



Item 2: Committee Education on ERCOT Membership

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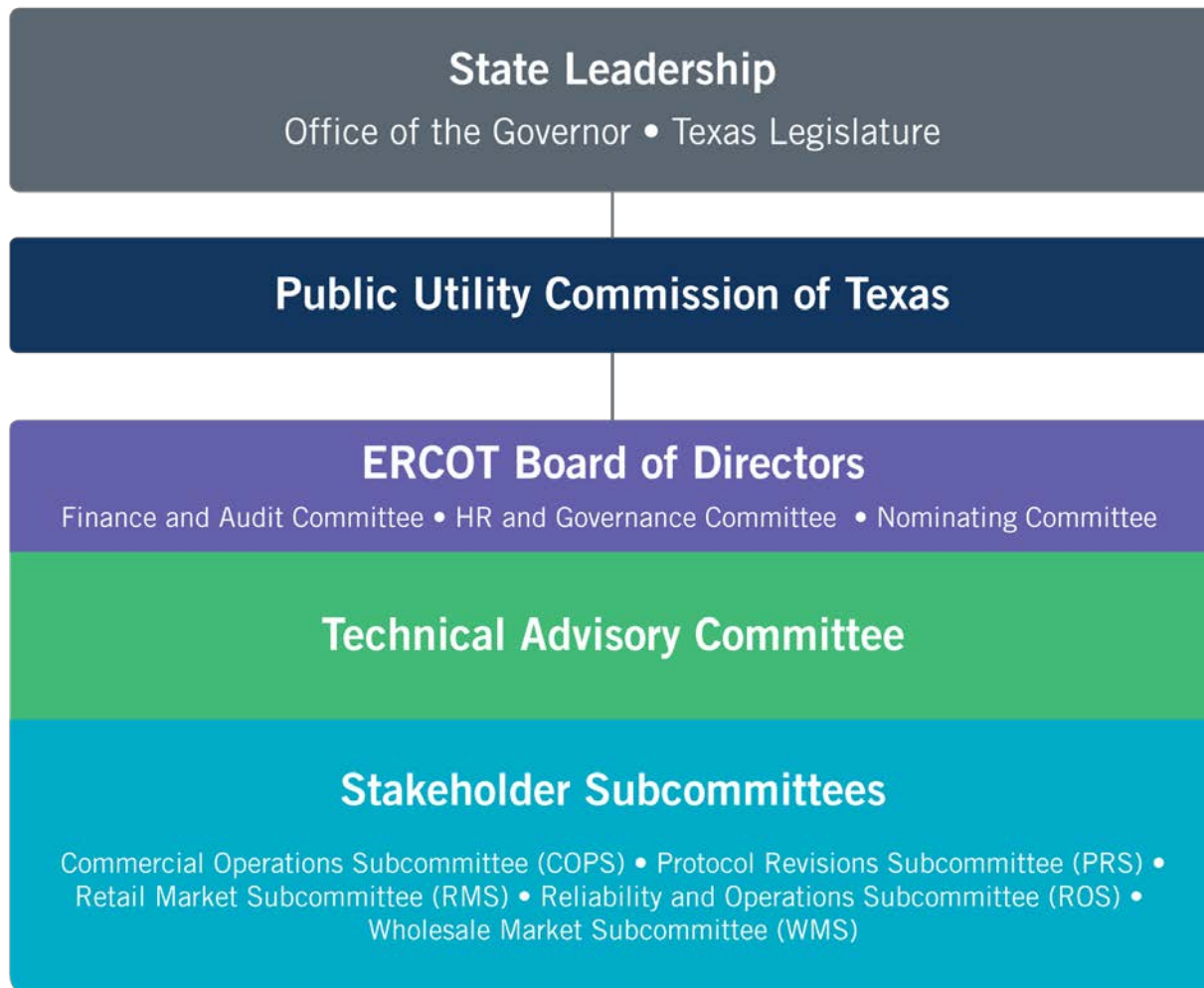
Human Resources and Governance Committee
Meeting

ERCOT Public
June 12, 2017

Purpose of this Committee Education

- To review the way ERCOT “membership” is defined in its governing documents
- To outline the rights and duties of membership
- To highlight trends and issues affecting ERCOT membership

ERCOT Governance and Structure



ERCOT Corporate Structure

What is ERCOT as an organization today?

