

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 16-161

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): 05/03/2016 Filing Description: Initial Listing of NYISO Lower Hudson Valley Capacity Calendar-Month Futures Contract

**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 Names: See filing.

**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:

Rule Numbers:

May 3, 2016

**VIA ELECTRONIC PORTAL**

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

**Re: CFTC Regulation 40.2(a) Certification. Notification Regarding the Initial Listing of  
NYISO Lower Hudson Valley Capacity Calendar-Month Futures Contract.  
NYMEX Submission No. 16-161**

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 the initial listing of NYISO Lower Hudson Valley Capacity Calendar-Month Futures contract (the “Contract”) for trading on CME Globex and for submission for clearing via CME ClearPort, effective on Sunday, May 22, 2016 for trade date Monday, May 23, 2016, as set forth in the table below.

<b>Contract Name</b>	NYISO Lower Hudson Valley Capacity Calendar-Month Futures
<b>Commodity Code</b>	LHV
<b>Chapter</b>	381
<b>Settlement Type</b>	Financial
<b>Contract Size</b>	The contract quantity shall be 5 Megawatt Months and is based on the NYISO \$/kW-Month capacity price quotation. Transaction sizes for trading in any contract month shall be restricted to whole number multiples of 5 Megawatt Months. Each futures contract shall be valued at the contract quantity multiplied by the settlement price times 1,000.
<b>Termination of Trading</b>	The contract shall terminate on the last business day of the month preceding the contract month.
<b>Minimum Price Fluctuation</b>	\$0.01 per kW-Month
<b>Final Settlement Price Tick</b>	\$0.01 per kW-Month
<b>First Listed Month</b>	June 2016
<b>Listing Convention</b>	Monthly contracts listed for the current season and next four seasons (Summer: May-Oct; Winter: Nov-Apr)

<b>CME Match Algorithm</b>	First In, First Out
<b>Block Trade Minimum Threshold</b>	3 contracts

<b>Exchange Fees</b>	<b>Member Day</b>	<b>Member</b>	<b>Cross-Division</b>	<b>Non-Member</b>	<b>International Incentive Programs (IIP/IVIP)</b>
CME Globex	\$23.63	\$23.63	\$25.31	\$27.00	\$25.99
EFP		\$23.63		\$27.00	
Block		\$23.63		\$27.00	
EFR/EOO		\$23.63		\$27.00	
Agency Cross		\$23.63		\$27.00	
<b>Processing Fees</b>				<b>Member</b>	<b>Non-Member</b>
Cash Settlement				\$7.089	\$8.10
<b>Other Fees</b>					
Facilitation Fee					\$1.35
Give-Up Surcharge					\$0.05
Position Adjustment/Transfer					\$0.10

### **TRADING AND CLEARING HOURS**

CME Globex and CME ClearPort	Sunday - Friday 6:00 p.m. - 5:00 p.m. (5:00 p.m. - 4:00 p.m. Chicago Time/CT) with a 60-minute break each day beginning at 5:00 p.m. (4:00 p.m. CT)
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The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new futures contracts into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new contract. These terms and conditions establish the all month/any one month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contract. Please see Appendix B, attached under separate cover.

In addition, NYMEX is self-certifying block trading on the Contract with a minimum block threshold of three (3) contracts. This block level aligns with the Exchange's existing NYISO NYC In-City Capacity Calendar-Month Futures and NYISO Rest of the State Capacity Calendar-Month Futures contracts.

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act") and staff identified that the Contract may have some bearing on the following Core Principles:

- **Compliance with Rules:** Trading in the Contract will be subject to all CME Rules, including prohibitions against fraudulent, noncompetitive, unfair and abusive practices as outlined in CME Rule Chapter 4, the Exchange's trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the CME Rulebook, and the dispute resolution and arbitration

procedures of CME Rule Chapter 6. As with all products listed for trading on one of CME Group's designated contract markets, trading activity in the Contract will be subject to monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

- **Contract Not Readily Subject to Manipulation**: The Contract is not readily subject to manipulation as a result of the deep liquidity and robustness of the underlying futures market and the settlement index.
- **Prevention of Market Disruption**: Trading in the Contract will be subject to the Rules of CME, which include prohibitions on manipulation, price distortion, and disruption to the cash settlement process. As with any new product listed for trading on a CME Group designated contract market, trading activity in the futures Contract proposed herein will be subject to monitoring and surveillance by CME Group's Market Regulation Department.
- **Position Limitations or Accountability**: The Exchange has a detailed calculation methodology for the position limits in the Contract.
- **Availability of General Information**: The Exchange will publish on its website information in regard to contract specifications, terms, and conditions, as well as daily trading volume, open interest, and price information for the Contract.
- **Daily Publication of Trading Information**: The Exchange will publish contract trading volumes, open interest levels, and price information daily on its website and through quote vendors for the Contract.
- **Execution of Transactions**: The Contract will be listed for trading on the CME Globex electronic trading and for clearing through CME ClearPort. The CME Globex trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.
- **Trade Information**: All requisite trade information for the Contract will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Financial Integrity of Contract**: The Contract will be cleared by the CME Clearing House, a derivatives clearing organization registered with the CFTC and subject to all CFTC regulations related thereto.
- **Protection of Market Participants**: CME Rulebook Chapters 4 and 5 set forth multiple prohibitions that preclude intermediaries from disadvantaging their customers. These rules apply to trading in all of the Exchange's competitive trading venues.
- **Disciplinary Procedures**: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in the Contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in these products are identified.
- **Dispute Resolution**: Disputes with respect to trading in the Contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate

in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange hereby certifies that listing the Contract complies with the Act, including regulations under the Act. There were no substantive opposing views to the listing of the Contract.

