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August 17, 2011

**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. Notification Regarding the Listing of PJM West Hub RT Same Day Option Contract for Open Outcry Trading and for Clearing through CME ClearPort® NYMEX Submission #11-297**

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 PJM West Hub RT Same Day option (Chapter 1069; Code J01-J31), for open outcry trading on the NY trading floor and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, August 21, 2011 for trade date Monday, August 22, 2011.

The option specifications are as follows:

- **Rule Chapter:** 1069
- **Contract Name:** PJM West Hub RT Same Day Option
- **Commodity Code:** J01-J31
- **Option Type:** Financially settled, European-style option
- **Underlying Futures:** PJM Peak Calendar-Day LMP Swap Futures (Code JD)
- **Contract Unit:** 800 MWh; twenty (20) PJM Peak Calendar-Day LMP Swap Futures contracts
- **Expiration Date:** The contract date will coincide with the contract ticker symbol (J01-J31). For Example, J25 will indicate a contract of the 25th calendar day of a month. Trading shall cease on the referenced contract date.
- **Minimum Price Fluctuation:** \$0.01 per Megawatt hour (MWh)
- **Strike Price Interval:** \$0.50 per MWh
- **First Listed Contract:** August 22, 2011
- **Trading Day:** Current day that is also a peak day
- **Trading Hours:**  
Open Outcry: Monday – Friday 9:00 a.m. – 11:30 a.m. (8:00 p.m. – 10:30 a.m. Chicago Time/CT),  
CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).
- **Fee Schedule:**

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	NA	\$4.00	\$4.00	\$4.00	
Globex	NA	NA	NA	NA	NA
ClearPort		\$4.00		\$4.00	

Processing Fees			Additional Fees and Surcharges	
	Member	Non-Member	EFS Surcharge	NA
Cash Settlement	\$2.00	\$2.00	Block Surcharge	NA
Futures from E/A	NA	NA	Facilitation Desk Fee	\$0.20
	House Acct	Cust Acct		
Options E/A Notice	NA	NA		
Delivery Notice	NA	NA		

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the PJM West Hub RT Same Day option contract 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 PJM West Hub RT Same Day option 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.

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 and its terms and conditions comply 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](mailto:bob.biolsi@cmegroup.com), Chris Reinhardt, Associate Director, Market Surveillance, at (212) 299-2882, (347) 225-1342 or [Chris.Reinhardt@cmegroup.com](mailto:Chris.Reinhardt@cmegroup.com), or the undersigned at (212) 299-2207, (347) 463-5347 or [felix.khalatnikov@cmegroup.com](mailto:felix.khalatnikov@cmegroup.com). Please reference NYMEX Submission No. 11-297 in any related correspondence.

Sincerely,

/s/Felix Khalatnikov  
Dir & Assoc General Counsel

Attachments: Appendix A: Rule Chapter  
Appendix B: Chapter 5 Table  
Appendix C: Cash Market Overview and Analysis of Deliverable Supply

**Chapter 1069**  
**PJM West Hub RT Same Day Option**

**1069.01 EXPIRATION**

The option shall expire at the close of business on the contract day. The contract day will coincide with the calendar day represented in the last two digits of the commodity code (J01-J31).

**1069.02 TRADING UNIT**

A call option represents the differential between the final settlement price of the PJM Peak Calendar-Day LMP Swap Futures contract less the strike price, or zero whichever is greater, multiplied by 800. A put Option represents the differential between the strike price and the final settlement price of the PJM Peak Calendar-Day LMP Swap Futures contract, or zero, whichever is greater, multiplied by 800.

**1069.03 TRADING DAYS**

Trading shall be conducted in the days as shall be determined by the Exchange.

**1069.04 STRIKE PRICES**

Trading shall be conducted for Option 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 the PJM Peak Calendar-Day LMP Swap Futures contracts in the corresponding contract day 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 1069.04(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 1069.04(A) and (iv) an additional ten strike prices for both call and put options will be listed at one-dollar increment above the highest fifty-cent increment strike as described in (ii) of this Rule 1069.04(A) and (v) an additional ten strike prices for both put and call options will be listed at one-dollar increments below the lowest fifty-cent increment strike as described in (iii) of this Rule 1069.04(A).

