

TO: Clearing Member Firms  
Back Office Managers  
Service Providers

FROM: CME Clearing

ADVISORY #: 15-077

DATE: March 16, 2015

SUBJECT: Monthly-to-Daily Power Conversion Testing Scheduled for March 31 – April 1, 2015

CME is planning to execute monthly-to-daily power conversion testing at the end of March as initially referenced in Advisory 15-042 entitled “Monthly-to-Daily Conversion for Power Contracts begins on May 29, 2015” found at the link <http://www.cmegroup.com/tools-information/lookups/advisories/clearing/Chadv15-042.html>.

Testing of the Monthly-to-Daily conversion for power contracts in CME’s New Release environment is scheduled for consecutive days on March 31 and April 1 in the April contract. The product set to be tested is listed in the table below. The day-ahead power products will convert to positions in the corresponding strip of daily contracts on the morning of Tuesday, March 31. Similarly the real-time power products will convert to the corresponding strips of daily contracts on the morning of Wednesday, April 1.

Monthly Product	Daily Product	Type	April Monthly Last Trade Day	April 1 <sup>st</sup> Daily Last Trade Day	Conversion Date
D7	PAP	Day Ahead	3/30/2015	3/31/2015	3/31/2015
R7	PEO	Day Ahead	3/30/2015	3/31/2015	3/31/2015
H5	PDD	Day Ahead	3/30/2015	4/1/2015	3/31/2015
K2	FAD	Day Ahead	3/30/2015	4/1/2015	3/31/2015
H4	FTD	Real Time	3/31/2015	4/1/2015	4/1/2015
H3	PTD	Real Time	3/31/2015	4/2/2015	4/1/2015
OPM	OPD	Real Time	3/31/2015	4/1/2015	4/1/2015
OFM	OFD	Real Time	3/31/2015	4/1/2015	4/1/2015

**Please ensure that you establish positions in CME’s New Release environment in any of the above April monthly contracts that you wish to include in the test on or before the last day of trading.**

The test will incorporate changes to the monthly contracts for the last day of trading. With this change, the monthly contracts will terminate trading prior to the start of the contract month. The new last day of trading will be the first business day immediately prior to the contract month for real-time monthly contracts and the second business day immediately prior to the contract month for day-ahead monthly contracts. Specifically, for the April 2015 contract month, the last trade date will be March 31, 2015, for real-time monthly contracts and March 30, 2015, for day-ahead monthly contracts. The conversion of day-ahead monthlies to dailies will occur on the morning (Central Time) of March 31, 2015. The conversion of the real-time monthlies to dailies will occur on the morning (Central Time) of April 1, 2015.

Position quantities in the monthly peak-hour contracts are provided as multiples of the number of peak days in the specified calendar month. For example, you cleared a buy for 10 MW per hour in the April 2015 PJM AEP Dayton Hub Day-Ahead LMP Peak Calendar-Month 5 MW Futures contract. Because the contract unit is 5 MW per hour and there are 22 peak days in April 2015, your cleared position will be long 44 contracts. (22 times 10/5)

When this long position in the peak monthly futures is converted into the corresponding strip of dailies, the monthly position quantity is divided by the number of peak days in the month. In this example, each daily contract will get a

long position of 2 contracts (44 divided by 22), where the corresponding daily futures contract is the PJM AEP Dayton Hub Day-Ahead Peak Calendar-Day 5 MW Futures.

The process is similar as it applies to monthly off-peak contracts, with the difference being that off-peak contracts are traded in multiples of the number of off-peak hours in the contract month. Off-peak hours cover every calendar day in the month – both peak days (which have 8 off-peak hours each) and off-peak days (which have 24 off-peak hours each). The April 2015 off-peak monthly contract has a total of 368 off-peak hours in the month, and the position quantities will always be in even multiples of 368. Therefore, position quantities for a given off-peak daily contract will be in multiples of either 8 contracts or 24 contracts.

The monthly contracts are processed exactly as they currently are, except that their last day of trading is moved up to the last business day immediately prior to the contract month for the real-time contracts and the second to last business day immediately prior to the contract month for the day-ahead contracts. On that day, positions in the monthly contract are marked to market one final time. On the next morning of the next business day, those positions are removed and replaced with the strip of positions in the dailies, at the last daily settlement price of the monthly determined the day before.

**To make it as simple as possible for firms to create the strips of daily power contracts in books, CME will feed to clearing firms FIXML transaction messages which can be loaded directly to books.** The account number on each such message will be as specified by the firm, so that the transactions will directly load to the desired accounts. Firms may specify such account numbers by providing delivery intents in the Deliveries Plus application, either by directly keying the intents or by uploading a simple CSV-format data file (in the same format as used for CBOT Deliverable Swap Futures).

**Intents will need to be entered on the last day of trading of the monthly contract and must be specified in the proper quantity increments as described above.** Note that providing intents is optional. If such intents are not provided, the daily power positions made in delivery will be created with an account ID of **DLVRY**. The format for the intents file is provided at:

<http://www.cmegroup.com/clearing/files/delivery-intents-file-for-deliverable-swap-futures-and-eurodollar-bundle-futures-2014-08-19.pdf>

To distinguish daily power futures exposures made via deliveries on expiring monthly power futures from daily power futures exposures made in the normal course of trading in daily power futures, daily power futures positions assigned in delivery will be provided as **transfers**, with a trade subtype value of **200** to indicate that they result from delivery. **There will be no fees associated with these transactions or with any other aspect of the conversion process.**

The Globex notice for the monthly power contract modifications will be available in April.

For questions or further information, please contact CME Clearing Services (CCS) at 312-207-2525 or [ccs@cmegroup.com](mailto:ccs@cmegroup.com).