- Nonprofit organization
- Regulated by the Public Utility Commission of Texas, with oversight by the Texas Legislature
- Not a Market Participant
- Does not own generation or transmission/distribution wires

A Texas 501(c)(4)non-profit corporation

- With members
- Without capital stock



Who are Members of Non-Profit Corporations?

- Section 1.002(53)(B) of the Texas Business Organizations Code defines a “**member**” of a non-profit corporation as “a person who has membership rights in the nonprofit corporation under its governing documents.”
- Members of a nonprofit corporation can be analogized to shareholders of a for-profit corporation, but without ownership rights or stock.

Who are Members of ERCOT?



According to paragraph 19 of Article 2 of the ERCOT Bylaws:

A “**member**” must be “approved by ERCOT to meet the applicable membership qualifications described in Sections 3.1 and 3.2 of [the] Bylaws, or the member’s appointed representative, as the context so requires.”

ERCOT Membership Qualifications

According to Bylaws Section 3.1, 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 Retail Electric Provider;
- (5) Investor-Owned Utility;
- (6) Municipal; or
- (7) Consumer in one of three subsegments:
 - (i) Commercial (which is further divided into Large and Small Commercial Consumer);
 - (ii) Industrial; and
 - (iii) Residential.

ERCOT Membership Qualifications *(cont'd)*

Bylaws Section 3.1 further provides:

- 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 that it is required to do so by statute or PUCT rule.
- The Board may adopt and amend Member application procedures.

Registration and Certification

Pursuant to the Bylaws, only two of the seven segments must be registered or certified by the Public Utility Commission of Texas (PUCT).

Member	Registration/Certification
Independent Power Marketer	Registered at the PUCT as a Power Marketer to serve in the ERCOT Region, but not a T&D Entity or Affiliate
Independent Retail Electric Provider	Certified by the PUCT to serve in the ERCOT Region as a Retail Electric Provider by statute, but not an Affiliate of a T&D Entity

The other segments must meet the minimum requirements set forth in the Bylaws.

Membership Types and Voting Rights

ERCOT Bylaws Section 3.2 provides for three types of members:

1. Corporate Members
2. Associate Members
3. Adjunct Members

Membership Types and Voting Rights *(cont'd)*

Membership Type	Voting Rights (Bylaws Section 3.2)
Corporate	Right to vote on all matters submitted to the general Membership (such as election of Directors, election of Technical Advisory Committee (TAC) Representatives and amendments to the Articles of Incorporation and Bylaws)
Associate	No right to vote on any matters submitted to the general Membership
Adjunct	No right to vote on any matters submitted to the general Membership

Membership Election Rights

Membership Type	Election Rights (Bylaws Section 3.2)
Corporate	Members can be elected or appointed to the ERCOT Board, TAC or any subcommittee of the Board or TAC
Associate	Members can be elected or appointed to the ERCOT Board, TAC or any subcommittee of the Board or TAC
Adjunct	No right to be elected or appointed to the ERCOT Board, TAC or any subcommittee of the Board or TAC

Membership Dues

Membership Dues (Bylaws Section 3.4)	Annual Dues (\$)
Corporate (General)	2,000
• Residential Consumer - Corporate	100
• Office of Public Utility Counsel - Corporate	Complimentary
• Appointed Residential Consumer TAC Rep. - Corporate	Complimentary
• Commercial Consumer – Corporate	100
Associate (General)	500
• Residential Consumer – Associate	50
• Commercial Consumer – Associate	50
Adjunct	500

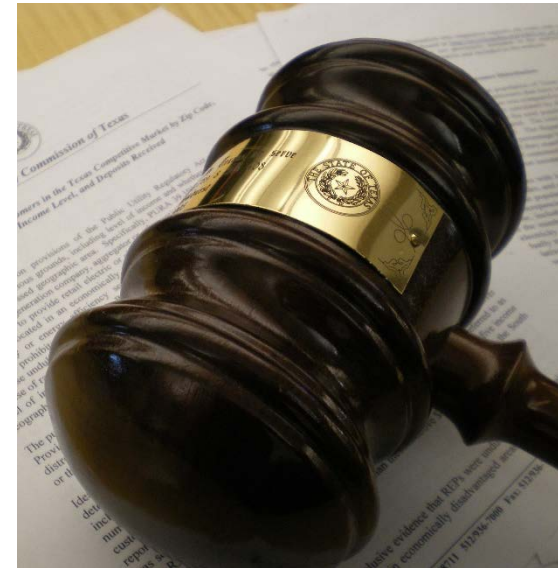
Pursuant to Bylaws Section 3.4, any Member may request that the Member’s Annual Member Dues be waived by the Board of Directors for good cause shown.



