

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 21-365

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): 12/02/21 **Filing Description:** Initial Listing of Japanese Power (Day-Ahead) Tokyo Base-Load Average Price Option Contract

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | | |
|--------------------------|-------------------------------------|------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Notification | § 40.6(d) |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers:

New Product

Please note only ONE product per Submission.

- | | | |
|-------------------------------------|---------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification | § 40.2(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class | § 40.2(d) |
| <input type="checkbox"/> | Approval | § 40.3(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission | § 39.5 |

Product Terms and Conditions (product related Rules and Rule Amendments)

- | | | |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Certification Made Available to Trade Determination | § 40.6(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.24(a) |
| <input type="checkbox"/> | Delisting (No Open Interest) | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Approval Made Available to Trade Determination | § 40.5(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.24(c) |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | “Non-Material Agricultural Rule Change” | § 40.4(b)(5) |
| <input type="checkbox"/> | Notification | § 40.6(d) |

Official Name(s) of Product(s) Affected:

Rule Numbers:

December 2, 2021

VIA ELECTRONIC PORTAL

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

**Re: CFTC Regulation 40.2(a) Certification. Initial Listing of Japanese Power (Day-Ahead)
 Tokyo Base-Load Average Price Option Contract.
 NYMEX Submission No. 21-365**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the initial listing of Japanese Power (Day-Ahead) Tokyo Base-Load Average Price Option contract (the “Contract”) for trading on the CME Globex electronic trading platform (“CME Globex”) and for submission for clearing via CME ClearPort, effective Sunday, January 23, 2022 for trade date Monday, January 24, 2022, as more specifically described below.

Contract Title	Japanese Power (Day-Ahead) Tokyo Base-Load Average Price Option
Commodity Code	JTO
Rulebook Chapter	795
Underlying Futures	Japanese Power (Day-Ahead) Tokyo Base-Load Futures (Code: JBT)
Settlement Method	Financial
Contract Size	1 MW x 24 hours x # of calendar days in the contract month
Listing Schedule	Monthly contracts listed for 24 consecutive months
First Listed Month	February 2022
Exercise Style	European
Minimum Price Fluctuation	¥0.001 per KWh
Value per Tick	¥672 - ¥744
Block Trade Minimum Threshold	5 contracts – subject to a 15-minute reporting window
Strike Increment	¥0.01 per KWh
Termination of Trading	Trading terminates on the last Japanese business day prior to the last day of the contract month. If such day is not an Exchange business day, trading shall terminate on the preceding Exchange business day.
CME Globex Matching Algorithm	First in First Out (FIFO)
CME Globex	Sunday - Friday 6:00 p.m. - 5:00 p.m. Eastern Time/ET (5:00 p.m. - 4:00 p.m. Central Time/CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)

CME Globex Pre-Open	Sunday 5:00 p.m. – 6:00 p.m. ET (4:00 p.m. – 5:00 p.m. CT) Monday – Friday 5:45 p.m. – 6:00 p.m. ET (4:45 p.m. to 5:00 p.m. CT)
CME ClearPort	Sunday - Friday 6:00 p.m. - 5:00 p.m. ET (5:00 p.m. - 4:00 p.m. CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)

Exchange Fees:

	Member	Non-Member
CME Globex	\$4.50	\$5.00
EFP	\$4.50	\$5.00
Block	\$4.50	\$5.00
EFR/EOO	\$4.50	\$5.00
Processing Fees	Fee	
Facilitation Fee	\$0.60	
Give-Up Surcharge	\$0.05	
Position Adjustment/Position Transfer	\$0.10	

NYMEX is also certifying block trading of the Contract with a minimum block threshold of 5 contracts which is comparable to the Exchange's similar contracts.

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

- **Compliance with Rules:** Trading in the Contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in the Contracts will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new product will be subject to extensive 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 based on cash price series that are reflective of the underlying cash market and are commonly relied on and used as a reference price by commercial market participants.
- **Prevention of Market Disruption:** Trading in the Contract will be subject to Rulebook Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.
- **Position Limitations or Accountability:** The speculative position limits for the Contract as demonstrated in this submission are consistent with the Commission's guidance.
- **Availability of General Information:** The Exchange will publish information on the Contract's specifications on its website, together with daily trading volume, open interest and price information.

