the credit of ERCOT in banks, trust companies, or other depositories that the Board approves.

Section 9.2 Potential Conflicts of Interest.

Each Director, TAC Representative and subcommittee member shall have an affirmative duty to disclose to the Board, TAC or subcommittee (as the case may be) any actual or potential

conflicts of interest of the Director, TAC Representative or subcommittee member or his employer where, and to the extent that, such conflicts or potential conflicts directly or indirectly affect any matter that comes before the Board, TAC or subcommittee, as the case may be. A Director with a direct interest in a matter, personally or via his employer, or by having a substantial financial interest in a person with a direct interest in a matter, shall recuse himself from deliberations and actions on the matter in which the conflict arises and shall abstain on any vote on the matter and not otherwise participate in a decision on the matter. A direct interest is a specific interest of a person or entity in a particular matter, provided that an interest that is common to entities in a Director's Market Segment or a general interest of some or all Market Participant Directors in a matter does not constitute direct interest. Any disclosure of a direct interest by a Director shall be noted in the minutes of the Board meeting at which the direct interest is disclosed. Mere attendance at the meeting, without participating in discussion of the issue raising the potential conflict, shall not constitute participation.

ERCOT may not make any loan to a Director or officer of ERCOT. A Member, Director, TAC Representative, officer, or subcommittee member of ERCOT may lend money to and otherwise transact business with ERCOT except as otherwise provided by these Bylaws, the Articles of Incorporation, and applicable law. Such a person transacting business with ERCOT has the same rights and obligations relating to those matters as other persons transacting business with ERCOT. ERCOT may not borrow money from, or otherwise transact business with, a Member, Director, TAC Representative, officer, or subcommittee member of ERCOT unless the transaction is described fully in a legally binding instrument and is in ERCOT's best interests. ERCOT may not borrow money from, or otherwise transact business with, a Member, Director, officer, TAC Representative or subcommittee member of ERCOT without full disclosure of all relevant facts and without the Board's approval, not including the vote of any person having a personal interest in the transaction.

Section 9.3 Prohibited Acts. As long as ERCOT exists, no Member, Director, officer, or subcommittee member of ERCOT may:

(a) Do any act in violation of these Bylaws.

(b) Do any act in violation of a binding obligation of ERCOT except with the Board's prior approval.

(c) Do any act with the intention of harming ERCOT or any of its operations.

(d) Receive an improper personal benefit from the operation of ERCOT.

(e) Use ERCOT's assets, directly or indirectly, for any purpose other than carrying on ERCOT's business.

(f) Wrongfully transfer or dispose of ERCOT property, including intangible property such as good will.

(g) Use ERCOT's name (or any substantially similar name) or any trademark or trade name adopted by ERCOT, except on behalf of ERCOT in the ordinary course of its business or as a reference to the ERCOT region.

(h) Disclose any of ERCOT's or Members' business practices, trade secrets, or any other confidential or proprietary information not generally known to the business community to any person not authorized to receive it.

(i) Take any action, without written notice to Members and reasonable time for Members to respond, that would cause another ERCOT Member that is not a "public utility" under the Federal Power Act or ERCOT itself to become a "public utility" under the Federal Energy Regulatory Commission ("FERC") rules or become subject to any plenary jurisdiction of FERC.

Violations of these prohibited acts may lead to sanction, suspension, expulsion or termination after a hearing as described in Article 3 of these Bylaws.

ARTICLE 10
EXPENSES, BOOKS AND RECORDS

Section 10.1 Member Representatives' Expenses and Compensation of Certain Directors and TAC Representatives.

(a) Except as described below, ERCOT shall not bear the personal and travel expenses of each person who serves as a representative of a Member or as a Director, TAC Representative or subcommittee member. Except as provided below, no such person shall receive any salary or other compensation from ERCOT.

(b) The Board shall have the authority to fix the compensation of its Unaffiliated Directors who may be paid a fixed sum plus travel expenses for attendance at each meeting of the Board, or a stated compensation as a member thereof, or any combination of the foregoing. Unaffiliated Directors, who are members of standing or special committees, may be allowed like compensation and travel expenses for attending committee meetings. Unaffiliated Directors and Consumer Directors may be reimbursed for registration, travel, lodging and related expenses for training activities and shall be reimbursed for travel lodging and related expenses for attending each meeting of the Board. Such reimbursement shall be in accordance with ERCOT policies on appropriate and reasonable travel expenses.

(c) The Board shall fix the compensation for the appointed Residential Consumer TAC Representative for attendance at each meeting of the Board, TAC, TNT, or any standing or special committee of such on an annual basis. Any Residential Consumer TAC Representative shall not be an agent of ERCOT for any purpose and shall not be considered to be serving at ERCOT's request, even though compensated by ERCOT.

Section 10.2 ERCOT Expenses. The expenses of ERCOT shall include, but not be limited to, administrative expenses, operational costs and debt service. The expenses of the TRE shall be accounted for separately.

