4.4.11 System-Wide Offer Caps

(1) The SWCAP shall be determined in accordance with the Public Utility Commission of Texas (PUCT) Substantive Rules. The methodology for determining the SWCAP is as follows:

(a) The Low System-Wide Offer Cap (LCAP) is set on a daily basis at the higher of:

(i) $2,000 per MWh for energy and $2,000 per MW per hour for Ancillary Services; or

(ii) Fifty times the effective daily FIP, expressed in dollars per MWh for energy and dollars per MW per hour for Ancillary Services.

(b) At the beginning of each annual Resource adequacy cycle described in Section 4.4.11.1, Scarcity Pricing Mechanism, the SWCAP shall be set equal to the High System-Wide Offer Cap (HCAP) and maintained at this level as long as the Peaker Net Margin (PNM) during an annual Resource adequacy cycle is less than or equal to PNM threshold per MW-year. If the PNM exceeds PNM threshold per MW-year during an annual Resource adequacy cycle, on the next Operating Day, the SWCAP shall be reset to the LCAP for the remainder of that annual Resource adequacy cycle.

(c) ERCOT shall set the PNM threshold at three times the cost of new entry of new generation plants.

The above parameters are defined as follows.

| Parameter | Unit | Current Value\* |
| --- | --- | --- |
| HCAP | $/MWh | 9,000 |
| PNM threshold | $/MW-year | 315,000 |
| \* The current value for the parameters referenced in this table above will be recommended by TAC and approved by the ERCOT Board. ERCOT shall update parameter values on the first day of the month following ERCOT Board approval unless otherwise directed by the ERCOT Board. ERCOT shall provide a Market Notice prior to implementation of a revised parameter value. |

(2) Any offers that exceed the current SWCAP shall be rejected by ERCOT.