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May 27, 2011

OFFICE OF THE
SECRETARIAT

VIA E-MAIL

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

Re: Rule Certification. New York Mercantile Exchange, Inc. Submission #11-218: Notification Regarding the Listing of CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead LMP Swap Option Contract for Open Outcry Trading and for Clearing through CME ClearPort®

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of a new CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead LMP Swap Option contract (Rule Chapter 1068; Code CSZ), for open outcry trading and for submission for clearing through CME ClearPort® beginning at 6:00 p.m. on Sunday, June 5, 2011, for trade date Monday, June 6, 2011.

The proposed option contract is an American-style option. Upon expiration or exercise, the contract will exercise into the underlying CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead LMP Swap Futures. The following will be the option contract terms:

Contract Name	CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead LMP Swap Option
Rule Chapter	1068
Contract Code	CSZ
Minimum Price Increments	\$0.01 per megawatt hour
Strike Price Interval	\$0.50 per megawatt hour
Underlying Contract	CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead LMP Swap Futures
Contract Size	80 MWh per contract. Transaction sizes shall be restricted to whole number multiples of the number of peak days in the contract month
Expiration Date	Two business days prior to the start of the contract month

The first listed month shall be the July 2011 contract month. The option will be listed for the balance of the current year plus the next two consecutive calendar years.

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. There were no substantive opposing views to the proposal.

Should you have any questions concerning the above, please contact Bob Biolsi at (212) 299-2610, bob.biolsi@cmegroup.com or the undersigned at (212) 299-2207, (347) 463-5347 or felix.khalatnikov@cmegroup.com.

Sincerely,

/s/ Felix Khalatnikov
Dir & Assoc General Counsel

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

Chapter 1068
CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead LMP Swap Option

1068.01 EXPIRATION

A CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead LMP Swap Option shall expire on the second business day prior to the contract month.

1068.02 OPTION TYPE

A CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead LMP Swap Option is an American-style option.

1068.03 TRADING UNIT

Upon exercise of a call option, the long position will be assigned an underlying CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead LMP Swap Futures contract of the same contract month at the strike price. Upon exercise of a put option, the long position will be assigned an underlying CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead LMP Swap Futures contract of the same contract month at the strike price.

The contract quantity shall be 80 Megawatt hours (MWh) 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 contract month.

1068.04 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 of the underlying CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead LMP Swap Futures rounded to the nearest fifty cent increment, unless such settlement price is precisely midway between two fifty cent increments in which case it shall be rounded off to the lower fifty cent increment; (ii) the five strike prices which are five fifty cent increments higher than the strike price described in section (i) of this Rule 1068.04(A); and (iii) the five strike prices which are five fifty cent increments lower than the strike price described in section (i) of this Rule 1068.04(A).

(B) Thereafter, on any business day prior to the expiration of the option, new strike prices for both puts and calls will be added, such that at all times there will be at least five fifty cent increment strike prices above and below the at-the-money strike price available for trading in all option contract months. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (A) of this Rule 1068.04.

(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead 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 CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead LMP Swap Option in which no new strike prices may be introduced.

1068.05 TRADING MONTHS

Trading in CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead LMP Swap Option contracts shall be conducted in the months determined by the Exchange.

1068.06 PRICES

Prices shall be quoted in dollars and cents per MWh. The minimum price increment will be one cent (\$0.01) per MWh.

1068.07 ABSENCE OF PRICE FLUCTUATION

Trading in CAISO SP15 EZ Gen Hub 5 MW Peak Calendar-Month Day-Ahead LMP Swap Option contracts shall not be subject to price fluctuation limitations.