Section 10.3 Budget. A budget (the "Budget") for ERCOT for the ensuing fiscal year shall be adopted by the Board. The Budget, including cost of liability insurance, for ERCOT for each fiscal year shall be compiled by the CEO and submitted to the Board. To be effective, the Budget must be approved by an act of the Board as set forth in Section 4.7. The representatives of each Member shall be promptly notified of the Budget following adoption of the Budget by the Board. A separate budget for the TRE ("TRE Budget") shall be prepared each fiscal year, in accordance with the Delegation Agreement.

Section 10.4 Loans and Guarantees. Neither participation in the activities of ERCOT nor any provision of these Bylaws or of the Articles of Incorporation shall be deemed to constitute a pledge or loan of the credit of any Member for the benefit of ERCOT or a guarantee by any Member of any obligation of ERCOT.

Section 10.5 Access to Books and Records. All Members of ERCOT will have access to the books and records of the organization, including financial statements and budgets; however, the Board shall establish procedures by which a Member, upon written demand stating the purpose of the demand may examine and copy the books and records of ERCOT. If necessary to protect the confidential information of ERCOT, a Member requesting examination of ERCOT's books and records may be required to sign a confidentiality and non-disclosure agreement before viewing such information. The procedures shall include policies that provide reasonable protection against the unnecessary disclosure of information related to individual employees, including their compensation.

Section 10.6 Audit. At least annually, an audit of the financial statements of ERCOT shall be performed by the Auditor approved by the Board. In addition, the separate financial statements of the TRE will be reviewed or audited annually. The Auditor's opinion and the audited financial statements will be made available to all Members as described in Section 10.5.

Section 10.7 Fiscal Year. The fiscal year of ERCOT shall be from January 1 through the following December 31, or as otherwise fixed by resolution of the Board.

ARTICLE 11
INDEMNIFICATION

Section 11.1 Indemnification. EACH PERSON WHO AT ANY TIME SHALL SERVE, OR SHALL HAVE SERVED, AS A DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF ERCOT, OR ANY PERSON WHO, WHILE A DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF ERCOT, IS OR WAS SERVING AT ITS REQUEST AS A DIRECTOR, OFFICER, PARTNER, VENTURER, PROPRIETOR, TRUSTEE, EMPLOYEE, AGENT OR SIMILAR FUNCTIONARY OF ANOTHER FOREIGN OR DOMESTIC CORPORATION, PARTNERSHIP, JOINT VENTURE, SOLE PROPRIETORSHIP, TRUST, EMPLOYEE

BENEFIT PLAN OR OTHER ENTERPRISE, SHALL BE ENTITLED TO INDEMNIFICATION AS, AND TO THE FULLEST EXTENT, PERMITTED BY ARTICLE 1396-2.22A OF THE TEXAS NON-PROFIT CORPORATION ACT OR ANY SUCCESSOR STATUTORY PROVISION, AS FROM TIME TO TIME AMENDED, SUCH ARTICLE OR SUCCESSOR PROVISION, AS SO AMENDED, BEING INCORPORATED IN FULL IN THESE BYLAWS BY REFERENCE. THE FOREGOING RIGHT OF INDEMNIFICATION SHALL NOT BE DEEMED EXCLUSIVE OF ANY OTHER RIGHTS TO WHICH THOSE TO BE INDEMNIFIED MAY BE ENTITLED AS A MATTER OF LAW OR UNDER ANY AGREEMENT, VOTE OF DISINTERESTED DIRECTORS, OR OTHER ARRANGEMENT.

ARTICLE 12
NOTICES

Section 12.1 Form. Unless otherwise provided in these Bylaws, any notice required by these Bylaws to be given to a Member, Director, committee or subcommittee member, TAC Representative, member of a subcommittee of TAC, or officer of ERCOT must be given by at least two of the following methods: mail, facsimile, email, or website posting. If mailed, a notice is deemed delivered when deposited in the mail addressed to the person at his or her address as it appears on the corporate records, with postage prepaid. A person may change his or her address in the corporate records by giving written notice of the change to the CEO.

Section 12.2 Signed Waiver of Notice. Whenever any notice is required by law or under ERCOT's Articles of Incorporation or these Bylaws, a written waiver signed by the person entitled to receive such notice is considered the equivalent to giving the required notice. A waiver of notice is effective whether signed before or after the time stated in the notice that was to be given.

Section 12.3 Waiver of Notice by Attendance at a Meeting. Attendance at a meeting shall constitute a waiver of notice of such meeting, except where attendance is for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 12.4 Objection. If any person, who is a voting member of a group holding a meeting, reasonably objects to the transaction of business regarding a specific issue, or issues, at a meeting on the grounds that the meeting is not properly called or convened or that the issue, or issues, was improperly noticed, the issue or issues in question may not be addressed at that meeting. The Chair of such meeting shall determine if such objection is reasonable.

ARTICLE 13
AMENDMENTS

Section 13.1 Amendments to these Bylaws. Subject to the provision that no amendment to these Bylaws may limit the rights of a Member to resign from Membership, these Bylaws may be amended, altered, or repealed by the voting Segments through the following procedure:

(a) Any Corporate Member suggesting amendments to these Bylaws must submit a proposal of the amendment, including any necessary supporting documents, to the CEO.

