

**PETITION OF ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC., FOR APPROVAL OF UNAFFILIATED DIRECTOR**      §      **PUBLIC UTILITY COMMISSION OF TEXAS**  
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**PETITION OF ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. FOR APPROVAL OF UNAFFILIATED DIRECTOR PROFESSOR PETER CRAMTON**

COMES NOW, Electric Reliability Council of Texas, Inc. (ERCOT) and, pursuant to P.U.C. SUBST. R. 25.362(g)(5), respectfully requests approval of Professor Peter Cramton as an Unaffiliated Director of the ERCOT Board of Directors (Board). Mr. Cramton has been approved as a director by the Corporate Members of ERCOT, and has met all requisite qualifications for service on the ERCOT Board. As discussed herein, ERCOT requests Commission approval of Mr. Cramton’s service on the ERCOT Board beginning upon approval by the Commission.

**I. BACKGROUND**

In order for ERCOT to maintain certification as an independent organization under PURA<sup>1</sup> § 39.151(g), the 16-member ERCOT Board must include “five members unaffiliated with any market segment and selected by the other members of the governing body to serve three-year terms.”<sup>2</sup> The five “Unaffiliated Directors” are selected through a process that includes the following steps:

- The Nominating Committee of the ERCOT Board nominates candidates. The Nominating Committee consists of all members of the Board other than the ERCOT Chief Executive Officer (CEO) and the Chairman of the Commission.<sup>3</sup>
- ERCOT provides notice to the Commission of the “candidates who have been identified and their qualifications, any recommendation that will be made to the [ERCOT Board], and any other information requested by a commissioner.”<sup>4</sup>

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<sup>1</sup> Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016 (Vernon 2007 and Supp. 2013) (PURA).

<sup>2</sup> PURA § 39.151(g)(7).

<sup>3</sup> See ERCOT Bylaws § 4.3(b)(1).

- After consultation with the Commission and selection by the Nominating Committee, the nominated candidates are submitted to the ERCOT Corporate Members for approval. Corporate Members receive notice of a special meeting of the corporation called for consideration of the election of Unaffiliated Directors. If the requisite number of ballots are received by ERCOT prior to the special meeting (as occurred in this case), the meeting is cancelled and the results of the election are announced to the membership.<sup>5</sup>
- Unaffiliated Director nominees approved by ERCOT’s corporate membership are submitted to the Commission for final approval.

**II. STATEMENT OF JURISDICTION AND AUTHORITY**

The Commission has jurisdiction over this matter pursuant to PURA § 39.151 and P.U.C. SUBST. R. 25.362.

**III. IDENTIFICATION OF APPLICANT**

The name and address of the Applicant is Electric Reliability Council of Texas, Inc., 7620 Metro Center Drive, Austin, Texas 78744.

The name, address, telephone, and facsimile numbers of Applicant’s authorized representatives are as follows:

<p>Bill Magness          General Counsel and Sr. Vice President –          Governance, Risk &amp; Compliance          ERCOT          7620 Metro Center Drive          Austin, Texas 78744          (512) 225-7076 (Telephone)          (512) 225-7079 (Facsimile)  <a href="mailto:bmagness@ercot.com">bmagness@ercot.com</a></p>	<p>Vickie G. Leady          Assistant General Counsel          ERCOT          7620 Metro Center Drive          Austin, Texas 78744          (512) 275-7436 (Telephone)          (512) 225-7079 (Facsimile)  <a href="mailto:vickie.lead@ercot.com">vickie.lead@ercot.com</a></p>
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**IV. THE SELECTION PROCESS FOR MR. CRAMTON COMPLIED WITH COMMISSION AND ERCOT GOVERNING RULES**

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<sup>4</sup> P.U.C. SUBST. R. § 25.362(g)(5).

<sup>5</sup> ERCOT Bylaws §§ 3.7(g) & 4.3(b)(4).

PURA requires that ERCOT's bylaws "prescribe professional qualifications for selection" as an Unaffiliated Director, and that "[t]he bylaws must require the use of a professional search firm to identify candidates for membership of unaffiliated members."<sup>6</sup> In addition, PURA requires that the selection process for Unaffiliated Directors "must allow for commission input in identifying candidates."<sup>7</sup> The selection process for Unaffiliated Directors is set forth in section 4.3(b) of the ERCOT Bylaws, and includes the requirements mandated by PURA. In addition, P.U.C. SUBST. R. 25.362(g)(5) includes standards that ERCOT must meet to ensure "commission input" in identifying Unaffiliated Director candidates.

