Recap of July SAWG Meeting:

* ERCOT presented an NPRR to revise Section 4.4.11 of the Nodal Protocols to introduce an “Other Binding Document” that would provide the CONE methodology, timetable, and past and current CONE and PNM threshold values
* Stakeholders expressed a preference for the content of the OBD to be in the protocols
* Next steps:
	+ ERCOT to speak to Brattle about doing an ERCOT-specific methodology
	+ SAWG and ERCOT to begin to develop content for NPRR or OBD (if methodology would be a lengthy document)
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