

SUBMISSION COVER SHEET

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Registered Entity Identifier Code (optional): 14-403

Organization: New York Mercantile Exchange, Inc. ("NYMEX")

Filing as a: ☒ DCM ☐ SEF ☐ DCO ☐ SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 11/06/2014 Filing Description: Amendments to Thirty-Four (34) Electricity Futures and Option Contracts

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | | |
|--------------------------|-------------------------------------|------------|
| ☐ | Certification | § 40.6(a) |
| ☐ | Approval | § 40.5(a) |
| ☐ | Notification | § 40.6(d) |
| ☐ | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| ☐ | SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers: _____

New Product

Please note only ONE product per Submission.

- | | | |
|--------------------------|---------------------------------------|------------|
| ☐ | Certification | § 40.2(a) |
| ☐ | Certification Security Futures | § 41.23(a) |
| ☐ | Certification Swap Class | § 40.2(d) |
| ☐ | Approval | § 40.3(a) |
| ☐ | Approval Security Futures | § 41.23(b) |
| ☐ | Novel Derivative Product Notification | § 40.12(a) |
| ☐ | Swap Submission | § 39.5 |

Official Product Name:

Product Terms and Conditions (product related Rules and Rule Amendments)

- | | | |
|-------------------------------------|---|----------------------|
| ☒ | Certification | § 40.6(a) |
| ☐ | Certification Made Available to Trade Determination | § 40.6(a) |
| ☐ | Certification Security Futures | § 41.24(a) |
| ☐ | Delisting (No Open Interest) | § 40.6(a) |
| ☐ | Approval | § 40.5(a) |
| ☐ | Approval Made Available to Trade Determination | § 40.5(a) |
| ☐ | Approval Security Futures | § 41.24(c) |
| ☐ | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| ☐ | "Non-Material Agricultural Rule Change" | § 40.4(b)(5) |
| ☐ | Notification | § 40.6(d) |

Official Name(s) of Product(s) Affected: See filing.

Rule Numbers: Chapters 407, 1183, 1184, NYMEX Chapter 5 Position Limit Table

November 6, 2014

VIA ELECTRONIC PORTAL

Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification of Amendments to Thirty-Four (34) Electricity Futures and Option Contracts.
NYMEX Submission No. 14-403**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying amendments to thirty-four (34) electricity futures and option contracts effective on Sunday, November 23, 2014, for the trade date Monday, November 24, 2014. Specifically, the ISO New England Mass Hub Peak LMP Option on Calendar Futures Strip (Chapter 407, Code NEL), PJM AEP Dayton Hub Peak 50 MW Calendar-Month LMP Option on Calendar Futures Strip (Chapter 1183, Code PJP), and PJM Northern Illinois Hub Peak 50 MW Calendar-Month LMP Option on Calendar Futures Strip (Chapter 1184, Code PJH) will have new underlying futures contracts. In addition, the spot-month speculative position limits and accountability levels for thirty-four (34) electricity futures and option contracts, noted below, will be amended.

Contract Code	Rulebook Chapter	Contract Name
D7	156	PJM AEP Dayton Hub Day-Ahead LMP Peak Calendar-Month 5 MW Futures
PAP	953	PJM AEP Dayton Hub Day-Ahead Peak Calendar-Day 5 MW Futures
N3	152	PJM Northern Illinois Hub Day-Ahead LMP Peak Calendar-Month 5 MW Futures
PNP	956	PJM Northern Illinois Hub Day-Ahead Peak Calendar-Day 5 MW Futures
UM	762	PJM Northern Illinois Hub Real-Time Peak Calendar-Month 2.5 MW Futures
B3	894	PJM Northern Illinois Hub 5 MW Peak Calendar-Month Real-Time LMP Futures
OU	384	PJM Northern Illinois Hub Peak Calendar-Month LMP Option
PJH	1184	PJM Northern Illinois Hub Peak 50 MW Calendar-Month LMP Option on Calendar Futures Strip
PJN	1182	PJM Northern Illinois Hub Peak 50 MW Calendar-Month LMP Option
UD	763	PJM Northern Illinois Hub Real-Time Peak Calendar-Day 5 MW Futures
VM	765	PJM AEP Dayton Hub Real-Time Peak Calendar-Month 2.5 MW Futures
OT	382	PJM AEP Dayton Hub Peak Calendar-Month LMP 5 MW Option
PJD	1181	PJM AEP Dayton Hub Peak 50 MW Calendar-Month LMP Option
PJP	1183	PJM AEP Dayton Hub Peak 50 MW Calendar-Month LMP Option on Calendar Futures Strip
VD	766	PJM AEP Dayton Hub Real-Time Peak Calendar-Day 5 MW Futures
Z9	896	PJM AEP Dayton Hub 5 MW Peak Calendar-Month Real-Time LMP Futures

