



**CME Group**

A CME/Chicago Board of Trade/NYMEX Company

C.F.T.C.  
OFFICE OF THE SECRETARIAT

2009 AUG 20 PM 12 30

August 20, 2009

**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 #09-153: Notification Regarding the Listing of Three Electricity Option Contracts on CME ClearPort® and the NYMEX Trading Floor**

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 three (3) NYISO option contracts, listed below, for trading on the NYMEX trading floor and for submission for clearing on CME ClearPort beginning on trade date Monday, August 24, 2009.

The new options contracts, commodity codes, rule numbers and codes of their respective underlying futures contracts are as follows:

Product	Code	Rule Chapter	Underlying Futures
NYISO Zone A 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option	9T	902a	K3
NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option	9U	904a	T3
NYISO Zone J 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option	9V	906a	D3

For each of these options, the first contract month to be listed will be the September 2009 delivery month. The contracts will be listed for the balance of the current year plus 36 consecutive months.

The new contracts will be listed for open outcry trading on the Exchange trading floor between 9:00 a.m. to 2:30 p.m. (New York prevailing time) Monday through Friday, except on Exchange Holidays and on CME ClearPort clearing platform for clearing and for submission of Exchange of Option for Option transactions from 6:00 p.m. Sundays through 5:15 p.m. Fridays (New York prevailing time), with a 45-minute halt in trading each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

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 contracts comply with the Act, including regulations under the Act. These new rules will become effective upon the launch of the contracts, which, as noted above will occur on Monday, August 24, 2009.

Should you have any questions concerning the above, please contact Bob Biolsi at (212) 299-2210, or me at (312) 648-5422.

Sincerely,

/s/ Stephen M. Szarmack  
Director and Associate General Counsel

Attachments: Appendix A (Contract Terms and Conditions)  
Appendix B (Supplemental Information)

## APPENDIX A

### NYISO Zone A 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option

#### 902a.01 Expiration

A NYISO Zone A 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contract shall expire on the second to last business day of the calendar month immediately preceding the contract month.

#### 902a.02 Type Option

A NYISO Zone A 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option put or call option contract traded on the Exchange represents an option to assume a short or long position in the underlying NYISO Zone A 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Futures contract traded on the Exchange.

#### 902a.03 Trading Months

Trading in the NYISO Zone A 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contracts shall be conducted in the months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

#### 902a.04 Hours of Trading

The NYISO Zone A 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. to 2:30 p.m. (New York prevailing time) Monday through Friday, except on Exchange Holidays.

The NYISO Zone A 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contract is available for clearing on CME ClearPort<sup>®</sup> clearing platform from 6:00 p.m. Sundays through 5:15 p.m. Fridays (New York prevailing time), with a 45-minute halt in trading each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

#### 902a.05 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 NYISO Zone A 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower 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 902a.05(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 902a.05(A) and (iv) an additional ten strike prices for both call and put options will be listed at one dollar increments above the highest fifty-cent increment as described in (ii) of this Rule 902a.05(A), beginning with the first available such strike that is evenly divisible by \$0.50 and (v) an additional ten strike prices for both call and put options will be listed at one-dollar increments below the lowest fifty-cent increment as described in (iii) of this Rule 902a.05(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 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 ten fifty-cent strike prices above the highest fifty-cent strike, (iii) new one-dollar increment strike prices will be added such that at all times there shall be up to ten five-cent strike prices below the lowest fifty-cent strike and each such strike price shall be above zero. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (A) of this Rule 902a.05.
- (C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in NYISO Zone A 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contracts 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 monthly NYISO Zone A 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contract in which no new strike prices may be introduced.

**902a.06 Prices**

Prices shall be quoted in dollars and cents per MWH. The minimum price fluctuation shall be \$.01 per MWH. A cabinet trade may occur at the price of \$.0025 per MWH or \$1.00, however, if it results in the liquidation of positions of both parties to the trade.

**902a.07 Absence of Price Fluctuation Limitations**

Trading in NYISO Zone A 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contracts shall not be subject to price fluctuation limitations.

## **NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option**

### **904a.01 Expiration**

A NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contract shall expire on the second to last business day of the calendar month immediately preceding the contract month.

### **904a.02 Type Option**

A NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option put or call option contract traded on the Exchange represents an option to assume a short or long position in the underlying NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Futures contract traded on the Exchange.

### **904a.03 Trading Months**

Trading in the NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contracts shall be conducted in the months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

### **904a.04 Hours of Trading**

The NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. to 2:30 p.m. (New York prevailing time) Monday through Friday, except on Exchange Holidays.

The NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contract is available for clearing on CME ClearPort<sup>®</sup> clearing platform from 6:00 p.m. Sundays through 5:15 p.m. Fridays (New York prevailing time), with a 45-minute halt in trading each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

### **904a.05 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 NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower 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 904a.05(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 904a.05(A) and (iv) an additional ten strike prices for both call and put options will be listed at one-dollar increments above the highest fifty-cent increment as described in (ii) of this Rule 904a.05(A), beginning with the first available such strike that is evenly divisible by \$0.50 and (v) an additional ten strike prices for both call and put options will be listed at one-dollar increments below the lowest fifty-cent increment as described in (iii) of this Rule 904a.05(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 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 ten fifty-cent strike prices above the highest fifty cent strike, (iii) new one-dollar increment strike prices will be added such that at all times there shall be up to ten five-cent strike prices below the lowest fifty cent strike and each such strike price shall be above zero. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (A) of this Rule 904a.05.
- (C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contracts 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 monthly NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contract in which no new strike prices may be introduced.

**904a.06 Prices**

Prices shall be quoted in dollars and cents per MWH. The minimum price fluctuation shall be \$.01 per MWH. A cabinet trade may occur at the price of \$.0025 per MWH or \$1.00, however, if it results in the liquidation of positions of both parties to the trade.

**904a.07 Absence of Price Fluctuation Limitations**

Trading in NYISO Zone G 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contracts shall not be subject to price fluctuation limitations.

## NYISO Zone J 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option

### 906a.01 Expiration

A NYISO Zone J 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contract shall expire on the second to last business day of the calendar month immediately preceding the contract month.

### 906a.02 Type Option

A NYISO Zone J 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option put or call option contract traded on the Exchange represents an option to assume a short or long position in the underlying NYISO Zone J 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Futures contract traded on the Exchange.

### 906a.03 Trading Months

Trading in the NYISO Zone J 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contracts shall be conducted in the months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

### 906a.04 Hours of Trading

The NYISO Zone J 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. to 2:30 p.m. (New York prevailing time) Monday through Friday, except on Exchange Holidays.

The NYISO Zone J 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contract is available for clearing on CME ClearPort<sup>®</sup> clearing platform from 6:00 p.m. Sundays through 5:15 p.m. Fridays (New York prevailing time), with a 45-minute halt in trading each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

### 906a.05 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 NYISO Zone J 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower 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 906a.05(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 906a.05(A) and (iv) an additional ten strike prices for both call and put options will be listed at one dollar increments above the highest fifty cent increment as described in (ii) of this Rule 906a.05(A), beginning with the first available such strike that is evenly divisible by \$0.50 and (v) an additional ten strike prices for both call and put options will be listed at one dollar increments below the lowest fifty cent increment as described in (iii) of this Rule 906a.05(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 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 ten fifty cent strike prices above the highest fifty cent strike, (iii) new one dollar increment strike prices will be added such that at all times there shall be up to ten five-cent strike prices below the lowest fifty cent strike and each such strike price shall be above zero. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (A) of this Rule 906a.05.

(C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in NYISO Zone J 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contracts 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 monthly NYISO Zone J 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contract in which no new strike prices may be introduced.

**906a.06 Prices**

Prices shall be quoted in dollars and cents per MWH. The minimum price fluctuation shall be \$.01 per MWH. A cabinet trade may occur at the price of \$.0025 per MWH or \$1.00, however, if it results in the liquidation of positions of both parties to the trade.

**906a.07 Absence of Price Fluctuation Limitations**

Trading in NYISO Zone J 5 MW Peak Calendar-Month Day-Ahead LBMP Swap Option contracts shall not be subject to price fluctuation limitations.



## Appendix B Supplemental Market Information

### NEW YORK ISO

The New York Independent System Operator (NYISO) manages New York State's electricity transmission grid which is comprised of a 10,775-mile network of high-voltage lines that carry electricity throughout the state. The NYISO also oversees wholesale electricity markets where more than \$50 billion has been transacted since 1999. The NYISO facilitates and administers the markets for installed capacity, energy, ancillary services, and transmission congestion contracts. The NYISO also administers the scheduling of firm and non-firm point-to-point transmission service and Network Integration Transmission Service. Market participants may submit offers on a day-ahead and real-time basis for generation, and bilateral transactions. Loads may submit bids only in the Day-Ahead Market (DAM). At the close of each market, the NYISO initiates a bid evaluation process. The process involves retrieving bids from the Market Information System (MIS), analyzing the bids according to prescribed rules, making adjustments to ensure that reliability requirements are met, and posting results to the MIS.

The New York ISO operates a multi-settlement wholesale market system consisting of financially binding day-ahead markets and real-time markets for energy, operating reserves, and regulation (i.e. automatic generator control). Through these markets, the NYISO commits generating resources, dispatches generation, procures ancillary services, schedules external transactions, and sets market-clearing prices based on supply offers and demand bids.

**Zone A:** Zone A includes the following western counties: Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Livingston, Niagara, Orleans, and Wyoming.

