Organization of MISO States (OMS)
Markets Work Group
Requests for ARR/FTR Modeling
March 17, 2026

Over the last several years, MISO has accepted feedback from stakeholders on potential reforms and enhancements to MISO's ARR/FTR construct. The OMS Markets Work Group (MWG) appreciates the opportunities for engagement with MISO on this topic and has worked with the utilities overseen by our sector to collect feedback on the opportunities and challenges they see in potential reforms. Given the historically high amounts of day-ahead congestion in recent years, reaching $327 million in January 2026 alone, the MWG urgently aims to drive the conversation forward in a direction that will return significant congestion dollars to load.

This may be accomplished by pursuing a dual track of: (a) improving the functionality of the current structure; and (b) rigorously assessing fundamental reform of the auction process. Pursuing solutions to this inequitable distribution of day-ahead congestion revenue is consistent with past MWG feedback[1] and aligns with OMS's multi-year Strategic Priority to Evaluate and Improve the FTR/ARR construct.[2] As these initiatives are explored, states and stakeholders would benefit from the creation of additional performance metrics that track the success of the reforms relative to the amount of additional congestion revenue returned to retail load.

The MWG requests that MISO consider the following modeling and data requests to better inform stakeholders of the current value of the ARR/FTR construct and to advance the development of reforms going forward. This analysis will help alleviate stakeholder concerns, facilitate constructive conversations regarding potential reforms, and provide a broader exploratory foundation to inform state regulators on the value the ARR/FTR construct provides to LSEs and ratepayers.

1. **Shifting capacity to seasonal and monthly auctions:** WPPI, with the support of several stakeholders, and the IMM have both independently called for shifting more FTR capacity to the seasonal and monthly auctions.[3] This proposal should help market participants better understand how much FTR capacity is available at auction. Conducting seasonal and monthly auctions would also better reflect current congestion and outage information so that LSEs are able to more accurately hedge congestion costs. How much capacity is shifted from the annual to seasonal and monthly auctions is still determinable, but a sufficient partition would allow smaller LSEs to continue to benefit from their ARR entitlements with minimal participation and would create improved hedging opportunities for LSEs that are more active in the market.

---

[1] MWG Feedback, ARR/FTR Market Enhancements Workplan (July 25, 2025).
MWG Feedback, ARR/FTR Construct Reforms & Workshop Request (Sept. 12, 2025).

[2] Despite identifying ARR/FTR reforms as an OMS Strategic Priority for the past three years, MISO has been unable or unwilling to dedicate time or resources to enhancing the current ARR/FTR construct until recently.

[3] WPPI's most recent proposal was presented at the Feb. 19, 2026 Market Subcommittee and reflects multiple rounds of input from a broad group of stakeholders.

To test the impacts of such changes, MISO should create a few counterfactual scenarios with varying amounts of transmission capacity allocated to the seasonal/monthly auctions. The ARR allocation should also be split between annual, seasonal, and monthly auctions. Since bidding strategies in these scenarios are unknown, the MWG recommends scaling existing strategies by market participants based on the amount of capacity being offered in each round. MISO should then compare the performance of each market participant to their actual performance over the last three years and report on the extent of improvement in their performance.

2. **Generation-to-load primary auction:** The primary function of the ARR/FTR construct is to allow LSEs to hedge their day-ahead congestion on transmission paths between their load and generation. LSEs rarely use FTRs sourced from load or generator-to-generator because these paths do not replicate energy delivery. The MWG would like to understand how auction outcomes would be affected if: (a) gen-to-load paths were only allowed; (b) gen-to-gen paths were only allowed; and (c) load-to-load paths were allowed in the FTR auctions. Comparing outcomes across these scenarios would help determine the incremental hedging value and distributional impacts of each path type and clarify whether broader path eligibility materially improves risk management for LSEs or primarily facilitates arbitrage opportunities for other market participants, thereby undercutting the core purpose of the ARR/FTR construct.

3. **Willing Buyer-Seller Framework:** The MWG asks MISO to model a willing-buyer seller construct to explore the effectiveness of a different construct. Therefore, the MWG asks MISO to model an FTR auction where all bids and offers of LSEs and non-LSEs are used to clear the auction. This would help evaluate the results compared to the current ARR/FTR structure, the potential benefits non-LSEs provide, and the ability for LSEs to obtain potentially more effective hedges while returning additional dollars to ratepayers.

4. **Revised SFT for RSP nominations:** One concern voiced by LSEs in feedback to OMS about the current ARR/FTR construct is the high rejection rate of Reserved Source Point (RSP) nominations. MISO should re-run the RSP nomination processes from the previous three years, while only applying the SFT constraint to the PRSS stage and share how RSP nomination outcomes differ from the actual nomination processes. The MWG would like to explore options that would sufficiently allocate ARR entitlements to LSEs to improve their ability to maximize congestion revenue received. Given that MISO has already filed an enhancement to allow greater flexibility in how LSEs terminate their RSPs, this change may be another step to better align ARRs with LSE's generation fleets.

5. **Entitlement Updates:** MISO should model the updating of entitlements to more accurately reflect the current transmission system by removing obsolete facilities and resources and to compare the results of ARR/LTTR allocations and RSP processes for a given year. The MWG is concerned that some LSEs may not be receiving their full hedges based on their inability to terminate or add entitlements through the RSP process.

6. **MISO's View**: The MWG asks MISO to present to OMS its list of the shortcomings or inefficiencies it sees with the ARR/FTR construct with explanations within four weeks. This assessment would include MISO's evaluation of WPPI's proposal that clarifies MISO's position, the perceived impact of the proposal, and resource requirements for design/evaluation, implementation, and ongoing administration. The MWG would prefer that MISO provide its assessment to OMS prior to introducing it to stakeholders.

7. **MISO's Reply:** Looking at the historical TCM, most, if not all, OMS members believe that an insufficient amount of congestion dollars has been returned to load. Does MISO have a proposal to increase the amount returned? Alternatively, are there different ways of calculating the TCM that might better reflect an LSE's hedge effectiveness relative to the status quo?

8. **Counterflow Profitability:** In the 2024 State of the Market Report, the IMM indicated that MISO is overpaying for counterflow.[4] The MWG requests that MISO respond to the following questions:

    a. How does MISO assess such payments?
    b. How long has this been occurring?
    c. What is the reason for such overpayments?
    d. What is MISO's plan to prevent or mitigate such payments?

    Please provide the MW and dollar values of counterflow for the past three years broken out by annual, monthly, and seasonal FTR auctions that were settled with parties broken out by LSEs and non-LSEs. Please indicate how many MWs and dollars represent overpayments and provide MISO's plan, if any, for mitigating overpayments by moving more transmission capacity to the monthly/seasonal timeframe.

The MWG appreciates MISO's attention to improving the FTR/ARR construct while recognizing the diverse perspectives and interests involved. After MISO reviews these requests, we recommend scheduling an informal meeting between the MWG and MISO subject matter experts to answer any questions and to discuss the feasibility of the simulation runs. We look forward to continued collaboration with MISO and stakeholders to help identify constructive outcomes consistent with the public interest.

[4] *See* 2024 State of the Market Report, pages 57-60.