



MEMORANDUM

To: Electric Reliability Council of Texas, Inc. (ERCOT) Corporate Members
From: Mike Grable, General Counsel
Date: 24 November 2009
Re: Proposed Bylaw Revisions

Pursuant to ERCOT Bylaw Section 4.7, the ERCOT Board of Directors (Board), at its November 17, 2009 meeting, approved the attached set of proposed amendments to the ERCOT Bylaws. Pursuant to ERCOT Bylaw Section 13.1(c), the Board action caused the proposed amendments to be placed on the agenda of the December 15, 2009 Annual Meeting of the Corporate Members.

A variety of proposed amendments were discussed at multiple meetings of the Board, the Human Resources and Governance Committee, and the Technical Advisory Committee. The attached represents those amendment proposals that have been recommended by the Board, as a set, for an up-or-down vote by the Corporate Members. Background information on a variety of included, excluded, and modified proposals can be found by reviewing the last several months' worth of Board materials available on the ERCOT website (<http://www.ercot.com/committees/board/>).

Please note that the proposed Bylaw amendments contained within shaded boxes (for example, Section 1.3) are those Bylaw provisions that relate to the Texas Regional Entity (TRE). TRE was established in 2007 as an independent division of ERCOT primarily to perform duties assigned to it pursuant to a Delegation Agreement between TRE and the North American Electric Reliability Corporation (NERC) as approved by the Federal Energy Regulatory Commission (FERC). There is currently an effort underway to separate TRE from ERCOT and establish TRE as an entity that is fully independent of ERCOT. The Board approved deletion of the shaded text from the ERCOT Bylaws, contingent upon: (1) FERC action to terminate the existing Delegation Agreement structure that recognizes TRE as an independent division of ERCOT; and (2) TRE taking the necessary acts for TRE to exist as an entity that is fully independent of ERCOT. Therefore, a vote of the Corporate Members to approve the entire set of proposed Bylaw revisions will take effect immediately for the non-shaded amendments, and upon these two contingencies for the shaded, TRE-focused provisions.

Please contact me at your convenience if you have questions, and thank you for your attention to this matter.