Membership Obligations

ERCOT Bylaws Section 3.3 provides:

- 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, promote comparable access to the transmission system by all users and to further the exempt purposes of ERCOT.
- Consistent with applicable laws and regulations, Members must share information at ERCOT's request as necessary for the furtherance of the exempt purposes or activities of ERCOT and consistent with PUCT rules relating to confidentiality.



Membership Representation

ERCOT Bylaws Section 3.5 provides:

- Each member shall appoint a representative to receive notices from ERCOT and shall give to the ERCOT Chief Executive Officer 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.

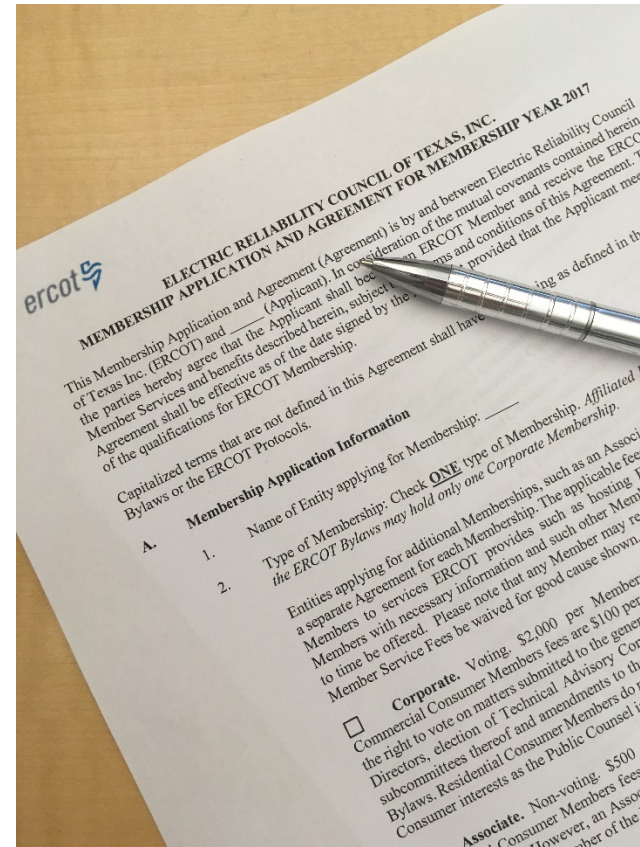
Membership Meetings

- ERCOT Bylaws Section 3.7 govern meetings of the Corporate Members.
- Annual Meetings.
 - Corporate Members shall meet at least annually on a date and at a place to be established by the Board.
- Special Meetings.
 - The Board may call a special meeting of the Corporate Members.
 - Corporate Members can vote by ballot and take action without a meeting with written consent. If not enough ballots are cast to meet a quorum (51% of the Corporate Members), then a meeting of the Corporate Members in person or by conference call would be required.
- Written proxies are permitted in both types of meetings.

ERCOT Membership

As of May 1, 2017, ERCOT has 307 Members.

Current list of ERCOT Members and the ERCOT Membership Application and Agreement may be found on the ERCOT website at:



<http://www.ercot.com/about/governance/members>

ERCOT Corporate Members

Member Segment	No. of Members as of 05.01.2017	Percentage of Total
Consumers	167 (Segment Total)	59
• Residential	2	1
• Commercial - Small	82	29
• Commercial - Large	66	23
• Industrial	17	6
Cooperatives	37	13
Independent Generators	20	7
Independent Power Marketers	13	5
Independent Retail Electric Providers	17	6
Investor-Owned Utilities	8	3
Municipals	20	7
Total	282	100



Members v. Market Participants

The ERCOT Protocols define a **Market Participant** as:

An Entity, other than ERCOT, that engages in any activity that is in whole or in part the subject of these Protocols, regardless of whether that Entity has signed an Agreement with ERCOT.

Examples of such an Entity include, but are not limited to, the following:

- Load Serving Entity (LSE)
- Qualified Scheduling Entity (QSE)
- Transmission Distribution Service Provider (TDSP)
- Congestion Revenue Right (CRR) Account Holder
- Resource Entity
- Independent Market Information System Registered Entity (IMRE)
- Renewable Energy Credit (REC) Account Holder.

Members v. Market Participants *(cont'd)*

Market Participants are not always Members, but Members may be Market Participants.

