

The Southern Cross Transmission Project

Market Segment Designation

September 7, 2017



Each ERCOT corporate member must qualify in a market segment



ERCOT Bylaws

Article 3

Section 3.1 Membership

a) Members must qualify in one of the following segments as defined in Article 2:

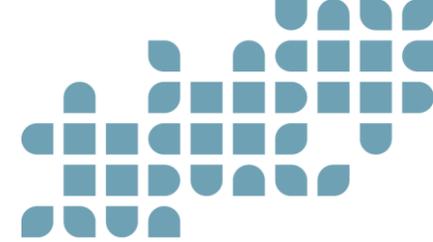
1. Cooperative
2. Independent Generator
3. Independent Power Marketer
4. Independent REP
5. Investor-Owned Utility
6. Municipal
7. Consumer
 - i. Commercial
 - Large
 - Small
 - ii. Industrial
 - iii. Residential

Southern Cross Transmission LLC (“SCT”) does not qualify for any segment



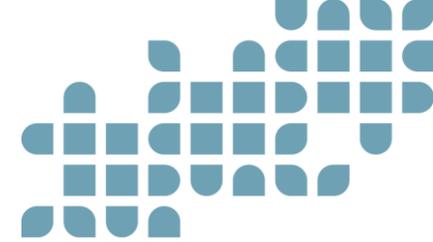
Segment	Reason(s) SCT does not qualify
Cooperative	SCT is not organized as a cooperative. SCT is not a River Authority
Independent Generator	SCT will not own, operate, or control any generation resources in the ERCOT region
Independent Power Marketer	SCT will not buy or sell power in the ERCOT wholesale market. SCT will not take title to electricity
Independent REP	SCT will not serve retail electricity customers
Investor-Owned Utility	SCT is not an “electric utility” as defined by PURA §31.002(6) because it will not own facilities within the State of Texas
Municipal	SCT is not municipal-owned. SCT is not a River Authority.
Consumer	SCT will not consume energy in the ERCOT region

Southern Cross Transmission LLC is most like the Investor-Owned Utilities



- SCT is investor-owned
- SCT is a “public utility” under the Federal Power Act but not under Texas law
- SCT’s only function in the ERCOT system is the operation of a high-voltage transmission facility

An Independent DC Tie Operator should be assigned to the IOU market segment



Amend ERCOT Bylaws Article 2: Definitions

1. Insert new No. 11 to read as follows:

Independent DC Tie Operator. Any entity which is not a Transmission and Distribution (“T&D”) Entity or Affiliate of a T&D Entity and that (i) owns or operates a Direct Current Tie (“DC Tie”) interconnected to the ERCOT Transmission Grid, or (ii) is preparing to own or operate a DC Tie to be interconnected to the ERCOT Transmission Grid.

2. Amend No. 15 to read as follows:

Investor-Owned Utility (“IOU”)

- a. 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);
- b. A public holding company of any such electric utility; **or**
- c. **An Independent DC Tie Operator**



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