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 [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: NYMEX Rulebook Chapter 381  
Appendix B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)  
Appendix C: NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”)  
Appendix D: Cash Market Overview and Analysis of Deliverable Supply

## **APPENDIX A**

### **NYMEX Rulebook**

#### **Chapter 381**

#### **NYISO Lower Hudson Valley Capacity Calendar-Month Futures**

##### **381100. SCOPE OF CHAPTER**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

##### **381101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month will be the "Price (\$/kW-M)" for area labeled as "G-J Locality" from the "Spot Market Auction Results – UCAP", published on the New York Independent System Operator (NYISO) website according to the NYISO "Event Calendar". For settlement of this contract, the prices provided by NYISO will be considered final on the Payment Date and will not be subject to any further adjustment.

##### **381102. TRADING SPECIFICATIONS**

The number of months open for trading at a given time shall be determined by the Exchange.

###### **381102.A. Trading Schedule**

The hours of trading for this contract shall be determined by the Exchange.

###### **381102.B. Trading Unit**

The contract quantity shall be 5 Megawatt Months and is based on the NYISO \$/kW-Month capacity price quotation. Transaction sizes for trading in any contract month shall be restricted to whole number multiples of 5 Megawatt Months. Each futures contract shall be valued at the contract quantity multiplied by the settlement price times 1,000.

###### **381102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per kW-Month. The minimum price fluctuation shall be \$0.01 per kW-Month.

###### **381102.D. Position Limits and Position Accountability**

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.

###### **381102.E. Termination of Trading**

The contract shall terminate on the last business day of the month preceding the contract month.

###### **381102.F. Payment Date**

Payment Date shall be five (5) business days following termination of trading.

##### **381103. FINAL SETTLEMENT**

Final settlement 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.

##### **381104. DISCLAIMER**

NYMEX AND ITS AFFILIATES MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE PRICE ASSESSMENT, TRADING AND/OR CLEARING BASED ON THE PRICE ASSESSMENT, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING AND/OR CLEARING OF THE CONTRACT, OR, FOR ANY OTHER USE. NYMEX AND ITS AFFILIATES MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AND HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE PRICE ASSESSMENT OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX OR ITS AFFILIATES HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

**APPENDIX B**

**Position Limit, Position Accountability, and Reportable Level Table in  
Chapter 5 of the NYMEX Rulebook**

(Attached under separate cover.)



## APPENDIX C

### **NYMEX Rule 588.H. (“Globex Non-Reviewable Trading Ranges”)**

(Additions are underscored.)

<b>Instrument Name</b>	<b>Globex Symbol</b>	<b>Globex Non-Reviewable Ranges (NRR)</b>	<b>NRR: Globex Format</b>	<b>NRR: Ticks</b>
<u>NYISO Lower Hudson Valley Capacity Calendar-Month Futures</u>	<u>LHV</u>	<u>\$2.00 per kW-Month</u>	<u>200</u>	<u>200</u>

## **APPENDIX D**

### **Cash Market Overview and Analysis of Deliverable Supply**

#### **NEW YORK ISO**

The New York Independent System Operator (NYISO) manages New York's electricity transmission grid - a nearly 11,000-mile network of high-voltage lines that carry electricity throughout the state. NYISO coordinates the dispatch of over 500 electric power generators and administers the bulk power market in its service area which trades an average of \$7.5 billion in electricity and related products annually. The ISO operates markets for installed capacity, energy, ancillary services, and transmission congestion contracts. Lastly, NYISO manages the scheduling of firm and non-firm point-to-point transmission service and Network Integration Transmission Service. Point-to point transmission service uses the NYISO system for the transmission of capacity and energy between a point of receipt and a point of delivery which can be into, out of, or through the NYISO control area. Network transmission service is used for the transmission of capacity and energy from network generating resources to network loads within the NYISO service region.

#### **NYISO ICAP Market**

The NYISO Installed Capacity (ICAP) Market is designed to promote resource adequacy and provide suppliers means to recover a portion of their fixed (capital) costs. It is different from the day-ahead and real-time energy markets in that the transacted items are capacity (the ability to provide power at any point in time) instead of consumption (the amount of power provided over a period of time). As required by NYISO's Comprehensive Reliability Planning Process (CRPP) established in 2005, New York State Reliability Council (NYSRC) and the NYISO jointly determine the resource adequacy requirements in New York. These requirements include 1)

NYRSC's determination of the installed reserve margin (IRM) for the entire New York Control Area (NYCA) and 2) NYISO's calculation of ICAP requirements by multiplying the IRM by NYISO's annual peak load forecast. The resulting ICAP requirements are then used to determine each generation resource's capacity. Load serving entities (LSEs) are responsible for procuring sufficient capacity for their loads. Once procured, the capacity becomes ICAP and can be used to offset the ICAP requirements of the LSE's customers.