NI	756	ISO New England Mass Hub Day-Ahead Peak Calendar-Month 2.5 MW Futures
U6	800	ISO New England Mass Hub 5 MW Peak Calendar-Month Day-Ahead LMP Futures
OE	850	ISO New England Peak Calendar-Month LMP Option
CE	756B	ISO New England Mass Hub Day-Ahead Peak Calendar-Day 5 MW Futures
NEL	407	ISO New England Mass Hub Peak LMP Option on Calendar Futures Strip
L3	153	PJM Northern Illinois Hub Day-Ahead Off-Peak Calendar-Month 5 MW Futures
PNO	957	PJM Northern Illinois Hub Day-Ahead Off-Peak Calendar-Day 5 MW Futures
R7	157	PJM AEP Dayton Hub Day-Ahead Off-Peak Calendar-Month 5 MW Futures
PEO	954	PJM AEP Dayton Hub Day-Ahead Off-Peak Calendar-Day 5 MW Futures
UO	762A	PJM Northern Illinois Hub Off-Peak LMP Futures
B6	895	PJM Northern Illinois Hub Real-Time Off-Peak Calendar-Month 5 MW Futures
NOC	958	PJM Northern Illinois Hub Real-Time Off-Peak Calendar-Day 5 MW Futures
VP	765A	PJM AEP Dayton Hub Off-Peak LMP Futures
AOR	955	PJM AEP Dayton Hub Real-Time Off-Peak Calendar-Day 5 MW Futures
V3	897	PJM AEP Dayton Hub Real-Time Off-Peak Calendar-Month 5 MW Futures
H2	801	ISO New England Mass Hub Day-Ahead Off-Peak Calendar-Month 5 MW Futures
KI	756A	ISO New England Mass Hub Off-Peak LMP Futures
IDO	959	ISO New England Mass Hub Day-Ahead Off-Peak Calendar-Day 5 MW Futures

The underlying futures contract for the ISO New England Mass Hub Peak LMP Option on Calendar Futures Strip is changing to the ISO New England Mass Hub 5 MW Peak Calendar-Month Day-Ahead LMP Futures (Code U6). A call option traded on the Exchange represents an option to assume, at the strike price, one (1) long contract per peak day of the underlying ISO New England Mass Hub 5 MW Peak Calendar-Month Day-Ahead LMP Futures contract in each month of the twelve consecutive months beginning with the underlying January month. A put option traded on the Exchange represents an option to assume, at the strike price, one (1) short contract per peak day of the underlying ISO New England Mass Hub 5 MW Peak Calendar-Month Day-Ahead LMP Futures contract in each month of the twelve (12) consecutive months beginning with the underlying January month. The product title of the option is being amended to reflect the new 5 MW-based underlying futures contract.

The underlying futures contract for the PJM AEP Dayton Hub Peak 50 MW Calendar-Month LMP Option on Calendar Futures Strip is being amended to the PJM AEP Dayton Hub 5 MW Peak Calendar-Month Real-Time LMP Futures contract (Code Z9). A call option traded on the Exchange will represent an option to assume, at the strike price, ten (10) long contracts per peak day PJM AEP Dayton Hub 5 MW Peak Calendar-Month Real-Time LMP Futures contract in each month of the twelve consecutive months beginning with the underlying January month. A put option traded on the Exchange represents an option to assume, at the strike price, ten (10) short contracts per peak day of the underlying PJM AEP Dayton Hub 5 MW Peak Calendar-Month Real-Time LMP Futures contract in each month of the twelve (12) consecutive months beginning with the underlying January month.

The underlying futures contract for the PJM Northern Illinois Hub Peak 50 MW Calendar-Month LMP Option on Calendar Futures Strip is being amended to the PJM Northern Illinois Hub 5 MW Peak Calendar-Month Real-Time LMP Futures contract (Code B3). A call option traded on the Exchange will represent an option to assume, at the strike price, ten (10) long contracts per peak day PJM Northern Illinois Hub 5 MW Peak Calendar-Month Real-Time LMP Futures contract in each month of the twelve consecutive months beginning with the underlying January month. A put option traded on the Exchange represents an option to assume, at the strike price, ten (10) short contracts per peak day of the underlying PJM Northern Illinois Hub 5 MW Peak Calendar-Month Real-Time LMP Futures contract in each month of the twelve (12) consecutive months beginning with the underlying January month.

Conforming amendments were made to replace references to the current underlying futures contracts with the new underliers. Lastly, the position limit and accountability level language in the rulebook chapters for PJM AEP Dayton Hub Peak 50 MW Calendar-Month LMP Option on Calendar Futures Strip and PJM Northern Illinois Hub Peak 50 MW Calendar-Month LMP Option on Calendar Futures Strip was replaced with standard Exchange language directing market participants to the NYMEX Chapter 5 Position Limit Table. There is currently no open interest in the three option contracts above.

As a result of the underlier changes, the Exchange fees will be amended, as described in Appendix D. Pursuant to Commission Regulation 40.6(a), NYMEX is separately self-certifying amendments to block trading minimum thresholds for the NEL option contract in NYMEX Submission No. 14-400. Block transactions are governed by Rule 526. The minimum block level for the NEL option is decreasing from the current level of 9 contracts to 4 contracts.

The Exchange is also amending the fees for the PJM Western Hub Real-Time Off-Peak Calendar-Month 50 MW Option on Calendar Futures Strip (Code 6OO, Chapter 758), which are shown in Appendix E.

