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September 20, 2019

Texas Commission on Environmental Quality
Attn: Toby Baker, Executive Director
12100 Park 35 Circle
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EMAIL ONLY

Dear Executive Director Baker:

Electric Reliability Council of Texas, Inc. (ERCOT) respectfully requests that the Texas Commission on Environmental Quality (TCEQ) consider exercising enforcement discretion with respect to certain air permit emissions limitations in order to address potential emergency conditions affecting the delivery of electricity to customers in West Texas.

As you may be aware, demand for electricity in West Texas has increased substantially in recent years, resulting in increasingly greater power imports into the region. This, in turn, has led to more frequent overloads of the transmission lines serving that region. As demand continues to grow, ERCOT expects these conditions to worsen. These problems are not expected to be mitigated until early 2021, following the completion of several transmission projects that will enable additional imports into the region.

These problems are substantially affected by the availability of five Permian Basin combustion-turbine generators (collectively, the "Permian Units") operated by Luminant Generation Company LLC (Luminant). During certain periods of high demand, ERCOT relies on the Permian Units to alleviate actual or expected overloads on the transmission lines serving West Texas. The Permian Units are the only generating units that can be dispatched by ERCOT's systems to resolve these particular issues. However, Luminant has informed ERCOT that the Permian Units are approaching their emissions limitations for calendar year 2019 under their TCEQ-issued air permits. Accordingly, ERCOT is concerned that the Permian Units may not be available to address these localized reliability needs unless TCEQ exercises enforcement discretion in evaluating Luminant's compliance with these permits.

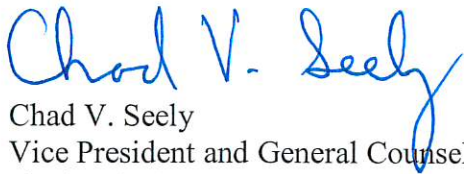
If the Permian Units were not available to ERCOT during these periods of unusually high demand that result in transmission emergencies, ERCOT would be required to take the extraordinary measure of ordering the temporary disconnection of customers in the import-constrained region to avoid damaging transmission facilities or causing cascading outages that could threaten the reliability of the larger system. Disconnecting customers could threaten the health and safety of citizens in the West Texas region. Consequently, ERCOT requests that TCEQ exercise enforcement discretion with respect to the Permian Units' potential exceedance of permitted emissions allowances in the limited circumstances in which they are determined to be necessary to maintain transmission system reliability.

To ensure that the Permian Units would be used only when they are absolutely necessary for reliability, ERCOT proposes the attached *ERCOT Policy Concerning TCEQ Enforcement Discretion Relating to Transmission Emergencies in West Texas*.¹ Among other conditions, this policy would limit the availability of enforcement discretion to emergency situations in which ERCOT's only other reasonable option to maintain transmission reliability is to curtail customer demand. The policy would also ensure that Luminant's compensation for running during these emergency periods is limited to cost-based compensation afforded under ERCOT's Reliability Unit Commitment (RUC) procedures. Finally, the policy would limit the availability of enforcement discretion to the remainder of calendar year 2019.

Given the continuing growth of electric demand in West Texas and ERCOT's expectation that necessary transmission additions will not be fully completed until 2021, it is possible that the Permian Units could exhaust their permitted emissions limitations in 2020 and that enforcement discretion would be needed next year, as well. However, ERCOT will refrain from requesting that enforcement discretion until that need becomes more certain.

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

Sincerely,



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Cc: Bill Magness, ERCOT President and CEO
Woody Rickerson, ERCOT Vice President, Grid Planning and Operations
Tonya Baer, TCEQ Deputy Director, Office of Air
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¹ As you are aware, the TCEQ has already established a similar policy governing enforcement discretion during power emergencies, entitled *Procedure for Requesting TCEQ Enforcement Discretion Relating to a Power Emergency in Texas for ERCOT, MISO, or SPP Regions*. That policy requires TCEQ to approve the availability of enforcement discretion for each emergency and ERCOT's issuance of a Market Notice before and after each emergency. Because the emergencies ERCOT anticipates in this case would likely arise more rapidly and frequently, ERCOT believes a policy providing greater flexibility in this limited circumstance would be preferable.