The selection of Mr. Cramton complied with the criteria established in PURA, Commission rules, and the ERCOT Bylaws. As noted in Part I above, pursuant to ERCOT's Bylaws, the Nominating Committee of the ERCOT Board consists of all of the voting Directors of the Board other than the ERCOT CEO, and is charged with the selection of Unaffiliated Directors. At the direction of the Nominating Committee, ERCOT engaged an executive search firm and began its search for Unaffiliated Directors in April 2014. After a competitive process, ERCOT retained Russell Reynolds Associates, Inc. (Russell Reynolds), a nationally-recognized, executive search firm to assist in the search for qualified candidates.

Russell Reynolds embarked upon the candidate identification and screening process and reviewed candidates based on direct knowledge and third-party references, evaluating experience and functional expertise. Russell Reynolds' recommendations were prepared and presented to the Nominating Committee. In addition, information prepared by Russell Reynolds regarding potential candidates was shared with the Commission. The Nominating Committee discussed Russell Reynolds' recommendations and agreed to interview several candidates. Following the interviews and discussion among Committee members, a finalist was identified by consensus and scheduled for meetings with the Commissioners serving at the time of the candidate's interview with the Nominating Committee.

The ERCOT Bylaws require that Unaffiliated Directors must have "[e]xperience in one or more of these fields: senior corporate leadership; professional disciplines of finance, accounting, engineering or law; regulation of utilities; risk management; and information technology."<sup>8</sup> An Unaffiliated Director candidate must also demonstrate "independence of any

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<sup>6</sup> PURA § 39.151(g).

<sup>7</sup> *Id.*

<sup>8</sup> ERCOT Bylaws § 4.3(b)(2)(i).

Market Participant in the ERCOT Region,” including compliance with specific standards enumerated in the ERCOT Bylaws.<sup>9</sup> After determining that Mr. Cramton met ERCOT’s qualification and independence requirements, the Nominating Committee unanimously selected Mr. Cramton for presentation to ERCOT’s Corporate Members for election as an Unaffiliated Director. A summary of Mr. Cramton’s professional qualifications and credentials is attached hereto as *Attachment A*.

On April 24, 2015, pursuant to the direction of the ERCOT Board, ERCOT issued its notice of Special Meeting of ERCOT’s corporate membership to be held on May 27, 2015 (Special Meeting) for the election of an Unaffiliated Director, Mr. Cramton, attached hereto a *Attachment B*. Corporate Membership voting for the Unaffiliated Director was conducted pursuant to the ERCOT Bylaws procedures requiring approval by a majority of Member Segments (*i.e.*, at least four out of seven Member Segments).<sup>10</sup> Mr. Cramton received the requisite number of Segment votes by ballot on May 15, 2015, in lieu of the Special Meeting, to be elected as an Unaffiliated Director for a three-year term.

Having completed all other steps in the nomination and election process, ERCOT now requests Commission approval of Mr. Cramton for a three-year term as an Unaffiliated Director to commence upon Commission approval.

## V. NOTICE PROVIDED BY ERCOT

ERCOT shall post its Petition for Approval of an Unaffiliated Director to its website at [http://www.ercot.com/about/governance/legal\\_notices](http://www.ercot.com/about/governance/legal_notices); provide notice to Market Participants of ERCOT Petition filings with the PUC by issuing a Market Notice to the NOTICE\_LEGAL\_NOTIFICATIONS Listserv; and provide Notice of its Petition via electronic mail to ERCOT’s email exploder lists of committees as follows:

- ERCOT Board of Directors and Others
- Technical Advisory Committee and Others (TAC)
- Retail Market Subcommittee (RMS)
- Wholesale Market Subcommittee (WMS)
- Reliability and Operations Subcommittee (ROS)

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<sup>9</sup> *Id.* § 4.3(b)(2)(ii)(a)-(e).

<sup>10</sup> *See id.* §§ 4.3(b)(2)(ii)(b)(4) & 13.1(d).

- Commercial Operations Subcommittee (COPS), and
- Protocol Revisions Subcommittee (PRS)

ERCOT will file an affidavit attesting to the completion of its proposed notice.

