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Kelly Keel, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

March 29, 2024

Mr. Chad V. Seely
Senior Vice President and General Counsel
Electric Reliability Council of Texas
8000 Metropolis Drive, Building E, Suite 100
Austin, Texas 78744
Chad.Seely@ercot.com

Re: TCEQ Enforcement Discretion for Electrical Grid Stability

Dear Mr. Seely:

In response to your letter dated March 28, 2024, requesting consideration of enforcement discretion in evaluating South Texas Electric Cooperative's (STECs) compliance with Texas Commission on Environmental Quality (TCEQ) air permit requirements that apply to the Red Gate Power Plant, TCEQ will exercise its enforcement discretion as described below to allow operation of the Red Gate power generation units under certain limited emergency conditions in which ERCOT determines is necessary to maintain transmission system reliability.

ERCOT relayed its concern to TCEQ after being notified that the generation units operated by STEC at the Red Gate Power Plant in Edinburg, Texas do not currently have a valid air permit. STEC's minor source air permit for the Red Gate Power Plant has expired. The facility is offline while STEC is working with TCEQ's Air Permits Division to secure the necessary permit reauthorizations. ERCOT understands that TCEQ may not be able to issue the permit for at least one to two more months, which will restrict the Red Gate generating units' ability to operate in the interim.

ERCOT is concerned that these generation units will almost certainly be needed to operate in the coming weeks and months to ensure continuous electric service to customers in the Lower Rio Grande Valley. Under certain common operating conditions, the demand for power in the Valley may exceed the supply of power that is available in the Valley to meet that demand. For example, on warmer days when air conditioning demand in the Valley is high and the output from coastal wind generation is abnormally low or one of several gas-fired generation resources in the Valley is experiencing an outage, the demand in the Valley may exceed supply. While some power can be imported over transmission lines into the Valley, and while additional lines providing import capability into the Valley are being constructed, the number of these transmission lines is currently limited. If ERCOT does not have enough generation and import capability to serve the Valley's demand, ERCOT will have to direct Transmission Operators to disconnect customers from the grid to avoid overloading transmission lines or introducing unacceptable grid stability risks.

ERCOT sees these risks likely increasing in the coming weeks due to planned maintenance outages of other generators in the region. The absence of the Red Gate generation units during instances of energy supply shortage could substantially increase the likelihood that ERCOT will need to direct transmission operators to disconnect customer load. Disconnection of customers—especially during extreme weather—can pose a significant risk to human health and safety.

Given these concerns, ERCOT has expressed that it is imperative to maximize the amount of dispatchable generation that is available to serve demand in the Valley. ERCOT therefore is requesting that the TCEQ exercise its enforcement discretion with respect to the Red Gate Power Plant and its power generation units during the TCEQ air quality permit reauthorization period. More specifically, ERCOT stipulates that this enforcement discretion should apply only under the following conditions:

- STEC has not obtained authorization to operate the Red Gate generation 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, 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 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 generation 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 generating 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.

Based on the information ERCOT has provided, TCEQ confirms that it will exercise enforcement discretion in evaluating STEC’s compliance during its air quality permit reauthorization period for the Red Gate Power Plant, as described above, to maintain transmission reliability and to avoid the disconnection of customers. TCEQ will exercise enforcement discretion as to the Red Gate Power Plant pending the effective date of an agreed order in TCEQ Docket No. 2024-0430-AIR-E.

TCEQ’s exercise of enforcement discretion under these limited circumstances described herein does not otherwise affect the obligations of STEC, or any other entity, under its permits or under state or federal law. It also does not affect the availability of TCEQ enforcement discretion in situations other than those described in this letter, including those involving a system-wide or local power emergency, as described in TCEQ’s Procedure for Requesting TCEQ Enforcement Discretion Relating to a Power Emergency in Texas for ERCOT, Midcontinent Independent System Operator, Inc., or Southwest Power Pool, Inc. Regions.

Sincerely,



Kelly Keel
Executive Director
Texas Commission on Environmental Quality