SUBMISSION COVER SHEET

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Registered Entity Identifier Code (optional): 16-294

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): 07/22/16 Filing Description: Decreasing Position Limits for Two (2) PJM Day-Ahead Electricity Futures Contracts

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

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: See filing.

Rule Numbers: See filing.

Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

July 22, 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 40.6(a) Certification. Notification Regarding Decreasing Position Limits for Two (2) PJM Day-Ahead Electricity Futures Contracts. NYMEX Submission No. 16-294

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 amendments to the spot month position limits for two (2) PJM Day-Ahead Electricity Futures contracts (the "Contracts"). Specifically, the Exchange is reducing the spot month position limits of the Contracts listed below based on an updated analysis of deliverable supply for the PJM Penelec Zone Peak and Off-Peak (please see Appendix B) effective with the September 2016 contract month and beyond. This submission shall be effective on Monday, August 8, 2016.

The Contracts affected are listed in the table below:

Contract Name	Rule Chapter	Clearing Code
PJM PENELEC Zone Peak Calendar-Month Day-Ahead LMP Futures	292	49
PJM PENELEC Zone Off-Peak Calendar-Month Day-Ahead LMP Futures	293	50

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 is being amended to reflect the changes in the position limits and accountability levels for the Contracts listed above (please see Appendix A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)).

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

- Contracts Not Readily Susceptible to Manipulation: Due to the liquidity and robustness in the underlying physical market, the contracts are not readily susceptible to manipulation (Please see Appendix B: Cash Market Overview and Analysis of Deliverable Supply).
- Position Limitations or Accountability: The spot-month speculative position limits for the contracts are set at less than the threshold of 25% of the deliverable supply in the underlying market.

- Availability of General Information: The information contained herein will be disseminated to the marketplace via Special Executive Report. The Exchange will publish information on the contracts' specifications on its website, together with daily trading volume, open interest, and price information.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

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.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments:

Appendix A – Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Appendix B – Cash Market Overview and Analysis of Deliverable Supply

Appendix A

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

(attached under separate cover)

Appendix B

Cash Market Overview and Analysis of Deliverable Supply

PJM

PJM Interconnection LLC ("PJM") is a regional transmission organization (RTO) that coordinates the movement of electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia. In 1997, PJM began operating the nation's first regional, bid-based, hourly energy market. PJM enables participants to buy and sell power, schedule transactions, and reserve transmission service. Acting as a neutral, independent party, PJM operates a competitive wholesale electricity market and manages the high-voltage electricity grid to ensure reliability. PJM prices power at numerous utility zones as well as for hubs, including the Western Hub, Northern Illinois Hub, AEP Dayton Hub, and Eastern Hub.

MARKET COMPETITIVENESS AND OVERSIGHT

Independent system operators (ISO) and RTO markets manage the generation and transmission of electricity within their respective service areas. ISO/RTO markets are highly competitive, and were established following Federal Energy Regulatory Commission (FERC) orders. FERC Order No. 888 identified barriers to competitive wholesale electricity markets and required that those barriers be removed. FERC Order No. 889 established open access to system information. FERC Order No. 2000 provided the framework for the formation of ISO/RTO markets. Under FERC oversight ISO-NE operates and monitors its respective market to ensure the competitiveness and reliability of the electricity system. Specifically, FERC monitors and investigates energy markets with respect to manipulation, and it enforces regulatory requirements through imposition of civil penalties and other means. Specifically, the Office of Enforcement within FERC ensures compliance with FERC statutes, rules, and orders. In this regard, the enforcement office monitors energy markets and gathers relevant data to prohibit market manipulation, fraud, and violations of electric reliability standards.

The ISO/RTOs are also monitored by the North American Electric Reliability Corporation (NERC), a non-profit organization made up of stakeholders responsible for developing reliability standards (both seasonal and long term) and ensuring compliance with those standards. NERC has various committees, sub-committees, task forces, and working groups investigating and analyzing system disruptions to prevent market manipulation. NERC is subject to oversight by FERC.