## **VI. REQUEST FOR PROCEDURAL SCHEDULE**

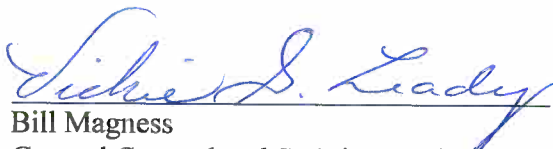
Since Unaffiliated Director Michehl Gent’s final term expired on May 9, 2015, ERCOT seeks to seat Mr. Cramton as an Unaffiliated Director as soon as possible to minimize the duration of the resulting vacancy. In order to facilitate Commission approval of Mr. Cramton, ERCOT proposes the following procedural schedule, which aims toward approval of the Unaffiliated Director at the Commission’s August 14, 2015 Open Meeting:

ERCOT posts Petition to its website and provides notice (as described in Section V herein)	May 18, 2015
<i>Texas Register</i> publication of the Commission’s Notice of Petition for Approval of an Unaffiliated Director	May 29, 2015 (or as soon thereafter as possible)
Deadline to Intervene (within 45 days from date the Petition is filed with the Commission)	July 2, 2015
Deadline for Intervenor’s request for a hearing; Deadline for Intervenor comments on the merits if no hearing requested	July 9, 2015
Deadline for Commission Staff to request a hearing; Deadline for Commission Staff’s recommendation if no hearing requested	July 16, 2015
Deadline for ERCOT to request a hearing; Deadline for ERCOT’s response to Intervenor comments and Commission Staff’s recommendation if no hearing requested; Deadline for Parties’ proposed order, if no disputed issues	July 30, 2015
Proposed Order filed by Presiding Officer for approval, pursuant to P.U.C. PROC. R. 22.35(b)(2)	August 6, 2015
Consideration of Proposed Order for Approval of an Unaffiliated Director at Commission Open Meeting	August 14, 2015

## VII. CONCLUSION

ERCOT respectfully requests that the Commission approve Mr. Cramton as an Unaffiliated Director for the ERCOT Board for a three-year term to commence upon Commission approval, adopt the procedural schedule requested by ERCOT in this Petition, and grant ERCOT all other relief to which it is entitled.

Respectfully submitted,

By:   
Bill Magness  
General Counsel and Sr. Vice President –  
Governance, Risk & Compliance  
Texas Bar No. 12824020  
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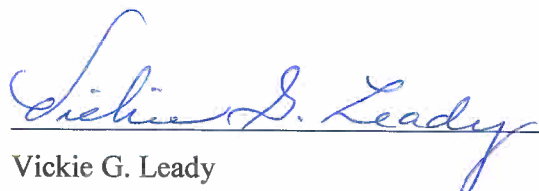
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ERCOT  
7620 Metro Center Drive  
Austin, Texas 78744

ATTORNEYS FOR ELECTRIC RELIABILITY  
COUNCIL OF TEXAS, INC.

## CERTIFICATE OF SERVICE

I certify that a copy of this document was served on all parties of record in this proceeding on May 18, 2015 in the following manner: by facsimile, email, or first-class U.S. mail.

  
Vickie G. Leady

## Attachment A

### **Peter Cramton**

#### **Biography**

Peter Cramton is Professor of Economics at the University of Maryland. Since 1983, he has conducted research on auction theory and practice. This research appears in the leading economics journals. The main focus is the design of auctions for many related items. Applications include spectrum, energy, and financial auctions. Since 1993, he has advised 12 governments and 36 bidders in spectrum auctions. He is a co-inventor of the spectrum auction design used in Canada, Australia, and many European countries to auction 4G spectrum. Since 2001, he has played a lead role in the design and implementation of electricity and gas auctions in North America, South America, and Europe. He has advised on the design of carbon auctions in Europe, Australia, and the United States, including conducting the world's first greenhouse-gas auction held in the UK in 2002. He received his B.S. in Engineering from Cornell University in 1980 and his Ph.D. in Business from Stanford University in 1984.

#### **Academic Positions**

*Professor of Economics* – Department of Economics, University of Maryland, August 1996 to present.

*Affiliate*, Agriculture and Resource Economics, 2008 to present.

*Associate Professor of Economics* – Department of Economics, University of Maryland, August 1993 to June 1996.

*National Fellow* – Hoover Institution, Stanford University, September 1992 to August 1993.

*Associate Professor of Economics and Management* – Yale School of Management, Yale University, July 1988 to August 1993.

*Assistant Professor of Decision Theory* – Yale School of Management, Yale University, July 1984 to June 1988.

#### **Education**

*Stanford University*, Doctor of Philosophy, June 1984, Graduate School of Business. Dissertation: *The Role of Time and Information in Bargaining*.

*Cornell University*, Bachelor of Science with distinction, May 1980, School of Operations Research and Industrial Engineering. Graduated first in class.

April 24, 2015

ERCOT Corporate Member:

Your participation in voting matters is hereby requested.

