



Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rules 40.2 and 40.6, the Exchange hereby certifies that the attached contract complies with the Act, including regulations under the Act. This contract will be effective on January 24, 2011.

Should you have any questions concerning the above, please contact Robert Biolsi at 212-299-2610 or me at (212) 299-2207.

Sincerely,

/s/ Felix Khalatnikov  
Dir & Assoc General Counsel

Attachments: Contract terms and conditions  
Cash market overview and analysis of deliverable supply

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**Chapter 312**  
**PJM 50 MW Calendar-Month LMP Swap Option**

**312.01 EXPIRATION**

A PJM 50 MW Calendar-Month LMP Swap Option on the Exchange shall expire on the second to last business day of the calendar month immediately prior to the contract month.

**312.02 TRADING UNIT**

A PJM 50 MW Calendar-Month LMP Swap Option Put (Call) Option contract traded on the Exchange represents an option to assume twenty short (long) positions in the underlying futures traded on the Exchange.

**312.03 TRADING MONTHS**

Trading in PJM 50 MW Calendar-Month LMP Swap Option shall be conducted in the months as shall be determined by the Exchange.

**312.04 STRIKE PRICES**

Trading shall be conducted for options with strike prices in increments as set forth below.

(A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for PJM Peak Calendar-Month LMP Swap Futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent increment strike price unless such settlement price is precisely midway between two fifty-cent increment strike prices in which case it shall be rounded off to the lower fifty-cent increment strike price and (ii) the twenty fifty-cent increment strike prices which are twenty increments higher than the strike price described in (i) of this Rule 312.04 (A) and (iii) the twenty fifty-cent increment strike prices which are twenty increments lower than the strike price described in (i) of this Rule 312.04

(B) Thereafter, on any business day prior to the expiration of the option (i) new consecutive fifty-cent increment strike prices for both puts and calls will be added such that at all times there will be at least twenty fifty-cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months.

(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in PJM 50 MW Calendar-Month LMP Swap Option will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of a PJM 50 MW Calendar-Month LMP Swap Option in which no new strike prices may be introduced.

**312.05 PRICES**

Prices shall be quoted in dollars and cents per MWH. The minimum price increment will be \$0.01.

**312.06 ABSENCE OF PRICE FLUCTUATION LIMITATIONS**

Trading in PJM 50 MW Calendar-Month LMP Swap Option shall not be subject to price fluctuation limitations.

## CASH MARKET OVERVIEW

### PJM

PJM is an independent Regional Transmission Organization (RTO) that plays a vital role in the U.S. electric system by providing its membership opportunities for buying and selling power, arranging transmission service, and allowing the use of larger and more efficient generating units. PJM also manages a sophisticated regional planning process for generation and transmission expansion. PJM 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. With the implementation of the PJM Open Access Transmission Tariff on April 1, 1997, PJM began operating the nation's first regional, bid-based hourly energy market. PJM enables participants to buy and sell energy, schedule transactions and reserve transmission service. PJM provides accounting and billing services for these transactions using information supplied by each member utility. In addition, it operates the competitive wholesale energy market for the region and facilitates open access to transmission. Electricity suppliers who sell electricity to customers within the PJM zones must become Load Serving Entity (LSE) members of PJM, or contract with a third party LSE. The PJM Energy Market comprises all types of energy transactions, including the sale or purchase of energy in PJM's Day-Ahead and Real-Time Energy Markets, bilateral and forward markets and self-supply. These markets provide key benchmarks against which market participants may measure results of transactions in other markets. The Exchange lists PJM day-ahead and real-time futures and option contracts on its platforms.

### **Day-Ahead and Real-Time Markets**

PJM Interconnection LLC offers two basic energy markets for electricity participants: spot or real-time (such as the option contract being launched under this submission); and energy forward market which is known as the day-ahead market. In the real-time market, market participants enter bids and offers which are matched by PJM. Market clearing prices are generated by PJM which are posted on the PJM website. The day-ahead market operates through bids and offers for delivery during hours in the next day. PJM provides a market clearing function related to the submitted bids and offers and posts 24 hourly prices for the next PJM day. The real-time and day-ahead PJM markets are interrelated as actual

generation and load may differ from forecasted generation and load expressed in the day-ahead market. Bids and offers in the real-time market provide the mechanism for the forecasted/actual differences.

**Power Generation**

Table 1, below, indicates the size of the physical and commercial markets for the PJM WEST HUB. The second quarter 2010 data is derived from quarterly power marketer filings required by the Federal Energy Regulatory Commission (FERC). These filings report provide the total MWh volume at named delivery locations. Reporting of market-based activity to FERC includes both cash and OTC markets. The filings do not segment the reported transactions by peak/off-peak or transaction duration. Platts obtains the quarterly filings and publishes the aggregation. The report does not segment the reported transactions by peak/off-peak or transaction duration. That said, on average, Day-Ahead load represents approximately 60% of total system load as opposed to 40% for Real-Time, and of that, about 50% is for peak hour transaction. Peak day shall mean a Monday through Friday, excluding North American Electric Reliability Corporation holidays. Peak Hours shall cover from Hour Ending (HE) 0800 Eastern Prevailing Time (EPT) through HE 2300 EPT.