CASH MARKET OVERVIEW

California ISO

The California Independent System Operator ("CAISO") is an unbiased, not-for-profit corporation responsible for operating the majority of California's high-voltage wholesale power grid. On March 31, 1998, CAISO assumed computerized command of the long-distance, high-voltage power lines which deliver electricity throughout California and between neighboring states and Mexico. The California power grid (a transmission system made up of high-voltage power lines supported by 100 to 150 foot towers) is a network of long-distance, high-voltage transmission lines and substations that carry bulk electricity to local utilities for distribution to their customers. The California power grid delivers 164 billion kilowatt hours of electricity each year, or enough power to serve the annual energy needs of 27 million current customers of investor-owned utilities. In addition, the California grid provides transmission services to third-party customers.

Market Redesign and Technology Upgrade

The Market Redesign and Technology Upgrade ("MRTU"), which was launched on April 1, 2009, is a comprehensive program that enhances grid reliability and fixes flaws in the ISO markets. The MRTU replaced aging technology with modern computer systems in order to better accommodate the dynamic needs of California's energy industry. In order to remain compatible with market designs employed throughout North America, on April 1, 2009, CAISO began to utilize this program.

MRTU enables, among other things, the following features: a real-time energy market; locational marginal pricing ("LMP"); a new congestion management system with long-term firm transmission rights; redesigned market power mitigation measures; and resource adequacy backstop provisions that allow CAISO to procure power to meet forecasted load. The MRTU tariff also provides for gradual increases of the energy bid cap.

The EZ Gen Trading Hubs

Trading hubs are used to facilitate bilateral physical and financial transactions between energy buyers and sellers and may be used to share price risks between buyers and sellers. CAISO developed

Existing Zone Generator Trading Hubs (EZ Gen Hubs) for Zones NP15, SP15 and ZP26 in order to accommodate for the implementation of locational marginal cost pricing. The development of CAISO trading hubs is part of the implementation of LMP and is a standard element in the establishment of LMP similar to the efforts of other ISOs such as PJM Interconnection LLC, ISO New England, Midwest ISO and Electric Reliability Council of Texas (ERCOT).

The option contract contained in this submission relates to Zone SP15. SP15 is an actively traded market location and is defined by the proximity to Path 15. Historically, Path 15 has been subject to periodic transmission constraints due to load and generation conditions. SP15 is comprised of generator pricing nodes located within the existing congestion zone and includes 204 generation nodes. SP15 is geographically located south of Path 15, which represents an 84-mile transmission corridor in the Central Valley of California and connects Northern and Southern California.

Cash Market/OTC Market Data

Exchange staff has reviewed both the relevant cash and over-the-counter (OTC) markets for these products. We believe that the cash markets are sufficiently robust to provide underlying support for the listing of futures contracts.

Table 1, below, indicates the size of the physical and commercial markets for the CAISO SP15. The latest available data of 2010 fourth quarter 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. 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 Saturday, excluding North American Electric Reliability Corporation holidays. Peak Hours shall cover from Hour Ending (HE) 0700 Eastern Prevailing Time (EPT) through HE 2200 EPT.

Table 1: 2010 Q4 MWh Volume of SP15

Location	MWh	MWh Per Month	60% Day-Head Adjustment	50% Peak-Hour Adjustment
SP15	42,408,892	14,136,297	8,481,778	4,240,889

Market Participants

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

Table 2: Market Participants of CAISO Market

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

ANALYSIS OF DELIVERABLE SUPPLY

The proposed option contract under this submission is a peak calendar-month day-ahead option. The underlying unit is 5 megawatts per hour. For a peak hour contract, the contract size will be 80 MWh.

In Table 1, the total volume of CAISO SP15 Hub is presented. The estimated deliverable supply for Peak Day-Ahead market is 4,240,889 MWh. This is equivalent to approximately 53,011 contract units of the underlying monthly futures.

The underlying contract of the proposed option and its current spot-month position limit is set at 6,000 contract units.

The Exchange proposes to set the spot-month position limit for the option to be the same as, and aggregate into, the underlying futures contract. The spot-month position limit of 6,000 contract units represents approximately 11% of the average monthly deliverable supply.