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Senn M. Downey
Associate Director and Assistant General Counsel
Legal Department

OFFICE OF THE
SECRETARIAT

December 8, 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 40.2(a) Certification. Notification Regarding the Listing of PJM West Hub RT 50 MW Off-Peak Option Contract for Trading on the NYMEX Trading Floor and for Clearing through CME ClearPort NYMEX Submission #11-461

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 50 MW Off-Peak Option (Chapter 1179; Code N9P), for open outcry trading on the NYMEX trading floor and for submission for clearing through CME ClearPort® beginning at 6:00 p.m. on Sunday, December 11, 2011 for trade date Monday, December 12, 2011.

The option specifications are as follows:

- **Rule Chapter:** 1179
- **Contract Name:** PJM West Hub RT 50 MW Off-Peak Option
- **Commodity Code:** N9P
- **Option Type:** Physically settled, American-style option
- **Underlying Futures:** PJM Western Hub Off-Peak Calendar-Month Real-Time LMP Swap Futures (Code N9)
- **Contract Unit:** 50 megawatt hour (MWh) or ten (10) PJM Western Hub Off-Peak Calendar-Month Real-Time LMP Swap futures contracts
- **Expiration Date:** The option contract shall expire at the close of trading two business days prior to the contract month.
- **Minimum Price Fluctuation:** \$0.01 per MWh
- **Strike Price Interval:** \$0.50 per MWh
- **First Listed Contract:** January 2012
- **Trading Month:** Current year plus next five years

- **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. CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

- **Trading and Clearing Fees:**

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	NA	\$0.30	\$0.30	\$0.30	
Globex	NA	NA	NA	NA	NA
ClearPort		\$0.30		\$0.30	

Processing Fees		
	Member	Non-Member
Cash Settlement	NA	NA
Futures from E/A	NA	NA
	House Acct	Cust Acct
Options E/A Notice	\$0.03	\$0.06
Delivery Notice	NA	NA

Additional Fees and Surcharges	
EFS Surcharge	NA
Block Surcharge	NA
Facilitation Desk Fee	\$0.01

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the proposed 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 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.

NYMEX business staff responsible for the new product and the NYMEX legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodities Exchange Act ("CEA"). During the review, NYMEX staff identified that the new product may have some bearing on the following Core Principles:

- **Prevention of Market Disruption:** Trading in this contract will be subject to the NYMEX rules ("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.
- **Contracts not Readily Subject to Manipulation:** The new contract is not readily subject to manipulation due to the deep liquidity and robustness in the underlying cash market, which provides diverse participation and sufficient spot transactions to support the final settlement published by PJM.
- **Compliance with Rules:** Trading in this contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this contract 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.

- Position Limitations or Accountability: The spot month position limits for the new product is set at conservative levels that are approximately 33.8% of the monthly deliverable supply in its underlying market.
- Availability of General Information: The Exchange will publish information on the contract's specification on its website, together with daily trading volume, open interest and price information.
- Daily Publication of Trading Information: Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.
- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the Clearing House of the Chicago Mercantile Exchange Inc. which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- Execution of Transactions: The new contract is dually listed for clearing through the CME ClearPort platform and on the NYMEX trading floor for open outcry trading. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. In addition, the NYMEX trading floor is available as an additional venue to provide for competitive and open execution of transactions.
- 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.
- 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 Rulebook. 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 this product are identified.
- Dispute Resolution: Disputes with respect to trading in this contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows 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 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 Commodity Exchange Act ("Act") and CFTC Regulation 40.2, the Exchange hereby certifies that the attached contract complies with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. A description of the cash market for this new product is attached.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (312) 930-8167 or Sean.downey@cmegroup.com.

Sincerely,

/s/Sean Downey
Associate Director and Assistant General Counsel

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

Appendix A

RULE CHAPTER

Chapter 1179

PJM West Hub RT 50 MW Off-Peak Option

1179100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on PJM Western Hub Off-Peak Calendar-Month Real-Time LMP Swap futures contract. In addition to the rules of this chapter, transactions in options on PJM Western Hub Off-Peak Calendar-Month Real-Time LMP Swap futures shall be subject to the general rules of the Exchange insofar as applicable.

1179101. OPTION CHARACTERISTICS

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

1179101.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

1179101.B. Trading Unit

A PJM West Hub RT 50 MW Off-Peak Call Option traded on the Exchange represents an option to assume ten long positions in the underlying PJM Western Hub Off-Peak Calendar-Month Real-Time LMP Swap futures contracts. A PJM West Hub RT 50 MW Off-Peak Put Option traded on the Exchange represents an option to assume ten short positions in the underlying PJM Western Hub Off-Peak Calendar-Month Real-Time LMP Swap futures contracts. Transaction sizes for trading in any delivery month shall be restricted to whole number multiples of the number of off-peak hours in the month.

1179101.C. Price Increments

Prices shall be quoted in dollars and cents per megawatt hour (MWh) and prices shall be in multiples of \$0.01 per MWh. The minimum price increment will be \$0.01.

1179101.D. Position Limits and Position Accountability

For purposes of calculating compliance with position limits, each contract will be aggregated with positions held in PJM Off-Peak Calendar-Month LMP Swap futures. Each position in the contract will be calculated as a single position in the PJM Off-Peak Calendar-Month LMP Swap futures contract.

