

Comments on Congestion Revenue Rights Enhancements Working Group Meeting #5 – April 1, 2025

Department of Market Monitoring

April 16, 2025

Summary

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Congestion Revenue Rights Enhancements Working Group Meeting Session #5 – April 1, 2025*.¹ In this working group meeting, representatives from MISO, PJM and ERCOT presented how congestion revenue right (CRR) designs work in their regional transmission organizations (RTOs). A review of the state of the market reports from the RTOs' market monitors shows that these auctions also sell CRRs for less than their payouts, losing hundreds of millions of dollars a year—even in cases without revenue inadequacy. This highlights that the core auction design for financial congestion revenue rights common to all these markets and CAISO is flawed.

Comments

CRR auctions sell contracts at large losses regardless of revenue adequacy

Table 1 summarizes the reported auction losses from the MISO, PJM, ERCOT and SPP state of the market reports. The MISO and ERCOT reports include all auction sales. PJM and SPP values are for non-load serving entity (non-LSE) trades.²

Figure 1. Losses in financial congestion revenue rights auctions^{3,4}

	Auction Losses (\$ millions)			
	MISO	ERCOT	PJM	SPP
2021	\$932	\$457	\$1,060	\$322
2022	\$387	\$969	\$387	\$443
2023	\$184	\$367	\$232	\$54
2024			\$527	

From data available in each market monitor's annual reports, DMM estimates that average auction revenue collected per payout was 65 cents per dollar in ERCOT and 66 cents per dollar in SPP from 2021-2023, and was 72 cents per dollar in MISO in 2020 and 2021.⁵ MISO and ERCOT do not have revenue adequacy problems, but the flawed auction design results in the sale of contracts for hundreds of millions of dollars less than their payouts each year in these RTOs.

MISO's independent market monitor states:

FTR markets perform well when they establish FTR prices that accurately reflect the expected value of day-ahead congestion, resulting in low FTR profits for the buyers (day-ahead congestion payments minus the FTR price). Even if the FTR prices represent a reasonable expectation of congestion, a variety of factors may still cause actual congestion to be much higher or lower than FTR auction values.⁶

The MISO market monitor goes on to say:

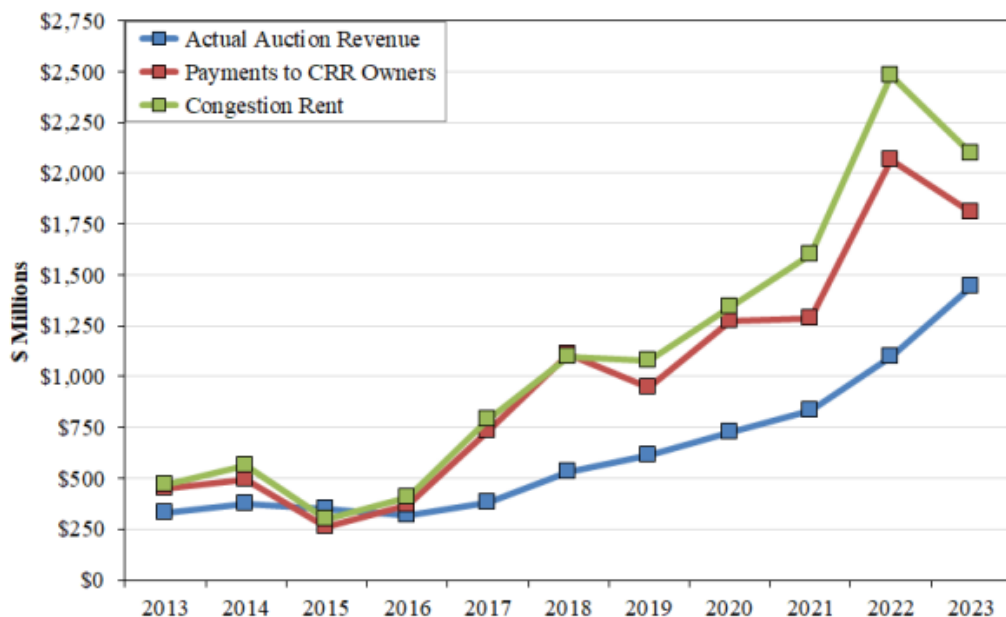
These results indicate that the MPMA [multi-period monthly auction] lacks the liquidity needed to erase the differences between FTR prices and congestion values. Barriers to participation should be identified and eliminated, which should improve convergence between the auction revenues and the associated day-ahead FTR obligations. If such improvements cannot be identified, it may be beneficial for MISO to examine its auction processes to determine whether to establish price-based limits on the sale of forward or counterflow FTRs.⁷

