



## Special Executive Report

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**DATE:** November 7, 2011

**SER#:** 5992

**SUBJECT:** Rule Amendments — Midwest ISO Cinergy Hub Contracts.

The New York Mercantile Exchange, Inc. (NYMEX or Exchange) currently offers nine (9) electricity futures and option contracts, identified below, that settle against the Cinergy Hub day-ahead and real-time LMP posted by Midwest ISO (MISO). These contracts are listed for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort.

As most recently reported in the Exchange's Special Executive Report (SER) 5935, dated September 14, 2011, Duke Ohio and Duke Kentucky will withdraw from MISO and become a part of PJM Interconnection (PJM) effective January 1, 2012. At such date or other effective MISO withdrawal date of the Duke Ohio and Duke Kentucky subsidiaries, MISO will cease the calculation and posting of Cinergy Hub real-time and day-ahead prices. Since March 1, 2011, MISO has been calculating and posting day-ahead and real-time prices for the Indiana Hub, the replacement for Cinergy Hub, on their website.

In order to reflect the new settlement against Indiana Hub, effective January 1, 2012 or other effective MISO withdrawal date of the Duke Ohio and Duke Kentucky subsidiaries, NYMEX will amend the contracts below to delete references to the Cinergy Hub final settlement and replace with the Indiana Hub as the final settlement reference for real-time and day-ahead prices. As stated in SER-5977 (<http://www.cmegroup.com/tools-information/lookups/advisories/market-regulation/SER-5977.html>), the contract listing schedule for these products was expanded effective October 24, 2011.

The affected contracts, rule chapters, and commodity codes, are listed below for your convenience. The title and rule amendments are provided below in blackline format.

Product	Rule Chapter	Code
Midwest ISO Cinergy Hub 5MW Off-Peak Calendar-Month Day-Ahead Swap Futures	893	K2
Midwest ISO Cinergy Hub 5 MW Off-Peak Calendar Month Real-Time Swap Futures	803	H4
Midwest ISO Cinergy Hub 5 MW Peak Calendar-Month Day-Ahead Swap Futures	859	H5
Midwest ISO Cinergy Hub Peak Calendar-Month LMP Swap Futures	774	EM
Midwest ISO Cinergy Hub 5 MW Peak Calendar-Month Real-Time Swap Futures	802	H3
Midwest ISO Cinergy Hub Off-Peak LMP Swap Futures	774A	EJ
Midwest ISO Cinergy Hub Calendar-Day Peak LMP Swap Futures	774B	CC
Midwest ISO Cinergy Hub Peak Calendar-Month LMP Swap Options	383	OY
Midwest ISO Cinergy Hub Peak Option on Calendar Futures Strip Options	921	OEM

Should you have any questions or require any further information, please contact Brad Leach (212) 299-2609 or Adila Mchich at (212-) 299-2270.

(UNDERScore denotes addition; ~~Strikethrough~~ denotes deletion)

**Chapter 893**  
**Midwest ISO (MISO) ~~CinergyIndiana~~ Hub 5MW Off Peak Calendar-Month Day  
Ahead Swap  
Futures**

**893.02 FLOATING PRICE**

The Floating Price will be determined for each contract month. The Floating Price will be equal to the arithmetic average of the Midwest Independent Transmission System Operator ~~CinergyIndiana~~ Hub Day-Ahead LMP provided by Midwest Independent Transmission System Operator, Inc. (MISO) for all off-peak hours in the contract month. For settlement of this contract, the prices provided by MISO will be considered final on the payment day stated in Rule 893.09 and will not be subject to any further adjustment.

**Chapter 803**  
**Midwest ISO (MISO) ~~CinergyIndiana~~ Hub 5 MW Off-Peak Calendar-Month Real-  
Time  
Swap Futures**

**803.02 FLOATING PRICE**

The Floating Price will be determined for each contract month. The Floating Price will be equal to the arithmetic average of the Midwest Independent Transmission System Operator ~~CinergyIndiana~~ Hub Real-Time LMP provided by Midwest Independent Transmission System Operator, Inc. (MISO) for all off-peak hours in the contract month. For settlement of this contract, the prices provided by MISO will be considered final on the payment day stated in Rule 803.09 and will not be subject to any further adjustment.