In accordance with Rule 559, no person shall own or control positions in excess of 600 PJM Off-Peak Calendar-Month LMP Swap futures-equivalent contracts net long or net short in the spot month.

In accordance with Rule 560:

1. the all-months accountability level shall be 4,500 PJM Off-Peak Calendar-Month LMP Swap futures-equivalent contracts net long or net short in all months combined;
2. the any-one month accountability level shall be 3,000 PJM Off-Peak Calendar-Month LMP Swap futures-equivalent contracts net long or net short in any single contract month excluding the spot month.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

1179101.E. Termination of Trading

The option contract shall expire at the close of trading two business days prior to the contract month.

1179101.F. Type Option

The option is an American-style option.

1179102. EXERCISE PRICES

(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 Western Hub Off-Peak Calendar-Month Real-Time 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 strike price which is one fifty cent increment higher than the strike

price described in subsection (A)(i) of this rule and (iii) the strike price which is one fifty cent increment lower than the strike price described in subsection (A)(i) of this rule.

(B) Thereafter, on any business day prior to the expiration of the option, 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 one 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 West Hub RT 50 MW Off-Peak 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 West Hub RT 50 MW Off-Peak Option in which no new strike prices may be introduced.

1179103.

DISCLAIMER

NEITHER NEW YORK MERCANTILE EXCHANGE, INC. ("NYMEX") ITS AFFILIATES NOR PJM INTERCONNECTION LLC ("PJM") GUARANTEES THE ACCURACY NOR COMPLETENESS OF THE PRICE ASSESSMENT OR ANY OF THE DATA INCLUDED THEREIN.

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Appendix B

CHAPTER 5 TABLE

NOTIFICATION OF AMENDMENTS TO NYMEX RULEBOOK

(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 50 MW Off-Peak Option</u>	<u>1179</u>	<u>N9P</u>	<u>4,500</u>	<u>3,000</u>	<u>600</u>	<u>25</u>	<u>JP</u>

Appendix C

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 has 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 for second quarter 2011 is derived from quarterly power marketer filings required by the Federal Energy Regulatory Commission (FERC). These filings report provide the total megawatt hour (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. Off-Peak shall mean Monday through Friday Hour Ending (HE) 0100-0700 and 2400 Eastern Prevailing Time (EPT) Saturday-Sunday HE 0100-2400 EPT including North American Electric Reliability Corporation holidays.

Table 1:

Contract	MWh	MWh Per Month	Off-Peak 50% Adjustment	40% Real- Time Adjustment
PJM WEST HUB	25,907,552	8,635,851	4,317,925	1,727,170

Futures Market

The underlying futures contract of the proposed option contract is the PJM Peak Calendar-Day LMP Swap Futures (Code N9). Table 2 below shows the daily average volume by month and end of month open interest for the futures contract. The average daily volume has been approximately 8,500 since January 2009 and the end of month open interest has averaged about 1.2 million in the year of 2011 (through October).

Table 2:

Month	Average Daily Volume	End of Month Open Interest
200901	7,264	243,869
200902	12,086	420,221
200903	335	373,917
200904	9,144	473,311
200905	3,109	525,209
200906	11,494	693,897
200907	13,073	756,381
200908	2,138	749,485
200909	2,303	760,711
200910	19,293	1,059,633
200911	1,268	1,056,368
200912	328	1,034,720
201001	6,797	1,087,091
201002	4,525	1,067,176
201003	4,100	1,072,792
201004	6,874	1,115,977
201005	8,661	1,078,145
201006	2,096	1,020,427
201007	14,933	1,238,651
201008	2,758	1,123,845
201009	5,343	1,113,531
201010	7,884	1,190,049
201011	6,642	1,195,817
201012	4,277	1,188,555
201101	6,912	1,223,536
201102	6,471	1,176,394
201103	4,560	1,111,349
201104	10,461	1,204,019
201105	6,718	1,190,704
201106	11,897	1,299,733
201107	10,123	1,433,711
201108	14,810	1,171,978
201109	10,495	1,113,679
201110	3,198	1,100,094

ANALYSIS OF DELIVERABLE SUPPLY

The proposed option contract under this submission is an off-peak real-time monthly electricity contract.

The underlying unit is 50 megawatts per hour.

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

- PJM Western Hub Off-Peak Calendar-Month Real-Time LMP Swap Futures (N9):
600 contracts and aggregates into PJM Off-Peak Calendar-Month LMP Swap
Futures (code JP)

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 off-Peak Real-Time market is 1,727,170 MWh. This is equivalent to approximately 1,771 contract units of PJM Off-Peak Calendar-Month LMP Swap Futures into which the limits of the proposed option will aggregate.

While the spot month position limit threshold of financially settled electricity contract is 100% of the deliverable supply, the proposed spot-month position limit for the option will be 600 contracts which represent approximately 33.8% of the average monthly deliverable supply. Please note that in the Chapter 5 Table of the NYMEX Rulebook (Appendix B), the expiration month limit for the option is reflected in the underlying futures equivalent expiration month limit.