In addition to governmental and industry organizations, each ISO/RTO is monitored by an independent market monitor. The market monitors regularly evaluate the competitiveness of their respective markets, recommend improvement plans, and review the implementation of those plans. Market monitors publish quarterly and annual market reports to raise public awareness of the state of their respective markets.

DAY-AHEAD VERSUS REAL-TIME MARKET

PJM offers two basic energy markets for physical market participants: a real-time (or spot) market and a day-ahead market. The real-time and day-ahead markets are interrelated as the day-ahead market is a forward market for pricing power that is delivered during a given hour on the following day. In contrast, the real-time market prices electricity that flows during a particular hour on the same day. Each hour has a separate auction in the day-ahead and real-time markets. Moreover, the day-ahead and real-time markets adopt a competitive auction process developed by the stakeholders from both the generation and load sides. Hourly market-clearing prices or locational marginal prices (LMPs) are published for both the day-ahead and real-time markets to reflect dynamic and competitive pricing and are publicly available on a timely basis to ensure competiveness and transparency. This submission includes contracts based on day-ahead market.

Hub vs. Zone

Within each ISO/RTO, the term "zone" refers to a group of electrical nodes within a utility control area, such as AEP Ohio (AEP Zone) and Dayton Power & Light (Dayton Zone) in the PJM territory. In contrast, the term "hub" refers to a group of selected electrical nodes from one or more zones. For example PJM's AEP Dayton Hub ("PJM AD Hub") is a group of nodes selected from the AEP Zone and Dayton Zone. Both zonal and hub LMPs are designed by ISOs (RTOs) taking into account a combination of historical and projected LMPs for individual nodes that reflect prescribed commercial criteria in a statistically consistent manner. For instance, a hub may reflect common LMP correlation criteria or comprise a set of nodes that consistently experience (or consistently do not experience) congestion. Each ISO/RTO hub has been subjected to a thorough stakeholder vetting process before being introduced.

Since the hubs are designed to reflect physical transactions at the zonal level in all of the related zones, to derive load information for the cash market activities for the hubs, Exchange staff used load data for the related zones or control areas to calculate the transaction volume. Below are the hub definitions with zonal information, as implied by the physical locations of the hubs' nodes.[1]

PJM-PENELEC Zone: A group of 231 nodes located throughout central and northern Pennsylvania

DELIVERABLE SUPPLY ESTIMATION

Load data reflect the amount of electricity that is produced and consumed in real time. The analysis of deliverable supply is based on actual load information reported by an RTO/ISO.

The deliverable supply for these contracts is based on the maximum one-hour load realized in the specified zone for the time period of January 1, 2013 to June 15, 2016 as illustrated in Table 1. Because the maximum load theoretically can occur during any one hour of the day, the maximum load is applied to the deliverable supply calculations for both peak and off-peak contracts. It is assumed that there are 368 peak hours and 424 off-peak hours in the PJM market. Table 2 shows the monthly deliverable supply

[1] Please note hub definitions may change from time to time when the ISO/RTO updates the definitions.

adjusted to reflect the contract size of 80 MWh for the peak and 5 MWh for the off-peak contracts. The spot month position limits for the daily contracts are estimated based on the current position limits for the monthly contracts assuming 21 peak days and 9 off-peak days in the month. The spot month limit for the PJM PENELEC Zone Peak Calendar-Month Day-Ahead LMP Futures will be 2,950 contracts, and 54,350 contracts for the PJM PENELEC Zone Off-Peak Calendar-Month Day-Ahead LMP Futures contracts.

Table 1: Maximum Hourly Load MW[2]

Location	Maximum Hourly Load MW
PENELEC	3,205

Table 2: Position Limits Calculation

Location	Maximum Hourly Load	Period	Contract Size (MW)	Monthly Deliverable Supply (MW)	Monthly Deliverable Supply (Contracts)	Proposed Limits	Old Limits	Percentage of Deliverable Supply
PENELEC	3,205	Peak	80	1,179,293	14,741	2,950	4,880	20%
		Off-Peak	5	1,358,750	271,750	54,350	73,520	20%

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[2] The data was collected using NRGSTREAM application.