- **Daily Publication of Trading Information:** The Exchange will publish information on the Contracts' specifications on its website, together with daily trading volume, open interest and price information.
- **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 required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Financial Integrity of Contract:** All contracts traded on the Exchange will be cleared by the CME Clearing House which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- **Protection of Market Participants:** Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in this product.
- **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 rules. Trading in this 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. The rules in Chapter 6 allow 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 the rules in 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 Regulations 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 proposal.

The Exchange certifies that this submission has been concurrently posted on the CME Group 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: Exhibit A: NYMEX Rulebook Chapter 795
Exhibit B: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Exhibit C: NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table
Exhibit D: NYMEX Rule 300.20. – Strike Price Listing and Exercise Procedures Table
Exhibit E: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A

NYMEX Rulebook

Chapter 795

Japanese Power (Day-Ahead) Tokyo Base-Load Average Price Option

795100. SCOPE OF CHAPTER

This chapter is limited in application to put and call Japanese Power (Day-Ahead) Tokyo Base-Load Average Price Option on the Japanese Power (Day-Ahead) Tokyo Base-Load Futures contract. In addition to the rules of this chapter, transactions in Japanese Power (Day-Ahead) Tokyo Base-Load Average Price Option shall be subject to the general rules of the Exchange.

795101. OPTION CHARACTERISTICS

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

795101.A. Trading Schedule

The hours of trading shall be determined by the Exchange.

795101.B. Trading Unit

A Japanese Power (Day-Ahead) Tokyo Base-Load Average Price Option is a cash settled option.

On expiration of a call option, the value will be the difference between the final settlement price of the contract month of the underlying Japanese Power (Day-Ahead) Tokyo Base-Load Futures contract and the strike price multiplied by the contract quantity, or zero, whichever is greater. On expiration of a put option, the value will be the difference between the strike price and the final settlement price of the contract month of the underlying Japanese Power (Day-Ahead) Tokyo Base-Load Futures contract multiplied by contract quantity, or zero, whichever is greater.

The contract quantity shall be 1 MW per hour in the contract period.

795101.C. Price Increments

Prices shall be quoted in Yen per KWh. The minimum price fluctuation shall be 0.001 Yen per KWh.

795101.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

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.

795101.E. Termination of Trading

Trading terminates on the last Japanese business day prior to the last day of the contract month. If such day is not an Exchange business day, trading shall terminate on the preceding Exchange business day.

795101.F. Type of Option

The option is a European-style option which can only be exercised on Expiration Day.

795102. EXERCISE PRICES

Transactions shall be conducted for option contracts as set forth in Rule 300.20.

Exhibit B

**NYMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")**

Position Limits, Position Accountability and Reportable Level Table
(attached under separate cover)

Exhibit C

**NYMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")**

Rule 588.H. – ("Globex Non-Reviewable Trading Ranges") Table

(additions are underscored)

Instrument Name	Globex Symbol	Globex Non-Reviewable Ranges (NRR)
<u>Japanese Power (Day-Ahead) Tokyo Base-Load Average Price Option</u>	<u>JTO</u>	<u>The greater of the following:</u> • <u>Delta multiplied by the underlying futures non-reviewable range</u> • <u>20% of premium up to ¼ of the underlying futures non-reviewable range</u> • <u>5 ticks</u>

Exhibit D

**NYMEX Rulebook
Chapter 300
("Options Contracts")**

Rule 300.20 – Strike Price Listing and Exercise Procedures Table

(additions are underscored)

Commodity Code	CME Globex Code	Product Name	Product Group	Product Subgroup	Rulebook Chapter	Strike Price Listing Rule	Option Style	Contrary Instructions	Exact At-The-Money Characteristics	Underlying Commodity Code	Underlying Product Name
<u>JTO</u>	<u>JTO</u>	<u>Japanese Power (Day-Ahead) Tokyo Base-Load Average Price Option</u>	<u>Energy</u>	<u>Electricity</u>	<u>795</u>	<u>Minimum 10 strikes at ¥0.01 per kWh strike increment above and below the at-the-money strike plus dynamic strikes at ¥0.01 per kWh strike increment.</u>	<u>European</u>	<u>No</u>	<u>Abandon Calls. Abandon Puts.</u>	<u>JBT</u>	<u>Japanese Power (Day-Ahead) Tokyo Base-Load Futures</u>