An analysis of deliverable supply was conducted in order to verify that the existing position limits for NEL, PJP, and PJH are set at 25% of deliverable supply. Based on the analysis, the position limit for NEL was raised slightly, while the position limits for PJP and PJH were lowered slightly. Because there are numerous futures and option contracts based on the PJM AEP Dayton Hub, PJM Northern Illinois Hub, and ISO New England Mass Hub – and many of those contracts aggregate into each other – NYMEX staff updated the position limits and accountability levels for those related contracts as well. Please refer to Appendix B for the deliverable supply analysis and Appendix C for the revised position limits, accountability levels, aggregation rules, and reportable levels.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”). During the review, NYMEX staff identified that the amendments to the contracts may impact the following Core Principles as follows:

- Contracts Not Readily Subject to Manipulation: The spot-month speculative position limits for the contracts have been updated and are at or below 25 percent of the estimated deliverable supply for the appropriate underlying cash markets.
- Position Limitations or Accountability: The contracts have spot-month speculative position limits as well as all-months and any-one-month accountability levels. These position limits and accountability levels have been updated and are at or below 25 percent of deliverable supply for the appropriate underlying cash markets. (See Appendix C attached under separate cover.)
- Availability of General Information: The Exchange will make publically available the details of the contracts’ amendments by publishing a notice to the marketplace. Furthermore, the Exchange will update the NYMEX rulebook to reflect the amended terms and conditions of the contracts.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the amendments to the thirty-four (34) electricity contracts comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the Exchange’s website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at Christopher.Bowen@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments:

Appendix A – Product Chapter Amendments to Three (3) Electricity Option Contracts
Appendix B – Deliverable Supply Analysis
Appendix C – NYMEX Chapter 5 Position Limit Table (attached under separate cover)
Appendix D – Amended Exchange Fees
Appendix E – Fees for PJM Western Hub Real-Time Off-Peak Calendar-Month 50 MW Calendar Strip
Option on Calendar Futures Strip

APPENDIX A

(Underline indicates addition; ~~strike through~~ indicates deletion)

Chapter 407

ISO New England Mass Hub Peak LMP 5 MW Option on Calendar Futures Strip

407.01 EXPIRATION

The contract shall expire on the second to last Friday of the month prior to the first underlying ~~ISO New England Mass Hub Day-Ahead Peak Calendar-Month 2.5 MW Futures (NI)~~ ISO New England Mass Hub 5 MW Peak Calendar-Month Day-Ahead LMP Futures (U6) contract. If the second to last Friday is an Exchange holiday, expiration will occur on the business day immediately preceding that day.

407.03 TRADING UNIT

~~On expiration of a call option, the long position will be assigned twelve consecutive months beginning with the underlying January month of long ISO New England Mass Hub Day-Ahead Peak Calendar-Month 2.5 MW Futures (NI) contracts at the strike price. On exercise of a put option, the long position will be assigned twelve consecutive months beginning with the underlying January month of short ISO New England Mass Hub Day-Ahead Peak Calendar-Month 2.5 MW Futures (NI) contract at the strike price.~~

A call option traded on the Exchange represents an option to assume, at the strike price, one (1) long contract per peak day of the underlying ISO New England Mass Hub 5 MW Peak Calendar-Month Day-Ahead LMP Futures (U6) contract in each month of the twelve consecutive months beginning with the underlying January month. A put option traded on the Exchange represents an option to assume, at the strike price, one (1) short contract per peak day of the underlying ISO New England Mass Hub 5 MW Peak Calendar-Month Day-Ahead LMP Futures (U6) contract in each month of the twelve consecutive months beginning with the underlying January month.

407.04 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's average settlement price for the underlying ~~underlying ISO New England Mass Hub Day-Ahead Peak Calendar-Month 2.5 MW Futures (NI)~~ ISO New England Mass Hub 5 MW Peak Calendar-Month Day-Ahead LMP Futures (U6) strip rounded off to the nearest fifty cent increment, unless such settlement price is precisely midway between two fifty cent increments in which case it shall be rounded off to the lower fifty cent increment; (ii) the five strike prices which are five fifty cent increments higher than the strike price described in section (i) of this Rule 407.04(A); and (iii) the five strike prices which are five fifty cent increments lower than the strike price described in section (i) of this Rule 407.04(A)

(B) Thereafter, on any business day prior to the expiration of the option, new strike prices for both puts and calls will be added, such that at all times there will be at least five fifty cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (A) of this Rule 407.04.

(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in the contract will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of a the contract in which no new strike prices may be introduced.

Chapter 1183

PJM AEP Dayton Hub Peak 50 MW Calendar-Month LMP Option on Calendar Futures Strip

1183100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on ~~PJM AEP Dayton Hub Peak Calendar-Month LMP Swap futures-PJM AEP Dayton Hub 5 MW Peak Calendar-Month Real-Time LMP Futures (Z9)~~ contracts. In addition to the rules of this chapter, transactions in options on ~~PJM AEP Dayton Hub Peak Calendar-Month LMP Swap futures-PJM AEP Dayton Hub 5 MW Peak Calendar-Month Real-Time LMP Futures (Z9)~~ contracts shall be subject to the general rules of the Exchange insofar as applicable.

1183101.B. Trading Unit

A call option traded on the Exchange represents an option to assume, at the strike price, ~~twenty (20)-ten (10)~~ long contracts per peak day of the underlying ~~PJM AEP Dayton Hub Peak Calendar-Month LMP Swap futures-PJM AEP Dayton Hub 5 MW Peak Calendar-Month Real-Time LMP Futures (Z9)~~ contract in each month of the twelve consecutive months beginning with the underlying January month. A put option traded on the Exchange represents an option to assume, at the strike price, ~~twenty (20)-ten (10)~~ short contracts per peak day of the underlying ~~PJM AEP Dayton Hub Peak Calendar-Month LMP Swap futures-PJM AEP Dayton Hub 5 MW Peak Calendar-Month Real-Time LMP Futures (Z9)~~ contract in each month of the twelve consecutive months beginning with the underlying January month.

