

To: Human Resources and Governance (HR&G) Committee
From: Chad V. Seely, Vice-President, General Counsel & Corporate Secretary
Date: February 6, 2017
Re: Item 10 – Annual Review of ERCOT Governing Documents

The HR&G Committee Charter provides that the HR&G Committee shall perform an annual review of “proposed modifications to the ERCOT (i) Articles of Incorporation, (ii) Bylaws, or (iii) the Board Policies and Procedures.”¹

Articles of Incorporation

The Amended and Restated Articles of Incorporation of Electric Reliability Council of Texas, Inc. (Articles of Incorporation) have been in effect since December 19, 2000.

Bylaws

The Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc. (Bylaws) were most recently approved by the Public Utility Commission of Texas (PUCT) and became effective on August 17, 2015.

Board Policies & Procedures

The Board Policies and Procedures (Board Policies) were most recently approved by the Board of Directors on August 12, 2014.

Anticipated Revisions to Governing Documents in 2017

ERCOT Legal anticipates changes to the Bylaws in 2017 in order to comply with directives arising out of the final order in PUC Docket No. 45624, *Application of the City of Garland to Amend a Certificate of Convenience and Necessity for the Rusk to Panola Double-Circuit 345-kV Transmission Line in Rusk and Panola Counties*. Specifically, with respect to the Bylaws, the PUCT has directed ERCOT to do the following:

ERCOT shall determine the appropriate market participation category for Southern Cross Transmission LLC (creating a new one if necessary), implement the modifications to the standard-form market-participant agreement and its protocols, bylaws, operating guides, and systems required for Southern Cross Transmission’s

¹ See *HR&G Committee Charter*, Attachment A, Item No. 2(b)(1).

participation, and determine the appropriate market segment for Southern Cross Transmission.²

This directive will require changes to the Bylaws as Southern Cross Transmission does not currently meet the definition of any Market Segment as defined in Article 2 of the Bylaws. ERCOT Legal will work with Southern Cross Transmission to develop an appropriate proposal to comply with this directive, taking into consideration a schedule that will allow stakeholders and this Committee ample opportunity to consider this matter and any other changes to the Bylaws. At this time, no definitive schedule for these modifications has been established.

Further, with the Bylaws likely being modified in 2017, ERCOT Legal may recommend changes to the Articles of Incorporation in order to update stale language, such as Article Six naming Current Board Members.

Depending on the nature of any other Bylaws changes, the Board Policies and Procedures could, but not necessarily, be modified.

I look forward to discussing all of these matters with you at the February 13, 2017 Committee meeting.

² See Order Creating and Scoping Project, pg. 2, PUC Docket No. 46304, *Oversight Proceeding Regarding ERCOT Matters Arising Out of Docket No. 45624 (Application of the City of Garland to Amend a Certificate of Convenience and Necessity for the Rusk to Panola Double-Circuit 345-kV Transmission Line in Rusk and Panola Counties)*.