As of May 1, 2017, ERCOT has:

- 307 Members
- 1,686 Market Participants



Members in Summary

Entities who qualify in one of seven specified segments can pay annual dues to be Corporate, Associate or Adjunct Members of ERCOT.

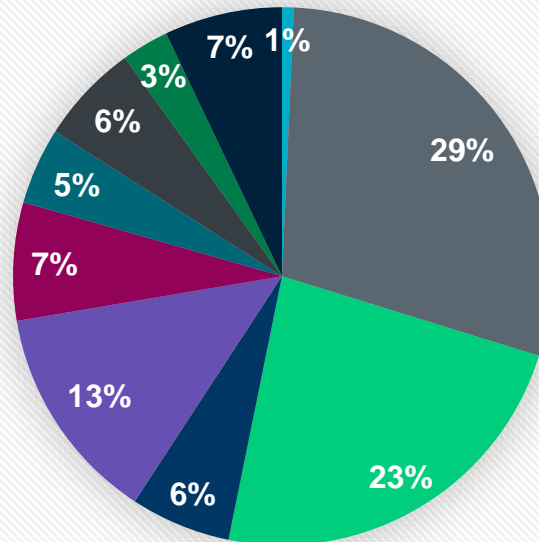
The Members do not own any stock in ERCOT, but play a critical part of ERCOT's corporate governance.

At the Annual or Special Meetings, the Corporate Members vote to:

- Elect the Board of Directors (by Segment or as a whole for Unaffiliated Directors) and TAC Representatives.
- Approve any modifications to the Articles of Incorporation or Bylaws.

ERCOT Legal's Observations - Quorums

Corporate Member Composition as of May 1, 2017



- Consumers - Residential
- Consumers - Commercial (Large)
- Cooperatives
- Independent Power Marketers
- Investor-Owned Utilities
- Consumers - Commercial (Small)
- Consumers - Industrial
- Independent Generators
- Independent Retail Electric Providers
- Municipals

ERCOT Legal's Observations – Quorums *(cont'd)*

- Quorums for Membership Meetings
 - Commercial Consumer subsegment (with 52% of the Members) plays a key role in reaching a quorum for all Membership meetings

ERCOT Legal's Observations – Southern Cross (cont'd)

- In 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*, the PUC 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 participation, and determine the appropriate market segment for Southern Cross Transmission.

- 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.

ERCOT Legal's Observations - Other Matters (cont'd)

- Annual Membership Dues
 - Have not been modified since 2006
 - 2005
 - Corporate Members paid \$2,000
 - Associate and Adjunct Members paid \$500
 - 2006
 - Dues modified to allow Residential and Commercial Consumers to pay \$100 for Corporate Membership and \$50 for Associate Membership
- Changes in Designated Representative
 - Delays in receiving change of information
 - Inform Membership@ERCOT.com of any changes to Designated Representatives

Questions?

Appendix

- **Market Segment Definitions in Article 2 of the ERCOT Bylaws**
- **Other Bylaws Membership Provisions**

Market Segment Definitions in Article 2 of the ERCOT Bylaws

- Consumers
- Consumers – Commercial
- Consumers – Industrial
- Consumers – Residential
- Cooperative
- Independent Generator
- Independent Power Marketer
- Independent Retail Electric Provider
- Investor-Owned Utility
- Municipal

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

Consumers - Commercial

3. **Commercial Consumers.** A commercial consumer 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. 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. The three 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.

Consumers - Industrial

- 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.

Consumers - Residential

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 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.

Cooperative

4. **Cooperative.** An entity operating in the ERCOT Region that is:
- a corporation organized under Chapter 161 of the Texas Utilities Code or a predecessor statute to Chapter 161 and operating under that chapter;
 - 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;
 - a cooperative association organized under Tex. Rev. Civ. Stat. 1396-50.01 or a predecessor to that statute and operating under that statute; or
 - a River Authority as defined in Tex. Water Code §30.003.

Independent Generator

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.

Independent Power Marketer

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.

Independent Retail Electric Provider (REP)

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

15. Investor-Owned Utility (IOU).

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);

A public utility holding company of any such electric utility.

Municipal

20. **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.

Other Bylaws Membership Provisions

- Section 3.6 Participation
 - Limits on Membership Qualifications and Voting; Good Standing
- Section 3.8 Sanction, Suspension, Expulsion, or Termination of Members
- Section 3.9 Resignation
- Section 3.10 Reinstatement
- Section 3.11 Property Ownership and Control
 - Members have sole control of their facilities and use
 - Members have no interest in specific property of ERCOT