PJM's independent market monitor points out that, as is the case in CAISO, efforts to reduce revenue inadequacy have had the effect of reducing the available allocated rights—called auction revenue rights (ARRs) in PJM—to load serving entities.

For example, PJM's subjective decision to reduce available ARR/FTR supply (system capability) in the ARR/FTR market model through outage selection for the 2014/2015 through 2016/2017 planning periods resulted in actual day-ahead congestion exceeding target allocations at the expense of a reduction in available ARRs and associated FTRs. PJM's decisions have included the arbitrary use of higher outage levels and the decision to include additional constraints (closed loop interfaces) both of which reduced the FTRs made available for sale in FTR auctions. PJM's actions have led to a significant reduction in the allocation of Stage 1B and Stage 2 ARRs and therefore a reduction in available FTRs.⁸

Figure 2 shows that ERCOT's CRR auction has maintained revenue adequacy surpluses and payouts still significantly exceed auction revenues.

Figure 2. Trends in ERCOT CRR Revenues and Payments⁹



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- ¹ *Congestion Revenue Rights Enhancements, Working Group Meeting Session #5*, California ISO, April 1, 2025: <https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-CongestionRevenueRightsEnhancementsWorkingGroup-Apr1-2025.pdf>
- ² The SPP non-LSE data do include generators who pay transmission rates and hold ARRs. ARR revenues were about 15 percent of the non-LSE auction payments.
- ³ *2023 State of the Market Report for the MISO Electricity Markets*, Potomac Economics, June 2024, p 53: https://www.potomaceconomics.com/wp-content/uploads/2024/06/2023-MISO-SOM_Report_Body-Final.pdf
2022 State of the Market Report for the MISO Electricity Markets, Potomac Economics, June 15, 2023 p 63: https://www.potomaceconomics.com/wp-content/uploads/2023/06/2022-MISO-SOM_Report_Body-Final.pdf
2023 State of the Market Report for the ERCOT Electricity Markets, Potomac Economics, May 2024, p 60: https://www.potomaceconomics.com/wp-content/uploads/2024/05/2023-State-of-the-Market-Report_Final_060624.pdf
State of the Market Report for PJM: 2024, Monitoring Analytics, March 13, 2025, p 777. Data are for the planning year starting in the year marked. The \$527 million for 2024-2025 is for the first 7 months of the planning year: https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2024/2024-som-pjm-sec13.pdf
State of the Market Report 2023, SPP Market Monitoring Unit, May 20, 2024, p 199: <https://spp.org/documents/71645/2023%20annual%20state%20of%20the%20market%20report%20v2.pdf>
- ⁴ The PJM metric lists the auction losses to non-ARR holders. The MISO and ERCOT values pool all participants.
- ⁵ *2021 State of the Market Report for the MISO Electricity Markets*, Potomac Economics, June, 2022, p 63: https://www.potomaceconomics.com/wp-content/uploads/2022/06/2021-MISO-SOM_Report_Body_Final.pdf
- ⁶ *2023 State of the Market Report for the MISO Electricity Markets*, Potomac Economics, June 2024, p 62.
- ⁷ *2023 State of the Market Report for the MISO Electricity Markets*, Potomac Economics, June 2024, p 54.
- ⁸ *State of the Market Report for PJM: 2024*, Monitoring Analytics, March 13, 2025, p 787.
- ⁹ *2023 State of the Market Report for the ERCOT Electricity Markets*, Potomac Economics, June 2024, p 61.