PUC Commissioner Brief

Affordable Grid Coalition — Congestion Cost Exposure & Recommended Actions

Summary

Your ratepayers are absorbing billions in unhedged congestion costs through automatic cost-recovery mechanisms. The existing ARR/FTR construct returns only 61% of total congestion charges across PJM, MISO, and SPP. The remaining 39% — $11.9 billion over 8 planning years — flows directly to consumers with no hedge, no market tool, and no utility incentive to act.

The Charge Side: What Consumers Are Paying

Congestion costs are embedded in wholesale electricity prices and passed to retail consumers through state-regulated cost-tracking riders:

MECHANISM	EXAMPLES
Fuel Adjustment Clause (FAC)	Virginia (Rider Fuel), Kentucky, West Virginia
Purchased Power Cost Recovery (PSCR)	Michigan, Indiana
Energy Adjustment Charge (EAC)	Oklahoma, Kansas, SPP states
Generation Supply Charge / BGS Auction	New Jersey, Pennsylvania, Ohio

These riders guarantee utilities full recovery of wholesale market charges — including congestion — **without a full rate case**. Utilities bear zero financial risk from congestion charges. This removes the incentive that would typically drive action when costs rise.

Total congestion charges by market (Jun 2018 – Jan 2026):

MARKET	TOTAL CHARGES	RECORD YEAR
PJM	$11.9B	2025: $3.2B
MISO	$8.9B	2022: $2.2B
SPP	$10.0B	2025: $2.2B
Combined	**$30.8B**	**$15.0B in last 3 years**

The Credit Side: What Consumers Are Getting Back

The ARR/FTR auction process is the primary mechanism for returning congestion revenue to consumers. Performance varies significantly by market:

MARKET	AUCTION CREDITS	AUCTION RATE	CREDIT RETURN %
PJM	$8.0B	$1.16/MWh	67% of charges
MISO	$4.7B	$0.83/MWh	53% of charges
SPP	$6.2B	$3.30/MWh	62% of charges

Self-scheduling — where utilities convert ARR allocations directly into FTRs rather than auctioning — shows significantly higher returns. In PJM, only 26% of ARRs are self-scheduled, yet DA value is 34% higher than auction — more value left on the table than any market. In MISO, 66% is self-scheduled, with DA rates at $1.38/MWh versus auction at $1.04/MWh — a 33% premium, both at record highs. In SPP, 66% is self-scheduled, with DA running 14% above auction.

The LOC (Lost Opportunity Cost) benchmark — representing what a complete hedging tool would capture — shows total recoverable value of **$48.2B**, versus $18.9B actually returned. The increased value is $29.3B.

The Renewable Acceleration Problem

Renewable energy is the fastest-growing driver of congestion charges — **$5.5 billion since January 2023** — and it is **largely unhedged** because ARR allocations are built on legacy transmission paths that predate today's renewable fleet.

MARKET	RENEWABLE CONGESTION (JAN 2023 – JAN 2026)	PRIMARY DRIVER
SPP	$3.5B	Wind ($18/MWh in Oklahoma)
MISO	$1.8B	Wind ($5–14/MWh across MN, IA, Dakotas)
PJM	$257M	Solar ($10–13/MWh in VA/NC)

FERC's 2025 Energy Infrastructure Update reports renewables accounted for 88% of all new generating capacity added in 2025. The 2026–2028 pipeline projects 35 GW/year of new wind and solar. Every megawatt of new renewable capacity creates congestion at nodes the existing ARR framework doesn't cover.

OPSI Precedent

The Organization of PJM States, Inc. (OPSI) has documented this problem. **Resolution FTR-2016-4** found only 45% of PJM congestion was returned to consumers — a $983 million shortfall in a single planning year. Despite this finding, no structural remedy has been implemented.

The Proven Solution

ERCOT's Point-to-Point Obligation product settles against real-time congestion at full nodal granularity. It is open to all market participants and supports hedging across all market sectors. This model has been operational for years.

An RT Congestion Hedge modeled on ERCOT's design would:

- Generate additional congestion credits that flow through existing cost-recovery mechanisms
- Improve DA-RT price convergence, making existing ARR/FTR credits more valuable
- Provide the first tool to hedge renewable-driven RT congestion
- Require no changes to the existing ARR allocation framework

Recommended Actions for PUC Commissioners

1. **File supporting comments** on the Affordable Grid Coalition's Section 206 complaints at FERC (April 2026 filing)
2. **Examine cost-tracking riders** to determine whether they should credit customers for hedging savings or require utilities to demonstrate prudent congestion cost management
3. **Direct utilities to report** on congestion cost exposure, ARR credit recovery rates, and renewable congestion growth in their service territories
4. **Engage ISO governance** through OPSI, OMS, or the RSC to reaffirm prior resolutions and prioritize real-time congestion hedging implementation
5. **Request state-specific data** — the Coalition has published state-level briefs quantifying the additional credits an RT Congestion Hedge could return to consumers in your state (available at affordablegrid.org)

Data analysis by XO Energy, LLC. All congestion data sourced from ISO public settlement records.