**Zone C:** Zone C includes the following central counties: Broome, Cayuga, Chemung, Cortland, Onondaga, Oswego, Schuyler, Seneca, Steuben, Tioga, Tompkins, and Yates. *Please note that Zone C is provided for informational purposes.*

**Zone G:** Zone G includes the following Hudson Valley counties: Dutchess, Orange, Rockland, and Ulster.

**Zone J:** Zone J includes the following New York City counties: Bronx, Kings, New York, Queens, and Richmond.

### DAY-AHEAD MARKET

The Day-Ahead Market (DAM) sets prices as of 11:00 a.m. on the previous day (thus the term day-ahead) based on generation and energy transaction bids that were offered in advance to the NYISO. DAM prices are determined on an hourly basis for each of the State's eleven zones and for the four neighboring areas (New England, Hydro Quebec, Ontario Hydro and PJM). Typically more than 90% of energy transactions processed by NYISO occur in the DAM. A software program called Security Constrained Unit Commitment (SCUC) determines the amount of energy expected to be needed within the State for each day. NYISO schedules the generating units that can most economically satisfy the energy needed to supply customers' demand and allow a sufficient reserve for contingencies. The New York Marginal Cost of Energy is the base price that NYISO must pay in order to obtain the needed energy. This base price is determined at the NYISO reference bus, so named because it is the reference against which losses, congestion, shift factors, penalty factors and other system mathematical quantities are calculated. It is physically located at the Marcy 345 kV substation in Marcy, New York. In transmitting energy across the State, additional costs are incurred for the electrical losses and sometimes for congestion that occurs when transmission lines become overloaded. The DAM zonal LBMPs are determined by adding the marginal cost of energy, the marginal cost of losses and the marginal cost of congestion.

#### **A. CASH MARKET/OTC MARKET DATA**

Exchange staff has reviewed both the relevant cash and over-the-counter (OTC) financial derivatives markets for these products. In general, it appears that the OTC financial derivatives markets for these

products are less developed than the physical cash markets. That stated, we believe that the cash markets are sufficiently robust to provide underlying support for the listing of futures contracts. The contract locations are directly relevant to electricity generators and marketers and to customers with facilities in the locations. These contracts will enhance risk management strategies of electricity sellers and buyers.

### New York ISO Contracts

Year*	Monthly Average in MWh				Monthly Avg. (in MWh) 2				Day-Ahead Adjustment 60%			
	A	C	G	J	A	C	G	J	A	C	G	J
2006	1,333,167	1,403,250	868,083	4,424,667	666,583	701,625	434,042	2,212,333	399,950	420,975	260,425	1,327,400

Year*	Peak Contract Equivalents				Off-Peak Contract Equivalents				Peak-25%				Off-Peak-25%			
	A	C	G	J	A	C	G	J	A	C	G	J	A	C	G	J
2006	4,999	5,262	3,255	16,593	79,990	84,195	52,085	265,480	1,250	1,316	814	4,148	19,998	21,049	13,021	66,370

\*Data for Year 2006 is the most current information available from NYISO.

### B. UNDERLYING FUTURES MARKET

The underlying futures are currently listed in two sizes each on the Exchange. Year-to-date average daily volumes are:

	<u>2.5 MWh Size</u>	<u>5 MWh Size</u>
Zone A	23	27
Zone G	53	24
Zone J	25	4

The underlying futures also trade/clear on the competing Intercontinental Exchange (ICE). Although not reported publicly, it is likely that futures volumes are greater on the ICE Exchange. This is in addition to an active over-the-counter forward market.

### C. MARKET PARTICIPANTS

#### Market Participants

Allegheny Energy & Affiliates  
 American Electric Power Service  
 Atlantic Power Holdings  
 Bear Stearns Companies  
 Broadway Generating  
 Brookfield Power  
 CAMP Grove Wind Farm  
 Cfirstenergy Solutions & Affiliates  
 Cibstallation Engery Commodities & Affiliates  
 Conective Energy Supply & Affiliates  
 Constellation Energy Commodities & Affiliates  
 Dayton Power & Light  
 Direct Energy Affiliates  
 Dominion Resources  
 Domtar

#### Brokers

Prebon  
 Amerex

DPL Energy  
Duke Energy & Affiliates  
Dynegy Power Marketing & Affiliates  
Edison Mission Group  
Energy Investor Funds  
Exelon Power Team & Affiliates  
GS Power Holding  
Marina Energy  
Merrill Lynch Commodities  
Morgan Stanley Capital Group  
Morris Energy Group Affiliates  
Ohio Valley Electric  
PPL Energyplus & Affiliates  
PSEG Energy Resources & Trade  
RC CAPE May Holdings  
Reliant Energy & Affiliates  
Sempra Energy Trading & Affiliates  
SUEZ Energy Marketing  
Tenaska Affiliates  
Vineland Energy  
XCEL Energy Services

**D. REFERENCES**

[http://www.iso-ne.com/markets/mkt\\_anlys\\_rpts/annl\\_mkt\\_rpts/2007/amr07\\_final\\_20080606.pdf](http://www.iso-ne.com/markets/mkt_anlys_rpts/annl_mkt_rpts/2007/amr07_final_20080606.pdf)