**803.08 FINAL SETTLEMENT**

Delivery under the Midwest ISO (MISO) ~~CinergyIndiana~~ Hub 5 MW Off-Peak Calendar-Month Real-Time Swap Futures contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

**Chapter 859**  
**Midwest ISO (MISO) ~~CinergyIndiana~~ Hub 5 MW Peak Calendar-Month Day-Ahead  
Swap Futures**

**859.02 FLOATING PRICE**

The Floating Price for each contract month will be equal to the arithmetic average of the Midwest Independent Transmission System Operator ~~CinergyIndiana~~ Hub Day-Ahead LMP for peak hours provided by Midwest Independent Transmission System Operator, Inc. (MISO), for the contract month. For settlement of this contract, the prices provided by MISO will be considered final on the payment date stated in Rule 859.10 and will not be subject to any further adjustment.

**Chapter 774**  
**Midwest ISO ~~CinergyIndiana~~ Hub Peak Calendar-Month LMP Swap Futures**

**774.02. FLOATING PRICE**

The Floating Price will be determined for each contract month. The Floating Price will be equal to the arithmetic average of the ~~CinergyIndiana~~ Hub Real Time LMP for all peak hours provided by Midwest Independent Transmission System Operator, Inc. (MISO), for the contract month. For settlement of this contract, the prices provided by MISO will be considered final on the payment day stated in Rule 774.10 and will not be subject to any further adjustment.

## Chapter 802

### Midwest ISO [\(MISO\) CinergyIndiana](#) Hub 5 Month Peak Calendar-Month Real-Time Swap Futures

#### 802.02. FLOATING PRICE

The Floating Price for each contract month will be equal to the arithmetic average of the Midwest Independent Transmission System Operator [CinergyIndiana](#) Hub Real-Time LMP for peak hours provided by Midwest Independent Transmission System Operator, Inc. (MISO), for the contract month. For settlement of this contract, the prices provided by MISO will be considered final on the payment date stated in Rule 802.10. and will not be subject to any further adjustment.

#### 802.09. FINAL SETTLEMENT

Delivery under the Midwest ISO [\(MISO\) CinergyIndiana](#) Hub 5 MW Peak Calendar-Month Real-Time Swap Futures contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

## Chapter 774A

### Midwest ISO [CinergyIndiana](#) Hub Off-Peak LMP Swap Futures

#### 774A.02. FLOATING PRICE

The Floating Price will be determined for each contract month. The Floating Price will be equal to the arithmetic average of the [CinergyIndiana](#) Hub Real Time LMP for off-peak hours provided by Midwest Independent Transmission System Operator, Inc. (MISO), for all off-peak hours in the contract month.

## Chapter 774B

### Midwest ISO [CinergyIndiana](#) Hub Calendar-Day Peak LMP Swap Futures

#### 774B.02. FLOATING PRICE

A Daily Floating Price will be determined for the peak day. The Daily Floating Price will be equal to the arithmetic average of the hourly real time Locational Marginal Prices (LMP) for the [CinergyIndiana](#) Hub provided by Midwest Independent Transmission System Operator, Inc. (MISO) for the peak day. For settlement of this contract, the prices provided by MISO will be considered final on the payment day stated in Rule 774B.08. and will not be subject to any further adjustment.

#### 774B.03. CONTRACT QUANTITY AND VALUE

The contract quantity shall be 40 MWH (Megawatt Hours). Midwest ISO [CinergyIndiana](#) Hub Calendar-Day Peak LMP Swap Futures contract shall be valued as the contract quantity (40 MWH) multiplied by the settlement price.

#### 774B.07. FINAL SETTLEMENT

Delivery under the Midwest ISO [Cinergy Indiana](#) Hub Calendar-Day Peak LMP Swap Futures contract shall be by cash settlement. The cash-settlement price will be based on the Daily Floating Price which is determined for the peak day.