1183101.D. Position Limits and Position Accountability

~~For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in PJM AEP Dayton Hub Peak Calendar-Month LMP Swap futures. Each position in the option contract shall be deemed equivalent to 240 (20 for each month in the contract year) of the quantity of the PJM AEP Dayton Hub Peak Calendar-Month LMP Swap futures base contract into which each option contract aggregates.~~

~~In accordance with Rule 559, no person shall own or control positions in excess of 150 (PJM AEP Dayton Hub Peak Calendar-Month LMP Swap futures-equivalent) contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

- ~~1. the all months accountability level shall be 750 (PJM AEP Dayton Hub Peak Calendar-Month LMP Swap futures-equivalent) contracts net long or net short in all months combined;~~
- ~~2. the any one month accountability level shall be 1,000 (PJM AEP Dayton Hub Peak Calendar-Month LMP Swap futures-equivalent) contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

1183101.E. Termination of Trading

The option contract shall expire at the close of trading on the second to last Friday of the month prior to the delivery month of the first underlying month of the ~~PJM AEP Dayton Hub Peak Calendar-Month LMP Swap futures-PJM AEP Dayton Hub 5 MW Peak Calendar-Month Real-Time LMP Futures (Z9)~~ contract in the strip.

1183102. EXERCISE PRICES

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's average settlement price for the strip of the underlying ~~PJM AEP Dayton Hub Peak Calendar-Month LMP Swap futures-PJM AEP Dayton Hub 5 MW Peak Calendar-Month Real-Time LMP Futures (Z9)~~ contracts rounded off to the nearest fifty-cent increment strike price unless such settlement price is precisely midway between two fifty-cent increment strike prices in which case it shall be rounded off to the lower fifty-cent increment strike price and (ii) the strike price which is fifty-cent higher than the strike price described in subsection (A)(i) of this rule and (iii) the strike price which is fifty-cent lower than the strike price described in subsection (A)(i) of this rule.

(B) Thereafter, on any business day prior to the expiration of the option, (i) new consecutive strike prices for both puts and calls will be added such that at all times there will be at least one fifty-cent increment strike price above and below the at-the-money strike price available for trading in all options contract months. The at-the-money strike price will be determined in accordance with the procedures set forth in subsection (A)(i) of this rule.

(C) Notwithstanding the provisions of subsections (A) and (B) of this rule, if the Exchange determines that trading in the option will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an option contract in which no new strike prices may be introduced.

Chapter 1184

PJM Northern Illinois Hub Peak 50 MW Calendar-Month LMP Option on Calendar Futures Strip

1184100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on PJM Northern Illinois Hub 5 MW Peak Calendar-Month Real-Time LMP Futures (B3) ~~PJM Northern Illinois Hub Peak Calendar-Month LMP Swap futures~~ contracts. In addition to the rules of this chapter, transactions in options on PJM Northern Illinois Hub 5 MW Peak Calendar-Month Real-Time LMP Futures (B3) ~~PJM Northern Illinois Hub Peak Calendar-Month LMP Swap futures~~ shall be subject to the general rules of the Exchange insofar as applicable.

1184101.B. Trading Unit

A call option traded on the Exchange represents an option to assume, at the strike price, ~~ten (10)~~twenty (20) long contracts per peak day of the underlying PJM Northern Illinois Hub 5 MW Peak Calendar-Month Real-Time LMP Futures (B3) ~~PJM Northern Illinois Hub Peak Calendar-Month LMP Swap futures~~ in each month of the twelve consecutive months beginning with the underlying January month. A put option traded on the Exchange represents an option to assume, at the strike price, ~~ten (10)~~twenty (20) short contracts per peak day of the underlying PJM Northern Illinois Hub 5 MW Peak Calendar-Month Real-Time LMP Futures (B3) ~~PJM Northern Illinois Hub Peak Calendar-Month LMP Swap futures~~ in each month of the twelve consecutive months beginning with the underlying January month.

1184101.D. Position Limits and Position Accountability

~~For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in PJM Northern Illinois Hub Peak Calendar-Month LMP Swap futures. Each position in the option contract shall be deemed equivalent to 240 (20 for each month in the contract year) of the quantity of the PJM Northern Illinois Hub Peak Calendar-Month LMP Swap futures base contract into which each option contract aggregates. In accordance with Rule 559, no person shall own or control positions in excess of 750 (PJM Northern Illinois Hub Peak Calendar-Month LMP Swap futures equivalent) contracts net long or net short in the spot month.~~

~~In accordance with Rule 560:~~

- ~~1. the all-months accountability level shall be 4,000 (PJM Northern Illinois Hub Peak Calendar-Month LMP Swap futures equivalent) contracts net long or net short in all months combined;~~
- ~~2. the any one month accountability level shall be 5,000 (PJM Northern Illinois Hub Peak Calendar-Month LMP Swap futures equivalent) contracts net long or net short in any single contract month excluding the spot month.~~

~~Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.~~

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

1184101.E. Termination of Trading

The option contract shall expire at the close of trading on the second to last Friday of the month prior to the delivery month of the first underlying month of the PJM Northern Illinois Hub 5 MW Peak Calendar-Month Real-Time LMP Futures (B3) ~~PJM Northern Illinois Hub Peak Calendar-Month LMP Swap futures~~ in the strip.

