1. Technology types screening (1,2)
2. trajectory of future revenues, tax rates, and depreciation
3. environmental regulations (2)
4. Owner capital costs (3)
5. Fixed O&M (3)
6. estimate their cost of capital
7. discount rate
8. Risk adjustments
9. Adequate return on capital
10. Locational site choice (node vs land cost)
	1. **Screen for candidate reference technologies**
		* + Reliably able to help meet system load when supply is scarce
			+ Cost effective as a part of the long-term market equilibrium
	2. **Develop detailed specification of reference plants for ERCOT market**
		* + Primarily rely on “revealed preference” of recently developed and proposed plants
			+ Review environmental regulations, fuel supply options, etc.
	3. **Estimate costs to build and operate the specified reference plants**
		* + Plant proper capital costs (equipment, materials, labor, EPC contracting costs)
			+ Owner capital costs (interconnection, startup, land, inventories, financing fees)
			+ Fixed O&M (labor, materials, property tax, insurance, asset management, working capital)
	4. **Develop ERCOT-specific financial assumptions used to translate costs into CONE**
		* + Identify sample of representative companies and estimate their cost of capital
			+ Consider additional reference points and qualitative risk adjustments
			+ Select appropriate discount rate for merchant generation
	5. **Compute CONE for ERCOT market**
		* + Translate costs into the net revenues a plant would need in its first year to earn an adequate return on capital and be willing to enter
			+ Considers likely trajectory of future revenues, tax rates, and depreciation