**Recommendations to the Corporate Members on Voting Items**

***Election of Unaffiliated Director***

On April 13, 2015, the ERCOT Nominating Committee (Committee) of the ERCOT Board of Directors (Board) unanimously selected Peter Cramton for election as an Unaffiliated Director to serve on the Board, as soon as possible, subject to election by the ERCOT Corporate Members (Members) and approval by the Public Utility Commission of Texas (PUCT). Information regarding Mr. Cramton's professional experience is attached for your review and consideration as *Attachment 1*.

***Bylaws Amendment on Sections 4.2 and 4.3***

On February 10, 2015, the Board unanimously voted to approve and recommend a proposed amendment to the ERCOT Amended and Restated Bylaws (Bylaws) regarding Sections 4.2 and 4.3, subject to approval by the Members and the PUCT. Currently, Section 4.1 of the Bylaws provides for Segment Alternates for all of the Market Segments seats on the Board of Directors, except for the Consumer Subsegments. The proposed amendment would create Segment Alternates for both the Industrial and Large Commercial Consumer Subsegments. The language of the proposed amendment is attached for your review and consideration as *Attachment 2*. Additional information on this amendment may be found in the materials associated with Agenda Item 15.3 of the February 9-10, 2015 Board meeting, available at: <http://www.ercot.com/calendar/2015/2/9/51613-BOARD>, under "Key Documents."

**Special Meeting of Corporate Members Called by the ERCOT Board**

According to Sections 3.7(b) and (g) of the Bylaws, the Board may call a Special Meeting of the Corporate Members (Special Meeting) to seek approval without an in-person meeting. As provided in Section 3.7(g): "Unless otherwise provided by law, any action required or permitted to be taken at any meeting of the Corporate Members may be taken without a meeting, if a consent in writing, setting forth the action to be taken, is signed by a sufficient number of Corporate Members as would be necessary to take that action at a meeting at which all of the Corporate Members were present and voted."

On February 10, 2015 and April 14, 2015, the Board called a Special Meeting as soon as practicable to vote on the proposed Bylaws amendment and election of Unaffiliated Director, respectively. For efficiency, the Board requested one Special Meeting for these two voting items. Thus, on Wednesday, May 27, 2015, at 10:00 a.m. in Room 210A at 7620 Metro Center Drive, Austin, Texas 78744, a Meeting will be held for the purpose of voting on the above-mentioned election of the Unaffiliated Director and the proposed Bylaws amendment.

**Request for Corporate Members to Submit Consent and Ballot Form in Lieu of Meeting**

We are seeking Corporate Membership approval to have each vote in writing, in lieu of a Special Meeting. Please review the enclosed Official Consent and Ballot form. If you agree to take action on the election of the Unaffiliated Director and the proposed Bylaws amendment without a Special Meeting, please indicate your voting preference, sign the Consent and Ballot form and return it to ERCOT by 5:00 p.m. on Friday, May 15, 2015. After 5:00 p.m. on Friday, May 15, 2015, we will count Consent and



Ballot forms received to determine if we have sufficient number to allow a vote on the Unaffiliated Director and Bylaws amendment in lieu of the Special Meeting. We will post a notice of either a successful vote or of the need to have the May 27, 2015 Special Meeting on the ERCOT website at <http://www.ercot.com/calendar/2015/05/27/62557>, no later than Monday, May 18, 2015 at 12:00 p.m.

**ACTION NEEDED: Submit Consent and Ballot Form by 5:00 p.m., Friday, May 15, 2015.**

**Please note that all of the requested votes require approval by the Members and the PUCT prior to becoming effective. So that the votes may be approved as soon as possible by the Members and the PUCT, please indicate your vote in favor or against each of the voting matters, sign the ballot, and make every effort to return it to ERCOT as noted in the Ballot no later than 5:00 p.m., Friday, May 15, 2015.**

Sincerely,

*Tisa Wilkins*

Tisa Wilkins  
Regulatory Legal Specialist  
ERCOT

## Attachment 1

### **Peter Cramton**

#### **Biography**

Peter Cramton is Professor of Economics at the University of Maryland. Since 1983, he has conducted research on auction theory and practice. This research appears in the leading economics journals. The main focus is the design of auctions for many related items. Applications include spectrum, energy, and financial auctions. Since 1993, he has advised 12 governments and 36 bidders in spectrum auctions. He is a co-inventor of the spectrum auction design used in Canada, Australia, and many European countries to auction 4G spectrum. Since 2001, he has played a lead role in the design and implementation of electricity and gas auctions in North America, South America, and Europe. He has advised on the design of carbon auctions in Europe, Australia, and the United States, including conducting the world's first greenhouse-gas auction held in the UK in 2002. He received his B.S. in Engineering from Cornell University in 1980 and his Ph.D. in Business from Stanford University in 1984.