1184102. EXERCISE PRICES

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's average settlement price for the strip of the underlying PJM Northern Illinois Hub 5 MW Peak Calendar-Month Real-Time LMP Futures (B3)~~PJM Northern Illinois Hub Peak Calendar-Month LMP Swap futures~~ contracts rounded off to the nearest fifty-cent increment strike price unless such settlement price is precisely midway between two fifty-cent increment strike prices in which case it shall be rounded off to the lower fifty-cent increment strike price and (ii) the strike price which is fifty-cent higher than the strike price described in subsection (A)(i) of this rule and (iii) the strike price which is fifty-cent lower than the strike price described in subsection (A)(i) of this rule.

(B) Thereafter, on any business day prior to the expiration of the option, (i) new consecutive strike prices for both puts and calls will be added such that at all times there will be at least one fifty-cent increment strike price above and below the at-the-money strike price available for trading in all options contract months. The at-the-money strike price will be determined in accordance with the procedures set forth in subsection (A)(i) of this rule.

(C) Notwithstanding the provisions of subsections (A) and (B) of this rule, if the Exchange determines that trading in the option will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an option contract in which no new strike prices may be introduced.

APPENDIX B

Cash Market Analysis for the PJM AEP Dayton and Northern Illinois Hubs and ISO New England Mass Hub

Background

PJM Interconnection LLC ("PJM") is an independent regional transmission organization (RTO) that plays a vital role in the U.S. electric system by providing its members with opportunities for buying and selling power, arranging transmission service, and allowing for the use of larger and more efficient generating units. PJM coordinates the movement of electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia. In 1997, PJM began operating the nation's first regional, bid-based, hourly energy market. PJM enables participants to buy and sell power, schedule transactions, and reserve transmission service.

ISO New England (ISO-NE), an independent, not-for-profit corporation, is the RTO serving Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. This RTO is primarily responsible for providing centrally dispatched instructions for the generation and flow of electricity, developing and operating the New England wholesale electricity marketplace, and managing comprehensive bulk electric power system and wholesale markets' planning processes. ISO-NE has operated as an RTO since February 1, 2005, and it manages day-ahead and real-time energy markets, forward capacity market (FCM), regulation market (e.g., frequency regulation), reserve markets, and annual and monthly auctions of financial transmission rights (FTRs).

Market Competitiveness

RTO and independent system operator (ISO) markets are highly competitive and were established following Federal Energy Regulatory Commission (FERC) orders. FERC Order No. 888 identified barriers to competitive wholesale electricity markets and required that those barriers be removed. FERC Order No. 889 established open access to system information. FERC Order No. 2000 provided the framework for the formation of ISO and RTO markets. Under FERC authority, PJM, Midcontinent ISO (MISO), New York ISO (NYISO), and ISO New England (ISO-NE) operate and monitor their respective market to ensure the competitiveness and reliability of the electricity system.

ISOs/RTOs also are monitored by the North American Electric Reliability Corporation (NERC), a non-profit organization made up of stakeholders responsible for developing reliability standards and ensuring compliance with those standards. NERC has various committees, sub-committees, task forces, and working groups that investigate and analyze system disruptions to prevent market manipulation.

Besides governmental and industrial organizations, each ISO/RTO is monitored by an independent market monitor. In the case of PJM, the market monitor is Monitoring Analytics.¹ Potomac Economics is the market monitor for ISO New England.² Market monitors regularly evaluate the competitiveness of their respective markets, recommend improvements plans, and review the implementation of those plans. Market monitors publish quarterly and annual market reports to raise public awareness of the state of the respective markets.

Day-ahead vs. Real-Time Market

ISOs/RTOs offer two basic energy markets for electricity participants: a real-time (or spot) market and a day-ahead market. The real-time and day-ahead markets are interrelated as the day-ahead market is a

¹ <http://www.monitoringanalytics.com/home/index.shtml>.

² <http://www.potomaceconomics.com/>.

forward market for the real-time delivery of power during the following day. In contrast, the real-time market prices electricity that flows the same day during a particular hour. Real-time generation and load may differ from forecasted generation and load expressed in the day-ahead market. Both the day-ahead and real-time markets adopt a competitive auction process developed by the stakeholders from both the generation and load sides. Market-clearing prices or locational marginal prices (LMPs) are published publicly on a timely basis to ensure competitiveness and transparency. In addition, market transactions are settled hourly to reflect dynamic and competitive pricing.

Hub vs. Zone

The term “zone” refers to a group of electrical nodes within a utility control area, such as American Electric Power (AEP Zone) and Dayton Power & Light (Dayton Zone) in the PJM territory. In contrast, the term “hub” refers to a group of selected electrical nodes from one or more zones. For example PJM’s, AEP Dayton Hub is a group of nodes selected from the AEP Zone and Dayton Zone. In the case of the Northern Illinois Hub, the electrical nodes come from the Commonwealth Edison Company (ComEd) utility zone. The Massachusetts Hub (also known as the Internal Hub) is a collection of nodes in central Massachusetts. Both zonal and hub LMPs are designed by ISOs/RTOs, taking into account a combination of historical and projected LMPs for individual nodes that reflect prescribed commercial criteria in a statistically consistent manner. For instance, a hub may reflect common LMP correlation criteria or comprise a set of nodes that consistently experience (or consistently do not experience) congestion. When initially developed, PJM’s Western Hub realized very little congestion. Each ISO/RTO hub has been subjected to a thorough stakeholder vetting process before being introduced.