(B) Thereafter, on any business day prior to the expiration of the option (i) new consecutive 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 and (ii) new one-dollar increment strike prices will be added such that at all times there shall be at least ten one-dollar strike prices above the highest fifty-cent increment strike price, and (iii) new one-dollar increment strike prices will be added such that at all times there shall be at least ten one-dollar increment strike prices below the lowest fifty-cent strike price.

(C) Notwithstanding the provisions of subsections (A) through (B) of this Rule, if the Exchange determines that trading in the Option contract 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 Option contract in which no new strike prices may be introduced.

**1069.05 PRICES**

Prices shall be quoted in dollars and cents per MWh and prices shall be in multiples of one (1) cent per MWh. A cabinet trade may occur at a price of \$0.00125 per MWh, or \$1.00.

**1069.06 ABSENCE OF PRICE FLUCTUATION LIMITATIONS**

Trading in the option contract shall not be subject to price fluctuation limitations.

**NYMEX RULEBOOK CHAPTER 5 POSITION LIMIT TABLE**  
 (Bold/underline indicates additions)

<u>Contract Name</u>	<u>Rule Chapter</u>	<u>Commodity Code</u>	<u>All Month Accountability Level</u>	<u>Any One Month Accountability Level</u>	<u>Expiration Month Limit</u>	<u>Reporting Level</u>	<u>Aggregate Into (1)</u>
			<u>Rule 560</u>	<u>Rule 560</u>	<u>Rule 559</u>	<u>Rule 561</u>	
<i>Electricity</i>							
<i>PJM Interconnection, LLC</i>							
<i>Western Hub</i>							
<u>PJM West Hub RT Same Day Option</u>	<u>1069</u>	<u>J01-J31</u>	<u>7,000</u>	<u>5,000</u>	<u>1,000</u>	<u>25</u>	<u>JM</u>

## 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 already offers PJM day-ahead and real-time futures contracts listed on its platforms.

PJM Interconnection LLC offers two basic energy markets for electricity participants: spot or real-time; 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.

Table 1, below, indicates the size of the physical and commercial markets for the PJM WEST HUB. The data of 2011 first quarter is derived from quarterly power marketer filings required by the Federal Energy Regulatory Commission (FERC). These filings reports 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:**

Contract	MWh	MWh Per Month	Peak 50% Adjustment	40% Real-Time Adjustment
PJM WEST HUB	25,073,283	8,357,761	4,178,881	1,671,552

#### PJM Electricity 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
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**Futures Market**

The underlying futures contract for the proposed option contract is the PJM Peak Calendar-Day LMP Swap Futures (Code JD). Table 3 below shows the monthly volume and average daily open interest for the futures contract. The volume has averaged about 172 contracts per month and the daily open interest has averaged about 54 contracts per day.

**Table 3:**

Year/Month	Code	Total Volume	Average Daily Open Interest
200901	JD	0	0
200902	JD	0	0
200903	JD	0	0
200904	JD	0	0
200905	JD	0	0
200906	JD	0	0
200907	JD	20	1
200908	JD	150	72
200909	JD	0	0
200910	JD	0	0
200911	JD	0	0
200912	JD	180	97
201001	JD	0	0
201002	JD	700	188
201003	JD	20	1
201004	JD	0	0
201005	JD	0	0
201006	JD	20	1
201007	JD	470	188
201008	JD	1520	456
201009	JD	0	2
201010	JD	350	107
201011	JD	0	0
201012	JD	160	7
201101	JD	120	56

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201102	JD	0	0
<b>Year/Month</b>	<b>Code</b>	<b>Total Volume</b>	<b>Average Daily Open Interest</b>
201103	JD	0	0
201104	JD	0	0
201105	JD	40	0
201106	JD	370	165
201107	JD	200	13



## ANALYSIS OF DELIVERABLE SUPPLY

The proposed option contract under this submission is a peak real-time daily electricity contract. The underlying unit is 50 megawatts per hour or 800 megawatts per day.

The futures contract into which the proposed option contract aggregates is the PJM Peak Calendar-Month LMP Swap Futures (code JM). The spot month position limit for the futures contract is 1,000 contract units.

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 1,671,552 MWh. This is equivalent to approximately 1,967 contract units of PJM Peak Calendar-Month LMP Swap Futures which the proposed option limits will aggregate into.

The proposed spot-month position limit for the option will be 1,000 PJM Peak Calendar-Month LMP Swap Futures contract equivalents which represent approximately 51% of the average monthly deliverable supply. This is well below the convention of 100% threshold for financially settled electricity contracts.