



Item 7: Proposed Amendments to ERCOT Articles of Incorporation and Bylaws

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Human Resources and Governance Committee
Meeting

ERCOT Public
April 9, 2018

ERCOT Governing Documents Amendments

- Prior to the March 22, 2018 Technical Advisory Committee, after receiving more stakeholder comments, ERCOT Legal determined additional time was necessary to allow ERCOT Legal and stakeholders to work on language for proposed Bylaws amendments.
- ERCOT Legal expects to propose for vote and approval amendments to the ERCOT Articles of Incorporation and Bylaws at the June 11-12, 2018 Human Resources and Governance Committee (HR&G) and Board of Directors meetings.





Proposed Amendments to ERCOT Articles of Incorporation

ERCOT Articles of Incorporation Amendments

- For efficiency, amendments to Articles will be submitted simultaneously with the amendments to the Bylaws
- Clean and red-lined versions of the proposed Amendments to the Articles of Incorporation are contained in the meeting materials

Proposed Articles Amendments

- In consultation with ERCOT's outside corporate counsel, ERCOT Legal has proposed updates to the Articles
 - To conform with current corporate and tax-exempt organization legal requirements
 - To maintain ERCOT's tax-exempt status
 - To update factual references
 - To include references to applicable provisions of PURA and PUC Substantive Rules

Proposed Articles Amendments – *cont'd*

Highlights of a couple of key substantive changes

- Removes Membership approval step for statutory changes to take effect in relation to limitation of liability of directors – now change is automatic
- Identifies PUCT Substantive Rule which governs distribution of assets and winding up provisions if and upon decertification of ERCOT as independent organization
- Identifies PURA as the source for the mandatory composition of the ERCOT Board of Directors



Proposed Amendments to ERCOT Bylaws

ERCOT Bylaws Amendments

- ERCOT Legal proposed amendments to the Bylaws in the following general categories
 - Affiliate definition
 - Membership Segment definition based on PUC Project No. 46304, Revised Order, Directive #1, Southern Cross Transmission
 - Officer definition
 - Updates to legal code references
 - Corrections to scrivener's errors

Stakeholder Comments on ERCOT Bylaws

- Stakeholder comments were received (contained in the meeting materials)
 - Affiliate definition
 - Membership Segment definition
 - A technical legal code update (Cooperatives)
- These comments are included in the meeting materials

Affiliate Definition

Goal of Amending Affiliate Definition

To update the Affiliate definition with corporate best practice for addressing passive investments by a single person in more than one Member while still avoiding a concentration of influence or control over ERCOT by multiple Members controlled by the same person

Stakeholder Comments on Affiliate Definition

Proposed edits on Affiliate definition received jointly from

- American Electric Power Service Corporation
- CenterPoint Energy Inc.
- Dynegy Inc.
- Exelon Corporation
- First Solar Inc.
- Lone Star Transmission LLC
- Luminant Generation Company LLC
- Reliant Energy Retail Services LLC
- Oncor Electric Delivery Company LLC
- Texas Industrial Energy Consumers

Membership Definition

PUCT Directive related to Membership Definition

Directive #1 from May 23, 2017 Revised Order in PUC Project No. 46304 (in pertinent part):

“ERCOT shall . . . determine the appropriate market segment for Southern Cross Transmission and any other entity.”

Stakeholder Comments on Membership Segment Definition

Three sets of comments received on Membership Segment issue (all comments are contained in the meeting materials).

- Two commenters recommended that SCT be placed in the IPM Segment:
 - Oncor
 - TIEC
- One commenter recommended that SCT be placed in the IOU Segment:
 - SCT

ERCOT continues to believe that the IOU and IPM Segments are the two most appropriate Segments to consider expanding to accommodate SCT's membership. See [ERCOT memo from 2/22/18 TAC meeting](#).



Proposed Schedule

Expected Schedule

Date	Meeting	Purpose
04.26.2018	TAC	Discuss Articles of Incorporation (Articles) and Bylaws amendments proposed by ERCOT Legal and stakeholders
05.24.2018	TAC	Discuss Articles of Incorporation (Articles) and Bylaws amendments proposed by ERCOT Legal and stakeholders; TAC can vote to endorse amendments if desired, but not required
06.11-12.2018	HR&G Committee/ Board of Directors	Request recommendation by HR&G Committee and Board approval for amendments to Articles and Bylaws and for Board approval to call Special Meeting of Corporate Members
07.2018	Special Meeting of Corporate Members	Request approval by Corporate Members subject to PUCT approval
07.2018	--	ERCOT Legal will file petition for approval of amendments with the PUCT. Absent PUCT approval, amendments cannot be effective

June 2018 HR&G Committee and Board Meetings

- ERCOT Legal expects to request the HR&G Committee recommend and the Board approve amendments to the Articles and Bylaws at the June 11-12, 2018 meetings
- ERCOT Legal will also request that the Board call a Special Meeting of Corporate Members for approval of the amendments subject to PUCT approval

Special Meeting of Corporate Members

- Bylaws allow vote by ballot with a Special Meeting of Corporate Members
- If any failure to reach a quorum by ballot, then in-person meeting of Corporate Members will be required
- Summer meetings can present quorum challenges



Proposed Membership Ballot on Articles of Incorporation and Bylaws

Proposed Ballot Votes

Votes on ballot expected to be drafted for approval of proposed amendments as follows:

- Vote 1: Articles of Incorporation
- Vote 2: Bylaws: Affiliate definition
- Vote 3: Bylaws: Membership Segment definition
- Vote 4: Bylaws: All other amendments

Vote 1 – Articles of Incorporation

- Approval of the amendments to the Articles of Incorporation, subject to Public Utility Commission of Texas (PUCT) approval (with amendments reflected in an attachment)
- One vote to be cast
 - For; or
 - Against

Vote 2 – Bylaws: Affiliate definition

- Approval of the amendments to the Affiliate definition in the Bylaws, subject to Public Utility Commission of Texas (PUCT) approval (with amendments reflected in an attachment)
- One vote to be cast
 - For; or
 - Against

Vote 3 – Bylaws: Membership Segment definition

- Approval of the amendments to Membership Segment definition in the Bylaws, subject to Public Utility Commission of Texas (PUCT) approval (with amendments reflected in an attachment)
- One vote to be cast
 - For amendments to the Independent Power Marketer Membership Segment definition;
 - For amendments to the Investor-Owned Utility Membership Segment definition; or
 - Against amendments to either Membership Segment definition

Vote 4 – Bylaws: All other amendments

- Approval of the amendments to all other amendments in the Bylaws, subject to Public Utility Commission of Texas (PUCT) approval (with amendments reflected in an attachment)
 - Officer definition
 - Updates to legal references
 - Corrections to scrivener's errors
- One vote to be cast
 - For; or
 - Against

Questions?