



Special Executive Report

DATE: June 22, 2015

SER#: 7401

SUBJECT: Amendments to Two (2) NYMEX Electricity Products

Effective Sunday, August 23, 2015, for trade date Monday, August 24, 2015, and pending all relevant CFTC regulatory review periods, the New York Mercantile Exchange, Inc. (NYMEX or Exchange) will amend the termination of trading rules for two (2) electricity products, shown below in Tables 1 and 2.

Table 1. Monthly and Daily Futures Electricity Contract

Clearing Code	Rulebook Chapter	Futures Contract Title
T3	904	NYISO Zone G Day-Ahead Peak Calendar-Month 5 MW Futures

Table 2. Electricity Option Contract

Clearing Code	Rulebook Chapter	Option Contract Title
9U	904A	NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Option

Currently, the termination of trading rules for the monthly electricity futures and the option contract are shown in Table 3.

Table 3. Termination of Trading for Electricity Contracts in Tables 1 and 2

Clearing Code	Monthly Futures	Current Termination of Trading Rule
T3	NYISO Zone G Day-Ahead Peak Calendar-Month 5 MW Futures	Trading on CME Globex shall cease on the last business day of the month prior to the contract month. Trading on the trading floor venue, as well as submission of all block transactions, shall cease on the last business day of the contract month.
9U	NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Option	The contract shall expire on the second to last business day of the calendar month immediately preceding the contract month.

These amendments provide that trading in the monthly electricity contract will expire at the close of business two business days prior to the start of the contract month. An existing position at the termination of trading will be converted into a strip of corresponding daily futures contracts within the originally specified calendar month. The associated daily futures contract is the NYISO Zone G Day-Ahead Peak Calendar-Day 5 MW Futures. By terminating trading in the monthly futures contract two business days before the contract month, trading all of the associated daily contracts that are obtained after the conversion will be enabled.

In order to illustrate the conversion process, a peak contract will be explained. The size of the affected peak-hour monthly futures contract and the associated peak-hour daily futures contract is 80 MWh. Peak monthly contracts are traded in multiples of the number of peak days in the contract month. So, if one trades the NYISO Zone G Day-Ahead Peak Calendar-Month 5 MW Futures (T3) contract in a nineteen (19) peak-day month, the market participant would hold nineteen (19) NYISO Zone G Day-Ahead Peak Calendar-Month 5 MW Futures (T3) contracts for that month. After the conversion, the market participant would hold one (1) NYISO Zone G Day-Ahead Peak Calendar-Day 5 MW Futures (GN) contract for each peak day in the originally specified calendar month, totaling nineteen (19) NYISO Zone G Day-Ahead Peak Calendar-Day 5 MW Futures (GN) contracts.

In terms of final settlement, the monthly electricity contract currently is cash settled based on the arithmetic average of the hourly Zone G peak day-ahead electricity prices during the contract month, as reported by the New York Independent System Operator. Once the rule amendments are implemented, the monthly contract will not have a final settlement price. At expiration, the daily settlement price on the last trading day will be cascaded to all of the related daily contracts within the originally specified calendar month. After the conversion occurs, each daily contract will be individually settled on a daily basis. The final settlement price of each daily contract will continue to be the arithmetic average of the applicable hourly electricity prices during the contract day. The original final settlement price for the monthly contract will be identical to the price received if a strip of daily contracts is held for the entire calendar month.

The Exchange fee structure for the monthly and daily electricity futures contracts will not be amended. It should be noted that market participants will not incur a related Exchange fee when switching from monthly futures to daily futures. Moreover, since the Exchange fees for the monthly contract are the same as those for the daily contract, market participants will not be negatively impacted by the amendments.

The last trading day for the NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Option is being amended to accommodate the new last trading date for the underlying futures contract. Currently, the option terminates on the second to last business day before the contract month, which is the same as the current last trading date for the underlying futures contract. The new last trading date for the NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Option will be the third to last business day before the contract month.

Finally, please note that the Exchange has obtained the written unanimous consent of holders of open interest of the 9U contract to implement the rule amendments.

The amendments to the rulebook chapters are provided below.

Chapter 904 **NYISO Zone G Day-Ahead Peak Calendar-Month 5 MW Futures**

904.01. SCOPE

~~The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price. This chapter is limited in application to trading of NYISO Zone G Day-Ahead Peak Calendar-Month 5 MW Futures (T3).~~

904.02. FLOATING PRICE

The Floating Price for each contract month will be equal to the arithmetic average of the NYISO Zone G Day-Ahead LBMP for peak hours provided by New York Independent Systems Operator (NYISO) for the contract month. ~~For settlement of this contract, the prices provided by NYISO will be considered final on the payment date stated in Rule 904.10 and will not be subject to any further adjustment.~~

904.03. PEAK DAYS

"Peak day" shall mean a Monday through Friday, excluding North American Electric Reliability Corporation holidays.

904.04. PEAK HOURS

From Hour Ending (HE) 0800 Eastern Prevailing Time (EPT) through HE 2300 EPT.

904.05. CONTRACT QUANTITY AND VALUE

The contract quantity shall be 80 ~~Megawatt megawatt Hours-hours (MWHMWh)~~ and is based on 5 megawatts for peak daily hours.

~~Transaction sizes for trading in any delivery month shall be restricted to whole number multiples of the number of peak days in the month.~~

Each futures contract shall be valued at the contract quantity multiplied by the settlement price.

904.06. CONTRACT MONTHS

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

904.07. PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per ~~MWh~~MWh. The minimum price fluctuation shall be \$0.05 per ~~MWh~~MWh. There shall be no maximum price fluctuation.

904.08. TERMINATION OF TRADING

~~Trading on CME Globex shall cease on the last business day of the month prior to the contract month. Trading on the trading floor venue, as well as submission of all block transactions, shall cease on the last business day of the contract month. Trading shall cease on the second to last business day of the month before the contract month. At that time, a position in the NYISO Zone G Day-Ahead Peak Calendar-Month 5 MW Futures (T3) contract will be converted to a strip of NYISO Zone G Day-Ahead Peak Calendar-Day 5 MW Futures (GN) contracts. For example, in a twenty-two (22) peak-day month, a position of twenty-two (22) NYISO Zone G Day-Ahead Peak Calendar-Month 5 MW Futures (T3) contracts will be converted at the termination of trading to a position of one (1) NYISO Zone G Day-Ahead Peak Calendar-Day 5 MW Futures (GN) contract per peak day in the contract month.~~

~~904.09. FINAL SETTLEMENT~~

~~Delivery under the 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.~~

~~904.10. PAYMENT DATE~~

~~Five (5) business days following each contract month.~~

Chapter 904A

NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Option

904A.01. EXPIRATION

The contract shall expire on the ~~second~~third to last business day of the calendar month immediately preceding the contract month.

Please refer questions on this subject to:

Greg Price

Gregory.Price@cmegroup.com

(212) 299-2625