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*Cornell University*, Bachelor of Science with distinction, May 1980, School of Operations Research and Industrial Engineering. Graduated first in class.

## Attachment 2

### Proposed Bylaws Amendment

#### Purpose for Amendment

Currently, Section 4.1 of the Bylaws provides for Segment Alternates for all of the Market Segments seats on the Board of Directors, except for the Consumer Subsegments. The proposed amendment would create Segment Alternates for both the Industrial and Large Commercial Consumer Subsegments.

#### Proposed Language

Upon approval by the Members and the PUCT, Sections 4.2 (entitled “The Board”) and 4.3 (entitled “Selection, Tenure, and Requirements of Directors and Segment Alternates”) of the *Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc.*, approved on September 5, 2014 (Bylaws), would be replaced in their entirety by Sections 4.2 and 4.3 noted immediately below.

### **Amended and Restated Section 4.2**

Section 4.2 The Board. The Board shall be composed of a total of sixteen (16) Directors as follows:

- (a) The Chair of the PUCT as an ex officio non-voting Director;
- (b) The Public Counsel of OPUC as an ex officio voting Director representing Residential Consumers and Small Commercial Consumers;
- (c) The CEO as an ex officio voting Director;
- (d) Six (6) voting Directors elected by their respective Segments as follows:
  - 1. One (1) Independent Generator and one (1) Segment Alternate;
  - 2. One (1) IOU and one (1) Segment Alternate;
  - 3. One (1) Independent Power Marketer and one (1) Segment Alternate;
  - 4. One (1) Independent REP and one (1) Segment Alternate;
  - 5. One (1) Municipal and one (1) Segment Alternate;
  - 6. One (1) Cooperative and one (1) Segment Alternate;
- (e) One (1) voting Director representing Industrial Consumers and one (1) Segment Alternate;
- (f) One (1) voting Director representing Large Commercial Consumers and one (1) Segment Alternate; and
- (g) Five (5) voting Directors selected as Unaffiliated Directors.

## Amended and Restated Section 4.3

### Section 4.3 Selection, Tenure, and Requirements of Directors and Segment Alternates.

- (a) Selection of Market Segment Directors and Segment Alternates.
- (1) For Consumer Directors, the following shall apply: The Director and Segment Alternate from the Commercial Consumer subsegment shall be selected by the Large Commercial Consumer Corporate Members. If there are no Large Commercial Consumer Corporate Members eligible or willing to serve, then the current Large Commercial Consumer Director shall appoint the Large Commercial Consumer Director and Segment Alternate. The Industrial Consumer Director and Segment Alternate shall be elected by the Industrial Consumer Corporate Members.
  - (2) Within each Market Segment represented on the Board (except for the Consumer Segment which follows the process described in Section 4.3(a)(1)), only Corporate Members of the respective Membership Segment for the available Board seat shall be allowed to elect a Director and a Segment Alternate for that seat.
  - (3) The Board shall establish procedures for the election and appointment of new Directors, Segment Alternates and Representatives of TAC. A Segment may choose an alternate election procedure for the year by an affirmative vote of at least two-thirds of members of that Segment and may conduct elections as needed to fill any Director or Segment Alternate vacancies.
  - (4) With regard to eligibility of Consumer Directors (other than the ex officio Consumer Director representing Residential and Small Commercial Consumers), Market Segment Directors and Segment Alternates, the following shall apply:
    - (i) Each Director and Segment Alternate respectively elected by the Industrial Consumer subsegment or the Independent Generator, Independent Power Marketer, Independent Retail Electric Provider, or Investor Owned Utility Market Segments must be an employee of:
      - a. a Corporate or Associate Member; or
      - b. an Affiliate of a Corporate or Associate Member of the respective Market Segment or subsegment which provides services through the Affiliate's employees to such Corporate or Associate Member.
    - (ii) Each Director and Segment Alternate respectively elected by the Large Commercial Consumer subsegment [as described in Section 4.3(a)(1)] or by the Cooperative or Municipal Market Segments must be an employee of a Corporate or Associate Member.
    - (iii) Unless otherwise provided in these Bylaws, if a Director or Segment Alternate 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 or Affiliate as described in Section 4.3(a)(4)(i)~~(b)~~ (as applicable), as he or she was at the time of such election or appointment. If the Member or Affiliate as described in Section 4.3(a)(4)(i)(b) (as applicable) is subject to a corporate restructure for tax or operational purposes which is not the result of a merger or acquisition, then such restructure shall not affect the eligibility of the Director or Segment Alternate.