Exhibit E

Cash Market Overview and Analysis of Deliverable Supply

Cash Market Overview

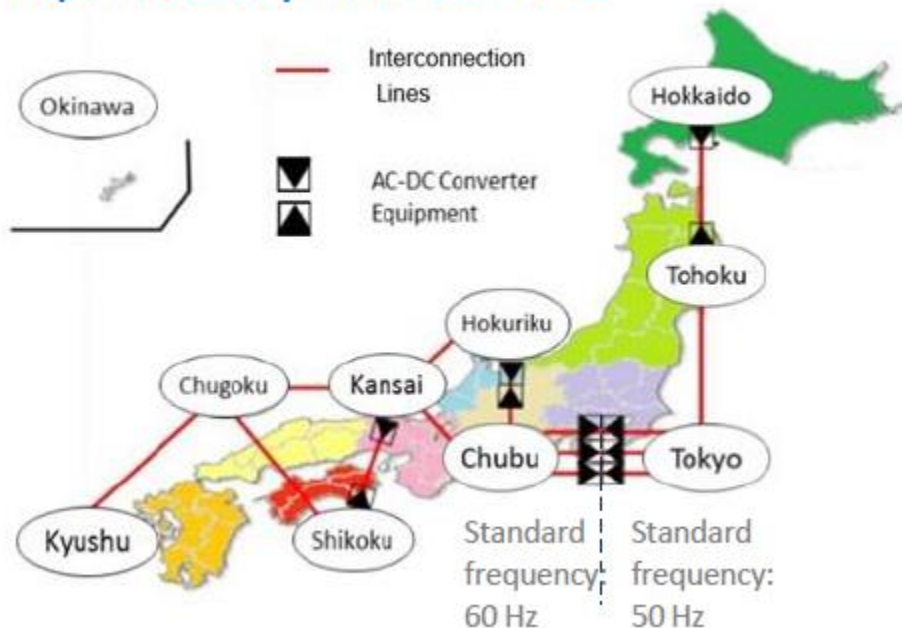
Japan Power Market

Japan is the largest liberalized power market in APAC region with about 1,000 TWh consumption per annum. This is about twice as large as Germany power market, and 4 times of the Australian power market. Japan's electricity generation heavily depends on fossil fuels, especially since the 2011 East Japan earthquake. Utilization of thermal power has increased to account for about two-third of total power generation due to the shutdown of nuclear plants.

The liberalization of Japan power market first took place in 1995 when a law was passed to enable independent power producers to participate in the wholesale market. Then in 2000 the distribution network was partially liberalized when the extra high voltage market was open to allow large-scale users like factories and hospitals to freely purchase electricity. Later in 2004 and 2005, this was further expanded to cover medium size businesses and buildings. The final step of liberalization of Japan power market was then completed in 2016 when the market was opened for retailers to compete in low voltage electricity market for homes and small shops.

Japan power market is divided into 10 zones which includes Tokyo, Tohoku, Hokkaido in the east, and Kansai, Chubu, Shikoku, Chugoku, Kyushu, Hokuriku in the west, as well as Okinawa. Power generated in the east part of Japan runs at 50 Hz while the western Japan, including Okinawa, runs at 60 Hz. The difference in the frequency creates two sub-Japan power markets and power is moved between the regions through frequency converters. Among these zones, Tokyo and Kansai are the two largest markets.

Japan electricity market structure:



Source: OCCTO

The Japan Electricity Power Exchange (JEPX) is Japan's only wholesale spot electricity market. JEPX functions as a platform for power producers and retailers to trade electricity, and to enhance competition as well as improve efficiency in the Japan electricity market.

JEPX commenced its trading in April 2005. Its day-ahead market allows market participants to trade power delivered for the next day which consists of 48 thirty-minute timeframes. Delivery of electricity traded at the exchange is carried out through the transmission and distribution network operated by the Organization for Cross-regional Coordination of Transmission Operators (OCCTO).

Below table contains the monthly electricity energy requirement for Tokyo region for the period of April 2018 to March 2021, of which the most recent data available. According to the data by OCCTO, monthly consumption in Tokyo averaged 23,682 GWh for the three-year period.