(b) The CEO shall place the proposal on the agenda for a Board meeting in the time and manner prescribed by the Board.

(c) If the proposal is approved by an act of the Board as set forth in Section 4.7, the Board shall place the proposal on the agenda of the next Annual Meeting of the Corporate Members unless the Board in its discretion calls a Special Meeting of the Corporate Members to vote on the proposal or determines to seek Membership approval without a meeting as provided in Section 14.8.

(d) Corporate Members must vote to enact the Board-approved amendment by the following voting procedure:

(1) For the purposes of voting on Bylaws, each Segment shall have one whole vote.

(2) Except for the Consumer Segment, an affirmative vote of at least two-thirds of the Corporate Members of a Segment present constitutes an affirmative vote by that Segment.

(3) For purposes of voting on Bylaws amendments, the Consumer Segment shall be subdivided into the following Consumer subgroups:

(i) Residential Consumers

(ii) Commercial Consumers

(iii) Industrial Consumers

An affirmative vote of the majority of the Corporate Members within a Consumer subgroup shall constitute an affirmative vote of that subgroup. An affirmative vote of at least two of the three Consumer subgroups shall constitute an affirmative vote of the Consumer Segment.

(4) An affirmative vote by at least four of the seven Segments shall be necessary to amend these Bylaws. If permission for any amendment is required by NERC or FERC under the Delegation Agreement, the required permission must be obtained before such amendment is effective.

Section 13.2 Amendments to the Articles of Incorporation. In accordance with the procedures set forth in Article 1396-4.02 of the Texas Non-Profit Corporation Act, an affirmative vote of at least two-thirds of all Corporate Members shall be required to amend the Articles of Incorporation.

ARTICLE 14
MISCELLANEOUS PROVISIONS

Section 14.1 Legal Authorities Governing Construction of Bylaws. These Bylaws shall be construed under Texas law. All references in these Bylaws to statutes, regulations, or other sources of legal authority will refer to the authorities cited, or their successors, as they may be amended from time to time.

Section 14.2 Legal Construction. Any question as to the application or interpretation of any provision of these Bylaws shall be resolved by the Board. To the greatest extent possible, these Bylaws shall be construed to conform to all legal requirements and all requirements for obtaining and maintaining all tax exemptions that may be available to nonprofit corporations. If any Bylaw provision is held invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability will not affect any other provision, and these Bylaws will be construed as if they had not included the invalid, illegal, or unenforceable provision.

Section 14.3 Headings. The headings used in these Bylaws are for convenience and may not be considered in construing these Bylaws.

Section 14.4 Number and Gender. All singular words include the plural, and all plural words include the singular. All pronouns of one gender include reference to the other gender.

Section 14.5 Parties Bound. These Bylaws will bind and inure to the benefit of the Members, Directors, TAC Representatives, officers, subcommittee members, employees, and agents of ERCOT and their respective administrators, legal representatives, successors, and assigns except as these Bylaws otherwise provide.

Section 14.6 Quorum, Proxies and Seated Members. Written proxies may be used for meetings of the Board, TAC or any subcommittees of the Board or TAC in accordance with any relevant provisions in these Bylaws and the Texas Non Profit Corporation Act. For any meeting of the Board, TAC or any subcommittee of the Board or TAC, a Segment Alternate or designated alternate representative, where permitted by these Bylaws, attending in place of a member shall be counted towards a quorum, while proxies shall not be counted towards a quorum. For any meeting of the Corporate Members, proxies shall count towards a quorum. "Seated" members of the Board, TAC, and subcommittees shall mean members, or their designated alternate representatives when serving in their stead (if applicable), that are currently serving, having been selected in accordance with these Bylaws, regardless of attendance at meetings. Vacant positions shall not be considered "Seated" members.

Section 14.7 Abstentions. For purposes of voting on the Board or TAC, Directors or TAC Representatives who abstain from voting shall not have their votes included in the total number of votes from which the requisite percentage of affirmative votes is required for action. In the event of such abstentions, however, for a vote to become an act of the Board or TAC, there must be an affirmative vote of (i) the requisite percentage of the remaining non-abstaining votes of seated members *and* (ii) at least 50% of the total members. Abstentions do not affect calculation of a quorum. Absences do not decrease the number of votes required for action.

Section 14.8 Actions Without a Meeting and Meetings by Telephone. Unless otherwise provided by law, any action required or permitted to be taken at any meeting of the Corporate Members, TAC Representatives or any subcommittee of TAC may be taken without a meeting, if a consent in writing, setting forth the action to be taken, is signed by a sufficient number of Corporate Members, TAC Representatives or subcommittee members as would be necessary to take that action at a meeting at which all of the Corporate Members or subcommittee members were present and voted. Corporate Members, Directors (for urgent matters in accordance with Section 4.6), TAC Representatives or subcommittee members may participate in and hold a meeting by means of a conference telephone or other similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 14.9 Effective Date. The effective date of these Amended and Restated Bylaws is September 18, 2007, provided that the Board may implement transition procedures before the effective date in order to ensure a smooth transition to the structure described in these Bylaws.