Hubs are designed to reflect physical transactions at the zonal level in all of the related zones. The AEP Dayton Hub, Northern Illinois Hub, and Massachusetts Hub are highly liquid trading locations even though transactions at the hubs typically do not lead to the delivery of power at the hubs themselves. Instead, electricity is delivered at other locations, with the hub-level LMPs being viewed as price references. To estimate the deliverable supply of power at the AEP Dayton Hub, Exchange staff used load data from the related zones (AEP and Dayton) to calculate the volume of electricity. For the Northern Illinois Hub, load data from the ComEd utility zone was used to reflect the volume of electricity at that hub. For the Internal Hub, load data from all New England states (Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, and Connecticut) was used to reflect the volume of electricity at that hub.

Description of Electricity Futures and Options Contracts

There are two basic types of daily and monthly futures contracts based on U.S. ISOs/RTOs: peak and off-peak. Older NYMEX power futures contracts have an “erosion” feature where each day is cash settled based on the average peak/off-peak LMP for that day; eroding peak contracts have a size of 850 MWh and eroding off-peak contracts have a size of 975 contracts. Newer futures contracts are based on a power flow rate of 5 (previously 2.5) megawatts per hour (MW/h). The size of these newer peak contracts is 80 MWh, as the contracts are designed to cover the 16 peak hours during the peak day. Monthly peak contracts must be traded in multiples of the number of peak days in the month. The size of off-peak contracts is 5 MWh, as the contracts are designed to cover one off-peak hour during a given day. Daily (monthly) off-peak contracts must be traded in multiples of the number of off-peak hours in the day (month).

The term “Peak Days” shall mean Monday through Friday, excluding North American Electric Reliability Corporation (NERC) holidays. “Peak Hours” shall mean Hours Ending (HE) 0800 through 2300 Eastern Prevailing Time (EPT). The terms “Off-Peak Days” and “Off-Peak Hours” shall mean HE 0100 through 0700 and 2400 EPT, Monday through Friday as well as all day Saturday, Sunday, and NERC holidays.

Options are offered on peak and off-peak futures contracts, both daily and monthly. The swaptions to be amended are European-style. Using the ISO New England Mass Hub Peak LMP Option on a Calendar

Futures Strip (Code NEL) as an example, an in-the-money option position currently exercises into one long/short futures position in the underlying futures contract (ISO New England Mass Hub Day-Ahead Peak Calendar-Month 2.5 MW Futures (Code NI)) at the strike price in each calendar month in the strip.

Deliverable Supply Analysis

Load data reflect the amount of electricity that was produced and consumed in real time. An analysis of deliverable supply should consider actual load information reported by the ISO/RTO. Because the day-ahead and real-time auctions price power for the same flow date, the real-time load is the appropriate measure of deliverable supply for both the day-ahead and real-time markets.

The methodology of determining the monthly deliverable supply for peak and off-peak hours is based on the maximum one-hour load realized over the previous three years in the zones associated with the AEP Dayton Hub (i.e., AEP and Dayton), Northern Illinois Hub (ComEd), and the Internal Hub (all New England states). While the maximum one-hour loads in AEP, Dayton, ComEd, and the New England states indicate the largest actual volumes of electricity that the zones were able to handle individually, these values likely are lower than the theoretical maximum loads that the zones could deliver to end users. This methodology incorporates the CFTC's request for exchanges to consider the maximum one-hour load when determining the deliverable supply of power. The approach also includes load points outside of the hubs in order to account for the fact that power may be delivered outside of the hubs yet is still be priced at the hub level through numerous virtual transactions.

Load data used to determine the deliverable supply of power at the AEP Dayton Hub, Northern Illinois Hub, and Internal Hub were obtained from NRGSTREAM, an aggregator and distributor of public and private energy market information.³ A full three years of historical data were not available, as NRGSTREAM only started scraping zonal load data in mid-February 2011. Three years of data were available for the Internal Hub. The analysis here utilizes load data between March 1, 2011, and October 30, 2013 for the PJM hubs and November 1, 2010, through October 31, 2013 for the ISO New England Hub (Table 1). The maximum AEP Dayton Hub load (28,092 MW) was calculated as the sum of the maximum single hourly loads for AEP and Dayton (Table 2). The maximum Northern Illinois Hub load (23,769 MW) was simply the maximum single hourly load from ComEd. The maximum Internal Hub load (27,762 MW) was calculated as the total load in the New England states. A month is assumed to have 368 peak hours and 424 off-peak hours. The AEP Dayton Hub monthly deliverable supply for peak hours is equal to 10,337,856 MWh (equivalent to 129,223 contracts based on a size of 80 MWh). The Northern Illinois Hub monthly deliverable supply for peak hours is equal to 8,746,992 MWh (equivalent to 109,337 contracts based on a size of 80 MWh). While the maximum one-hour loads occurred during peak hours, it is assumed that the peak load number can be applied to off-peak hours as the zones are able to handle such loads at that time if they are demanded. Thus, the monthly deliverable supply of power in the AEP Dayton Hub during off-peak hours is 11,911,008 MWh (equivalent to 2,382,201 contracts based on size of 5 MWh), and the monthly deliverable supply of power in the Northern Illinois Hub during the off-peak hours is 10,078,056 MWh (equivalent to 2,015,611 contracts based on size of 5 MWh).