Monthly Electricity Energy Requirement for Tokyo by OCCTO¹

Unit: GWh

Month	Tokyo
Apr-18	20,762
May-18	21,348
Jun-18	22,570
Jul-18	28,795
Aug-18	28,083
Sep-18	22,928
Oct-18	22,040
Nov-18	21,700
Dec-18	25,794
Jan-19	27,320
Feb-19	24,290
Mar-19	23,758
Apr-19	21,382
May-19	20,903
Jun-19	21,655
Jul-19	24,608
Aug-19	27,921
Sep-19	24,048
Oct-19	21,896
Nov-19	21,961
Dec-19	25,567

¹ https://www.occto.or.jp/en/information_disclosure/outlook_of_electricity_supply-demand/files/200918_outlook_of_electricity.pdf FY 2019
http://www.occto.or.jp/en/information_disclosure/outlook_of_electricity_supply-demand/files/190909_outlook_of_electricity.pdf FY 2018

Table 1-4

https://www.occto.or.jp/houkokusho/2021/files/nenjihoukokusho_2021_211117r.pdf FY 2020 Table 1-5

Jan-20	26,228
Feb-20	23,946
Mar-20	23,559
Apr-20	20,539
May-20	18,997
Jun-20	21,406
Jul-20	23,370
Aug-20	28,253
Sep-20	23,655
Oct-20	21,223
Nov-20	21,334
Dec-20	26,268
Jan-21	27,772
Feb-21	23,511
Mar-21	23,153
Average	23,682

JEPX Price History

The new option product will financially settle against the underlying Japanese Power (Day-Ahead) Tokyo Base Load Futures contract's final settlement price which is in JPY per kWh. The final settlement price is based on the average of all prices published by JEPX for all hours for Tokyo area in the contract month. Below table contains the monthly average of the JPEX prices published for Tokyo for the 36-month period from July 2018 to June 2021.

Year	Month	Tokyo (Yen/kWh)
2018	Jul	13.422
2018	Aug	13.866
2018	Sep	10.543
2018	Oct	10.585
2018	Nov	10.569
2018	Dec	10.965
2019	Jan	11.010
2019	Feb	10.661
2019	Mar	9.607
2019	Apr	10.934
2019	May	8.651
2019	Jun	8.566
2019	Jul	8.463
2019	Aug	12.735
2019	Sep	9.762
2019	Oct	9.317
2019	Nov	9.030
2019	Dec	8.712

2020	Jan	8.166
2020	Feb	7.589
2020	Mar	7.478
2020	Apr	6.854
2020	May	5.750
2020	Jun	5.568
2020	Jul	4.832
2020	Aug	7.534
2020	Sep	6.303
2020	Oct	5.013
2020	Nov	5.346
2020	Dec	14.345
2021	Jan	66.533
2021	Feb	8.294
2021	Mar	6.700
2021	Apr	7.054
2021	May	6.984
2021	Jun	7.021

Source: JEPX

Tokyo Power Market Deliverable Supply Estimation

The new Japanese Power (Day-Ahead) Tokyo Base-Load Average Price Option contract's final settlement will be against the underlying Japanese Power (Day-Ahead) Tokyo Base-Load futures and is based on the arithmetic average of the 30-minute price published by JEPX for the Tokyo region. The base-load contract represents the average of all prices during the contract month. The contract size of the option is based on the total number of hours in the contract month, with the multiplier being 1 MWh. For example, a base-load contract will carry a contract size of 720 MWh for a 30-day month ($30 \times 24 \times 1 = 720$).

Based on the monthly electricity energy requirement data by OCCTO, the average monthly power consumption in Tokyo was 23,682 GWh, or 23,682,000 MWh (1 GWh equals 1,000 MWh) for the three-year period between April 2018 and March 2021. Assuming a 720-hour month, the proposed **Japanese Power (Day-Ahead) Tokyo Base-Load Average Price Option** will carry a contract size of 720 MWh. The deliverable supply of 23,682,000 MWh therefore equates to 32,892 contract equivalents ($23,682,000 / 720 = 32,892$).

The current spot month limits for the **Japanese Power (Day-Ahead) Tokyo Base-Load Futures** is 3,000 contracts. This is approximately 9% of the total deliverable supply of 32,892 contracts. Positions in the proposed option will be aggregated into the underlying futures.