

**To:** Human Resources and Governance (HR&G) Committee  
**From:** Kenan Ögelman, Technical Advisory Committee (TAC) Chair  
**Date:** July 8, 2013  
**Re:** Item 4.1 – 2013 ERCOT Bylaws Revisions

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On July 2, 2013, TAC reviewed the proposed ERCOT Bylaws revisions which are to be considered at your July 15, 2013 meeting and made the following recommendations:

1. Amend ERCOT Bylaws, Article 5 (Technical Advisory Committee), Subsection 5.1(c).

(c) Fifty-one percent (51%) of the eligible, Seated Representatives of TAC shall constitute a quorum for the transaction of business; and abstentions do not affect calculation of a quorum. Affirmative votes of: (i) two-thirds of the Eligible Voting Representatives of TAC; and (ii) at least 50% of the total Seated Representatives shall be the act of TAC. For purposes of voting on TAC, TAC representatives ~~who are not present or 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 if: (i) they are not present and have not designated a proxy, or (ii) they abstain from voting.

**TAC Decision:** Endorsed the revised Morgan Stanley amendment with one abstention from the Investor Owned Utility (IOU) Market Segment.

2. Amend ERCOT Bylaws, Article 4 (Board of Directors), Subsection 4.3(a)(4).

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

(4) Each Market Participant Director and each Segment Alternate, except as provided above for the Commercial Consumer Director, and Market Participant Directors for the Independent Power Marketer and Independent REP Segments must be an employee of a Member, ~~or a company which directly or indirectly controls Member.~~ Directors and Segment Alternates for the Independent Power Marketer and Independent REP Segments must be employees of a Member or an entity that owns or controls a Member of those Segments. Unless otherwise provided in these Bylaws, if an employee of a Member ~~or a company which directly or indirectly controls 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, controlling entity or organization as he or she was at the time of such election or appointment.

**TAC Decision:** Endorsed the revised Macquarie amendment with nine abstentions from the Municipal, Independent Generator, IOU, Cooperative (2), Consumer (2) and Independent Power Marketer (2) Market Segments.

3. Amend ERCOT Bylaws, Article 2 (Definitions), Subsection 2.1.

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 the case of (i) or (ii) above, where one entity owns or holds at least five percent, but less than 20 percent, of the voting securities of another entity, and the relationships in (iii) and (iv) do not exist, the Board shall have discretion to determine whether or not the entities are Affiliates of one another for the purpose of determining Member segment and voting rights. Similarly, 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.

**TAC Decision:** Endorsed the Calpine amendment with four abstentions from the IOU (3) and Municipal Market Segments.

4. Amend ERCOT Bylaws, Article 10 (Expenses Books and Records), Subsection 10.3(a).

- (a) A budget (the “Budget”) for ERCOT for the ensuing one or more fiscal years shall be adopted by the Board. In connection with the Board’s approval, ~~the~~ 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.

**TAC Decision:** Unanimously endorsed the budget amendment as recommended by ERCOT.