Table 1. Maximum Hourly Load by Utility Zone

Utility Zone	Date/Hour Ending (Eastern Prevailing Time)	Maximum Hourly Load (MW)
AEP	7/21/2011 17:00	24,409
Dayton	7/22/2011 15:00	3,683
ComEd	7/20/2011 17:00	23,769

³ <http://www.nrgstream.com>

Aggregate New England States	7/22/2011 14:00	27,762
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Table 2. Maximum Hourly and Monthly Loads for the Various Hubs

Hub/Time of Use	Maximum Hourly Load (MW)	Maximum Monthly Load (MWh)
PJM AEP Dayton Hub Peak	28,092	10,337,856
PJM AEP Dayton Hub Off-Peak	28,092	11,911,008
PJM Northern Illinois Hub Peak	23,769	8,746,992
PJM Northern Illinois Hub Off-Peak	23,769	10,078,056
ISO New England Mass Hub Peak	27,762	10,216,416
ISO New England Mass Hub Off-Peak	27,762	11,771,088

Position Limits for the PJM AEP Dayton Hub, PJM Northern Illinois Hub, and Internal Hub Contracts

The spot-month speculative position limit for the subject and related contracts should not be greater than 25% of the deliverable supply. Based on the deliverable supply analysis above, the spot-month speculative position limits for the subject contracts can be increased. In addition, because other futures and options contracts related to the AEP Dayton Hub, Northern Illinois Hub, and Internal Hub exist, the limits for those contracts can be adjusted as well. Table 3 below indicates the NYMEX contract complex for the PJM AEP Dayton Hub, PJM Northern Illinois Hub, and ISO New England Internal Hub. Each contract is listed by its clearing code. Since positions in certain contracts are aggregated with those in related contracts (e.g., daily peak contracts and monthly peak contracts) in order to determine compliance with speculative position limit levels, the contract into which a given futures or option aggregates is noted. The table also lists the sizes of the parent contracts. Moreover, the current monthly deliverable supply for peak and off-peak hours and the contract-equivalent volumes are shown. Lastly, the current and new spot-month limits are reported, along with their shares of deliverable supply are given. Table 4 indicates the contract codes and the titles of the futures and options contracts.

Table 3. PJM AEP Dayton Hub, PJM Northern Illinois Hub, and ISO New England Internal Hub Contracts and Position Limits⁴

Contract Code	Aggregate Into	Size of Parent (Total MWh)	Monthly Volume (MWh)	Contract-Equivalent Deliverable Supply	Current Position Limit	Limit's Share of Deliverable Supply (%)	New Position Limit	New Limit's Share of Deliverable Supply (%)
D7	--	80	10,337,856	129,223	12,000	9	32,300	25
PAP	D7	80	10,337,856	129,223	12,000	9	32,300	25
N3	--	80	8,746,992	109,337	5,000	5	27,300	25
PNP	N3	80	8,746,992	109,337	5,000	5	27,300	25
UM	--	850	8,746,992	10,290	1,275	12	2,550	25
B3	UM	850	8,746,992	10,290	1,275	12	2,550	25
OU	UM	850	8,746,992	10,290	1,275	12	2,550	25
PJH	UM	850	8,746,992	10,290	1,275	12	2,550	25
PJN	UM	850	8,746,992	10,290	1,275	12	2,550	25
UD	UM	850	8,746,992	10,290	1,275	12	2,550	25
VM	--	850	10,337,856	12,162	1,880	15	3,040	25
OT	VM	850	10,337,856	12,162	1,880	15	3,040	25
PJD	VM	850	10,337,856	12,162	1,880	15	3,040	25
PJP	VM	850	10,337,856	12,162	1,880	15	3,040	25
VD	VM	850	10,337,856	12,162	1,880	15	3,040	25
Z9	VM	850	10,337,856	12,162	1,880	15	3,040	25
NI	--	850	10,216,416	12,019	200	2	3,000	25
U6	NI	850	10,216,416	12,019	200	2	3,000	25
OE	NI	850	10,216,416	12,019	200	2	3,000	25
CE	NI	850	10,216,416	12,019	200	2	3,000	25
NEL	NI	850	10,216,416	12,019	200	2	3,000	25
L3	--	5	10,078,056	2,015,611	100,000	5	503,900	25
PNO	L3	5	10,078,056	2,015,611	100,000	5	503,900	25
R7	--	5	11,911,008	2,382,201	75,000	3	595,550	25
PEO	R7	5	11,911,008	2,382,201	75,000	3	595,550	25
UO	--	975	10,078,056	10,336	500	5	2,575	25
B6	UO	975	10,078,056	10,336	500	5	2,575	25
NOC	UO	975	10,078,056	10,336	500	5	2,575	25
VP	--	975	11,911,008	12,216	400	3	3,050	25
AOR	VP	975	11,911,008	12,216	400	3	3,050	25
V3	VP	975	11,911,008	12,216	400	3	3,050	25
H2	--	5	11,771,088	2,354,217	40,000	2	588,500	25
KI	--	975	11,771,088	12,072	200	2	3,000	25
IDO	KI	975	11,771,088	12,072	200	2	3,000	25

⁴ White rows indicate peak-hour contracts, and gray rows indicate off-peak contracts.