### **Lower Hudson Valley Capacity Zone**

The state of New York is divided into 11 control area load zones, which are denoted by letters. Zone A is in the western part of the state, while Long Island is Zone K. The most important zones within NYISO are Zone A (West), Zone G (Hudson Valley), and Zone J (New York City). The Lower Hudson Valley (LHV) market is defined as Zone G (Hudson Valley), Zone H (Millwood), Zone I (Dunwoodie), and Zone J (New York City).<sup>1</sup>

### **Cash Market/OTC Market Data**

The procurement of ICAP can be done through four markets: the bilateral market between load serving entities and suppliers, the NYISO Capability Period Auctions (6-month strip), the NYISO Monthly Auctions (remaining months in a capability period), and the NYISO Spot Market Auction (1-month). Summer is defined as May through October of a given year, while the winter season is defined as November of a given year through April of the following year. The capacity procured from all four markets can be delivered to fulfill the NYISO ICAP requirements, while the spot auction sets the monthly price for any residual capacity that are not fulfilled through the other aforementioned markets.

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<sup>1</sup> See <http://www.ferc.gov/CalendarFiles/20140226090109-New%20York%20ISOI.pdf> for how the LHV capacity region was determined.

Pursuant FERC approval, NYISO established and implemented the LHV for its capacity market effective May 1, 2014. Below are results from the NYISO ICAP auctions for the LHV in capacity years starting from May 2014 to March 2016. The LHV is denoted as “G-J Locality” in the auction data.<sup>2</sup> The average monthly auction volume for the LHV capacity market is 3,081 MW-Months.

<b>Month-Year</b>	<b>Strip Auction</b>	<b>Monthly Auction</b>	<b>Spot Auction</b>	<b>Total</b>
May-14	476	435	2,303	3,214
June-14	476	997	1,689	3,162
July-14	476	1,151	1,521	3,148
August-14	476	1,149	1,542	3,167
September-14	476	1,339	1,516	3,331
October-14	476	1,320	1,617	3,413
November-14	390	675	2,116	3,181
December-14	390	803	1,995	3,188
January-15	390	607	1,704	2,701
February-15	390	556	1,552	2,498
March-15	390	726	1,797	2,913
April-15	390	791	1,721	2,902
May-15	723	228	2,261	3,212
June-15	723	463	1,938	3,124
July-15	723	445	1,994	3,162
August-15	723	1,061	1,310	3,094
September-15	723	1,045	1,301	3,069
October-15	723	1,100	1,301	3,124
November-15	401	434	2,360	3,195
December-15	401	579	2,169	3,149
January-16	401	699	1,856	2,956
February-16	401	795	1,764	2,960
March-16	401	820	1,777	2,998

<sup>2</sup> See [http://www.nyiso.com/public/markets\\_operations/market\\_data/icap/index.jsp](http://www.nyiso.com/public/markets_operations/market_data/icap/index.jsp)  
[http://icap.nyiso.com/ucap/public/auc\\_view\\_spot\\_selection.do](http://icap.nyiso.com/ucap/public/auc_view_spot_selection.do)  
[http://icap.nyiso.com/ucap/public/auc\\_view\\_strip\\_selection.do](http://icap.nyiso.com/ucap/public/auc_view_strip_selection.do)  
[http://icap.nyiso.com/ucap/public/auc\\_view\\_monthly\\_selection.do](http://icap.nyiso.com/ucap/public/auc_view_monthly_selection.do).

## DELIVERABLE SUPPLY ESTIMATE

In estimating deliverable supply and calculating position limits, the Exchange relied on publicly available from NYISO auction results as shown in the table above. The subject futures contract will be listed for trading on a monthly basis. The contract quantity shall be 5 megawatt months (MW-Months) and is based on the NYISO dollar and cents per kilowatt-month (\$/kW-Month) capacity price quotation. Transaction sizes for trading in any contract month shall be restricted to whole number multiples of 5 MW-Months.<sup>3</sup>

The average monthly auction volume for the LHV capacity market is 3,081 MW-Months, which is the equivalent of 616 NYMEX contracts. The proposed spot-month speculative position limit, which is set at 20% of the deliverable supply estimate, is set at 125 contracts.

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<sup>3</sup> In terms of conversion, one megawatt (MW) is equal to 1,000 kilowatts (kW). Generator capacity is denoted in MW and assumes electricity output over a one-hour period. A MW-Month assumes power generation that is at full capacity 24 hours per day over 30 days in a month. When related to contract size, a 5 MW-Month contract is equivalent to 3,600 megawatt hours (MWh) in a 30-day month.