## Chapter 383

### Midwest ISO [CinergyIndiana](#) Hub Peak Calendar-Month LMP Swap Option

#### 383.01 EXPIRATION

A Midwest ISO [CinergyIndiana](#) Hub Peak Calendar-Month LMP Swap Option contract shall expire two business days prior to the start of contract month.

#### 383.02 TYPE OPTION

The put option represents an option to assume a short position in the underlying Midwest ISO [CinergyIndiana](#) Hub Peak Calendar-Month LMP Swap Futures contract traded on the Exchange at the strike price. The call option represents an option to assume a long position in the underlying Midwest ISO [CinergyIndiana](#) Hub Peak Calendar-Month LMP Swap Futures contract traded on the Exchange at the strike price.

### **383.04 HOURS OF TRADING**

The hours of trading in the option contract on the Exchange shall be the same as the hours of trading for the underlying Midwest ISO [CinergyIndiana](#) Hub Peak Calendar-Month LMP Swap Futures contract. All such trading shall take place on the trading floor of the Exchange within the hours prescribed by the Exchange.

### **383.05 STRIKE PRICES**

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

(B) 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 settlement price for Midwest ISO [CinergyIndiana](#) Hub Peak Calendar-Month LMP Swap Futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the twenty fifty-cent increment strike prices which are twenty increments higher than the strike price described in (i) of this Rule 383.05(B) and (iii) the twenty fifty cent increment strike prices which are twenty increments lower than the strike price described in (i) of this Rule 383.05(B) and (iv) an additional ten strike prices for both call and put options will be listed at one dollar increments above the highest fifty cent increment as described in (ii) of this Rule 383.05(B), beginning with the first available such strike that is evenly divisible by \$0.50 and (v) an additional ten strike prices for both call and put options will be listed at one dollar increments below the lowest fifty cent increment as described in (iii) of this Rule 383.05(B).

(C) 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 twenty fifty cent strike prices above and below the at-the-money strike price available for trading in all options contract months and (ii) new one dollar increment strike prices will be added such that at all times there shall be ten fifty cent strike prices above the highest fifty cent strike, (iii) new one dollar increment strike prices will be added such that at all times there shall be up to ten five-cent strike prices below the lowest fifty cent strike and each such strike price shall be above zero. The at-the money strike price will be determined in accordance with the procedures set forth in Subsection (B) of this Rule 383.05.

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Exchange determines that trading in option contracts 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 the option contract in which no new strike prices may be introduced.

## **Chapter 921**

### **Midwest ISO [CinergyIndiana](#) Hub Peak Option on Calendar Futures Strip**

#### **921.01 EXPIRATION**

A Midwest ISO [CinergyIndiana](#) Hub Peak Option on Calendar Futures Strip contract shall expire on the second to last Friday of the month prior to the first underlying Midwest ISO [CinergyIndiana](#) Hub Peak Calendar-Month LMP Swap Futures contract. If the second to last Friday is an Exchange holiday, expiration will occur on the business day immediately preceding that day.

#### **921.02 TYPE OF OPTION**

A Midwest ISO [CinergyIndiana](#) Hub Peak Option on Calendar Futures Strip is a European-style option.

#### **921.03 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 Midwest ISO [CinergyIndiana](#) Hub Peak Calendar-Month LMP Swap Futures 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 Midwest ISO [CinergyIndiana](#) Hub Peak Calendar-Month LMP Swap Futures at the strike price.

#### **921.05 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 settlement price for the underlying Midwest ISO [CinergyIndiana](#) Hub Peak Calendar-Month LMP Swap Futures contract 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 921.05(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 921.05(A).

(B) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added, such that at all times there will be at least ten fiftycent increment strike prices above and below the at-the-money strike price available for trading in all option contract months. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (A) of this Rule 921.05.

(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in Midwest ISO [CinergyIndiana](#) Hub Peak Option on Calendar Futures Strip 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 Midwest ISO [CinergyIndiana](#) Hub Peak Option on Calendar Futures Strip contract in which no new strike prices may be introduced.

#### **921.08 ABSENCE OF PRICE FLUCTUATION LIMITATIONS**

Trading in Midwest ISO [CinergyIndiana](#) Hub Peak Option on Calendar Futures Strip shall not be subject to price fluctuation limitations.