**Table 1:**

Hub	MWh	MWh Per Month	Peak 50% Adjustment	40% Real-Time Adjustment
<b>PJM WEST HUB</b>	56,571,793	18,857,264	9,428,632	3,771,453

**Market Participants**

Table 2 below includes some of the more active participants in the PJM market.

**Table 2:**

Market Participants	Brokers
Allegheny Energy & Affiliates	Prebon
American Electric Power Service	Amerax
Atlantic Power Holdings	Spectron
Broadway Generating	TFS
Brookfield Power	ICAP
CAMP Grove Wind Farm	
Constellation Energy Commodities & Affiliates	
Dayton Power & Light	
Direct Energy Affiliates	
Dominion Resources	
DPL Energy	

## Futures Market

The underlying futures contract of the proposed option contract is the PJM Peak Calendar-Month LMP Swap Futures (Code JM), which is one of the most actively traded markets. Table 3 below provides monthly volume and end-of-month open interest for the futures contract for the monthly period beginning June 2008 through December 2010. The volume has averaged about 9,800 contracts per month and the open interest has averaged a healthy number of about 37,500 contracts per month.

**Table 3:**

Year/Month	Code	Total Volume	End of Month Open Interest
2008/06	JM	2533	27261
2008/07	JM	7420	27491
2008/08	JM	7371	29665
2008/09	JM	8134	29161
2008/10	JM	16651	29485
2008/11	JM	12253	30166
2008/12	JM	10159	31646
2009/01	JM	9095	30305
2009/02	JM	9836	31613
2009/03	JM	13628	32317
2009/04	JM	9641	33869
2009/05	JM	14949	34397
2009/06	JM	14265	37584
2009/07	JM	8977	37411
2009/08	JM	5093	35193
2009/09	JM	11126	38148
2009/10	JM	12844	41173
2009/11	JM	9650	42437
2009/12	JM	7674	44215
2010/01	JM	10952	41569
2010/02	JM	11661	41480
2010/03	JM	11119	42001
2010/04	JM	9473	44891
2010/05	JM	13944	43429
2010/06	JM	5723	42223

Year/Month	Code	Total Volume	End of Month Open Interest
2010/07	JM	9586	43368
2010/08	JM	8752	43878
2010/09	JM	8993	44157
2010/10	JM	9653	43743
2010/11	JM	4784	41832
2010/12	JM	10492	48412

## ANALYSIS OF DELIVERABLE SUPPLY

The proposed option contract under this submission is a peak real-time electricity futures contract. The underlying unit is 50 megawatts per hour. For a month of 340 peak hours, the contract size will be 17,000 MWh.

In Table 1 of the Cash Market Overview section of this submission, the total volume of PJM Western Hub is presented. The estimated total MWh for Peak Real-Time market is 3,771,453 MWh. This is equivalent to approximately 222 option contract units.

The underlying futures contract of the proposed option contract and its current spot-month position limit are as follows:

- o PJM Peak Calendar-Month LMP Swap Futures: 1,000 contracts

Since the proposed option contract size is twenty times that of the underlying contract, the Exchange proposes the spot-month position limit for the option contract to be one-twentieth of the underlying futures contract or 50 option contract units. This represents approximately 23% of the average monthly deliverable supply. The Exchange also proposes that the limits aggregate into the underlying futures contract, with contract size adjustment. Please note that in the Chapter 5 Table of the NYMEX Rulebook (below), the expiration month limit for the option is reflected in contract equivalents of the underlying futures.

### NOTIFICATION OF AMENDMENTS TO NYMEX RULEBOOK CHAPTER 5 TABLE (Bold/underline indicates additions)

<u>Contract Name</u>	<u>Rule Chapter</u>	<u>Commodity Code</u>	<u>All Month Account-ability Level</u>	<u>Any One Month Account-ability Level</u>	<u>Expira-tion Month Limit</u>	<u>Report-ing Level</u>	<u>Aggre-gate Into (1)</u>
<i>Electricity</i>			<u>Rule 560</u>	<u>Rule 560</u>	<u>Rule 559</u>	<u>Rule 561</u>	
<i>PJM Interconnection, LLC</i>							
<i>Western Hub</i>							
<u>PJM 50 MW Calendar-Month LMP Swap Option</u>	<u>312</u>	<u>PML</u>	<u>7,000</u>	<u>5,000</u>	<u>1,000</u>	<u>25</u>	<u>JM</u>