

Chapter 354

PJM Electricity Option on Calendar Futures Strip

354.01 EXPIRATION

A PJM Electricity Option on Calendar Futures Strip contract shall expire on the second to last Friday of the month prior to the first underlying PJM Interconnection LLC Swap (JM) contract. If the second to last Friday is an Exchange holiday, expiration will occur on the business day immediately preceding that day.

354.02 TYPE OPTION

A PJM Electricity Option on Calendar Futures Strip is a European-style option.

354.03 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 PJM Interconnection LLC Swap 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 PJM Interconnection LLC Swap contracts at the strike price.

354.04 HOURS OF TRADING

The PJM Electricity Option on Calendar Futures Strip contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. and 2:30 p.m. (New York Prevailing time) Monday through Friday, except on Exchange Holidays.

The PJM Electricity Option on Calendar Futures Strip contract is available for clearing through CME ClearPort[®] from 6:00 p.m. Sundays through 5:15 p.m. Fridays (New York Prevailing time), with a 45-minute halt in trading each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

354.05 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 PJM Interconnection LLC Swap strip of futures 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 ten strike prices which are ten fifty cent increments higher than the strike price described in section (i) of this Rule 354.05(A); and (iii) the ten strike prices which are ten fifty cent increments lower than the strike price described in section (i) of this Rule 354.05(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 ten 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 354.05.
- (C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in PJM Electricity Option on Calendar Futures Strip 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 PJM Electricity Option on Calendar Futures Strip in which no new strike prices may be introduced.

354.06 TRADING MONTHS

Trading in PJM Electricity Option on Calendar Futures Strip contracts shall be conducted in the months determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

354.07 PRICES

Prices shall be quoted in dollars and cents per Megawatt hour (MWh). The minimum price increment will be one cent (\$0.01) per MWh.

354.08 ABSENCE OF PRICE FLUCTUATION

Trading in PJM Electricity Option on Calendar Futures Strip contract shall not be subject to price fluctuation limitations.