Table 4. Contract Codes and Titles

Contract Code	Contract Name
D7	PJM AEP Dayton Hub Day-Ahead LMP Peak Calendar-Month 5 MW Futures
PAP	PJM AEP Dayton Hub Day-Ahead Peak Calendar-Day 5 MW Futures
N3	PJM Northern Illinois Hub Day-Ahead LMP Peak Calendar-Month 5 MW Futures
PNP	PJM Northern Illinois Hub Day-Ahead Peak Calendar-Day 5 MW Futures
UM	PJM Northern Illinois Hub Real-Time Peak Calendar-Month 2.5 MW Futures
B3	PJM Northern Illinois Hub 5 MW Peak Calendar-Month Real-Time LMP Futures
OU	PJM Northern Illinois Hub Peak Calendar-Month LMP Option
PJH	PJM Northern Illinois Hub Peak 50 MW Calendar-Month LMP Option on Calendar Futures Strip
PJN	PJM Northern Illinois Hub Peak 50 MW Calendar-Month LMP Option
UD	PJM Northern Illinois Hub Real-Time Peak Calendar-Day 5 MW Futures
VM	PJM AEP Dayton Hub Real-Time Peak Calendar-Month 2.5 MW Futures
OT	PJM AEP Dayton Hub Peak Calendar-Month LMP 5 MW Option
PJD	PJM AEP Dayton Hub Peak 50 MW Calendar-Month LMP Option
PJP	PJM AEP Dayton Hub Peak 50 MW Calendar-Month LMP Option on Calendar Futures Strip
VD	PJM AEP Dayton Hub Real-Time Peak Calendar-Day 5 MW Futures
Z9	PJM AEP Dayton Hub 5 MW Peak Calendar-Month Real-Time LMP Futures
NI	ISO New England Mass Hub Day-Ahead Peak Calendar-Month 2.5 MW Futures
U6	ISO New England Mass Hub 5 MW Peak Calendar-Month Day-Ahead LMP Futures
OE	ISO New England Peak Calendar-Month LMP Option
CE	ISO New England Mass Hub Day-Ahead Peak Calendar-Day 5 MW Futures
NEL	ISO New England Mass Hub Peak LMP Option on Calendar Futures Strip
L3	PJM Northern Illinois Hub Day-Ahead Off-Peak Calendar-Month 5 MW Futures
PNO	PJM Northern Illinois Hub Day-Ahead Off-Peak Calendar-Day 5 MW Futures
R7	PJM AEP Dayton Hub Day-Ahead Off-Peak Calendar-Month 5 MW Futures
PEO	PJM AEP Dayton Hub Day-Ahead Off-Peak Calendar-Day 5 MW Futures
UO	PJM Northern Illinois Hub Off-Peak LMP Futures
B6	PJM Northern Illinois Hub Real-Time Off-Peak Calendar-Month 5 MW Futures
NOC	PJM Northern Illinois Hub Real-Time Off-Peak Calendar-Day 5 MW Futures
VP	PJM AEP Dayton Hub Off-Peak LMP Futures
AOR	PJM AEP Dayton Hub Real-Time Off-Peak Calendar-Day 5 MW Futures
V3	PJM AEP Dayton Hub Real-Time Off-Peak Calendar-Month 5 MW Futures
H2	ISO New England Mass Hub Day-Ahead Off-Peak Calendar-Month 5 MW Futures
KI	ISO New England Mass Hub Off-Peak LMP Futures
IDO	ISO New England Mass Hub Day-Ahead Off-Peak Calendar-Day 5 MW Futures

APPENDIX C

NYMEX Rulebook Chapter 5 Position Limit Table

(Attached Under Separate Cover)

APPENDIX D

(Underline indicates addition; ~~strikethrough~~ indicates deletion)

Exchange Fees for NEL				
	Member	Cross Division	Non-Member	IIP
Pit	\$48.00 <u>\$84.00</u>	\$48.00 <u>\$90.00</u>	\$48.00 <u>\$96.00</u>	
Globex	\$48.00 <u>\$84.00</u>	\$48.00 <u>\$90.00</u>	\$48.00 <u>\$96.00</u>	\$48.00 <u>\$90.00</u>
ClearPort	\$48.00 <u>\$84.00</u>		\$48.00 <u>\$96.00</u>	
Agency Cross	<u>\$84.00</u>		<u>\$96.00</u>	

Other Processing Fees		
	House Acct	Customer Acct
Options E/A Notice	\$0.40	\$0.85

Additional Fees and Surcharges	
Facilitation Desk Fee	\$0.60 <u>\$1.00</u>

Exchange Fees for PJP and PJH				
	Member	Cross Division	Non-Member	IIP
Pit	\$480.00 <u>\$420.00</u>	\$480.00 <u>\$450.00</u>	\$480.00	
Globex	\$480.00 <u>\$420.00</u>	\$480.00 <u>\$450.00</u>	\$480.00	\$480.00 <u>\$450.00</u>
ClearPort	\$480.00 <u>\$420.00</u>		\$480.00	
Agency Cross	<u>\$420.00</u>		<u>\$480.00</u>	

Other Processing Fees		
	House Acct	Customer Acct
Options E/A Notice	\$0.40	\$0.85

Additional Fees and Surcharges	
Facilitation Desk Fee	\$1.00

Fees for New Underliers (B3, U6, Z9)		
	Member	Non-Member
Futures from E/A	<u>\$0.105</u>	<u>\$0.12</u>

APPENDIX E

(Underline indicates addition; ~~strikethrough~~ indicates deletion)

Exchange Fees for 600				
	Member	Cross Division	Non-Member	IIP
Pit	\$507.50	\$543.75	\$580.00	
Globex	\$507.50	\$543.75	\$580.00	\$543.75 <u>\$558.25</u>
ClearPort	\$507.50		\$580.00	
Agency Cross	<u>\$507.50</u>		<u>\$580.00</u>	

Other Processing Fees		
	House Acct	Customer Acct
Options E/A Notice	\$152.25 <u>\$0.40</u>	\$174.00 <u>\$0.85</u>

Additional Fees and Surcharges	
Facilitation Desk Fee	\$29.00 <u>\$1.00</u>