

March 28, 2024

VIA EMAIL ONLY

Texas Commission on Environmental Quality
Attn: Kelly Keel, Executive Director
12100 Park 35 Circle
Austin, TX 78753
kelly.keel@tceq.texas.gov

Re: ERCOT Request for TCEQ Enforcement Discretion Regarding Operation of Red Gate Power Plant

Dear Ms. Keel:

Electric Reliability Council of Texas, Inc. (ERCOT) respectfully requests that the Texas Commission on Environmental Quality (TCEQ) exercise enforcement discretion with respect to potential violations of air permit requirements associated with South Texas Electric Cooperative, Inc.'s (STEC) operation of the Red Gate Power Plant ("Red Gate"), as further described in this letter.¹ ERCOT requests this discretion to ensure Red Gate is available to address potential emergency conditions that could affect the delivery of electricity to customers in South Texas before the air permit deficiency can be addressed.

As one of only a few dispatchable, gas-fired power plants in South Texas, ERCOT anticipates that Red Gate will almost certainly be needed to provide reliable electric service to customers in this region in the coming weeks and months. Under certain operating conditions, the demand for power in South Texas may exceed the supply of power that is available in the region to meet that demand. For example, on warmer days when air conditioning demand in South Texas is high and the output from coastal wind generation is low or any of the gas-fired generators in South Texas is experiencing an outage, the demand in South Texas may exceed the locally available supply. While some power can be imported over transmission lines into South Texas, the number of those transmission lines is limited, restricting the availability of imports to meet demand that exceeds the locally available generation supply. The ERCOT Board of Directors has endorsed the need for several new transmission lines that will increase import capability into South Texas, but those lines will not be in service until 2027. If ERCOT does not have enough generation and import capability to serve demand in South Texas, ERCOT will have to direct transmission operators to disconnect customers from the grid to avoid overloading transmission lines or introducing unacceptable grid stability risks. Disconnecting customers could pose a significant risk to their health and safety—especially during periods of hot weather that are more likely to cause the underlying shortage conditions.

¹ The Red Gate Power Plant consists of 12 natural gas-fired reciprocating engines that are registered with ERCOT as four separate aggregations—REDGATE_AGR_A, REDGATE_AGR_B, REDGATE_AGR_C, and REDGATE_AGR_D—that have a combined real power rating of approximately 225 MW.

The risks of an energy deficiency in South Texas are likely to increase in the coming weeks due to planned maintenance outages of other generators in the region. These annually required outages must be taken to ensure these generators are available during the summer, when electric demand in Texas, including South Texas, is at its highest. During the period affected by these maintenance outages, the supply of available generation in South Texas will be even lower than it is today.

STEC has informed ERCOT that the Red Gate generating units, although authorized under their major source Prevention of Significant Deterioration (PSD) permit, are not currently authorized to operate under state law because their minor source permit expired and they are awaiting authorization to operate pursuant to an agreed order, which would bind STEC to the terms of its expired permit. Accordingly, ERCOT is concerned that the Red Gate generating units may not be available to address these localized reliability needs unless TCEQ exercises enforcement discretion in evaluating STEC's compliance with permitting requirements under state law.

If the Red Gate generating units are not available to ERCOT, the likelihood that ERCOT will need to direct transmission operators to disconnect customer load during periods of short energy supply increases significantly.

To mitigate these reliability risks, ERCOT requests that TCEQ exercise enforcement discretion in evaluating STEC's non-compliance with state air permit requirements that apply to its operation of the Red Gate generating units in the limited circumstances in which ERCOT determines that these generating units are necessary to maintain transmission system reliability. More specifically, ERCOT requests that this enforcement discretion should apply only under the following conditions:

- STEC has not obtained authorization to operate the Red Gate generating units under all of the required TCEQ air permits;
- ERCOT operators have determined that flows on the relevant transmission facilities in South Texas have exceeded, or are expected to exceed, one of the following:
 - 100% of the Normal Rating of one or more of those facilities,
 - 100% of the Emergency Rating of one or more of those facilities following any Credible Single Contingency, or
 - An ERCOT-established stability limit or Generic Transmission Constraint limit, including each of the limits associated with the South Texas Export/Import Generic Transmission Constraints;
- ERCOT has exhausted all reasonable reliability measures, other than directing the disconnection of customer load, to address the actual or expected transmission limit exceedance;
- ERCOT has issued an Emergency Notice in accordance with Section 6.5.9.3.4 of the ERCOT Protocols due to the actual or expected transmission limit exceedance;
- ERCOT has issued a Reliability Unit Commitment (RUC) instruction directing STEC to make one or more of the Red Gate generating units available for dispatch by ERCOT to address the actual or expected transmission limit exceedance;
- STEC telemeters a Resource Status of "EMR" for each of the Red Gate generating units at all times except during any period in which one or more of the units has been committed

by ERCOT via RUC, during which period STEC telemeters an “ONEMR” status for each affected unit, or if the unit is affected by a Forced Outage, STEC telemeters a status of “OUT”; and

- STEC has not opted out of the RUC instruction for any instructed unit, as described in Section 5.5.2(14) of the ERCOT Protocols.

At any time ERCOT commits any of the Red Gate generating units to operate, ERCOT will provide notification of this commitment via email to TCEQ’s Homeland Security Coordinator or Deputy Director of Critical Infrastructure and will identify the time period affected by the commitment. ERCOT will also notify TCEQ if STEC’s operation of any of the Red Gate generating units during any period of RUC commitment does not comply with the conditions stated above.

These proposed conditions would limit the availability of enforcement discretion to only the most extenuating circumstances in which ERCOT’s only other option to maintain transmission reliability is to direct the disconnection of customers. These conditions would also ensure that STEC’s compensation for running the Red Gate generating units during these emergency periods is limited to cost-based compensation afforded under ERCOT’s RUC procedures.

ERCOT requests the availability of this enforcement discretion until the TCEQ’s final execution of an agreed order in Docket No. 2024-0430-AIR-E, which ERCOT understands is currently expected to occur on May 10, 2024. ERCOT will issue a Market Notice when it has been notified that the agreed order has been executed.

We appreciate TCEQ’s consideration of this request. Please feel free to contact me if you have any questions.

Sincerely,

/s/ Chad V. Seely

Chad V. Seely
Senior Vice President and General Counsel
Chad.Seely@ercot.com
(512) 225-7035

cc: Pablo Vegas, ERCOT President and CEO
Woody Rickerson, ERCOT Senior Vice President and Chief Operations Officer
Nathan Bigbee, ERCOT Deputy General Counsel
Connie Corona, PUC Interim Executive Director
Steven Schar, TCEQ Deputy Executive Director
Craig Pritzlaff, TCEQ Director, Office of Compliance and Enforcement
Kelly Cook, TCEQ Deputy Director, Critical Infrastructure
Amy Settemeyer, TCEQ Deputy Director, Enforcement Division
Michelle Havelka, TCEQ Homeland Security Coordinator
Morgan Johnson, TCEQ Senior Counsel
Susan Johnson, TCEQ Special Assistant