

headquarters in accordance with 17 CFR 145.7 and 145.8.

Any person interested in submitting written data, views, or arguments on the proposed terms and conditions, or with respect to other materials submitted by the COMEX, should send such comments to Jean A. Webb, Secretary, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street NW, Washington, DC 20581 by the specified date.

Issued in Washington, DC, on August 9, 1999.

**John Mielke,**

*Acting Director.*

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## COMMODITY FUTURES TRADING COMMISSION

### Proposed Amendments to New York Mercantile Exchange California-Oregon-Border and Palo Verde Electricity Futures Contracts Regarding the Contract Size, Hourly Rate of Delivery, Price Limits and Related Provisions

**AGENCY:** Commodity Futures Trading Commission.

**ACTION:** Notice of availability of proposed amendments to contract terms and conditions.

**SUMMARY:** The New York Mercantile Exchange (NYMEX or Exchange) has proposed amendments to the California-Oregon-Border and Palo Verde electricity futures contracts that would halve both the hourly rate of delivery, to one megawatt per hour from two megawatts per hour, and the contract size, to 432 megawatt hours (MWhs) from 864 MWhs. In addition, the Exchange proposes conforming amendments to halve the specified monthly delivery-unit amounts (based on the number of on-peak delivery days in the month) to reflect the reduced contract size. In addition, for both contracts, the Exchange proposes certain modifications to the price limit provisions, including setting a uniform price limit of \$10 per MWh expandable to \$20 and \$30 per MWh following a trading halt(s). The Acting Director of the Division of Economic Analysis (Division) of the Commission, acting pursuant to the authority delegated by Commission Regulation 140.96, has determined that publication of the proposals for comment is in the public interest, will assist the Commission in considering the views of interested persons, and is consistent with the

purposes of the Commodity Exchange Act.

**DATES:** Comments must be received on or before August 27, 1999.

**ADDRESSES:** Interested persons should submit their views and comments to Jean A. Webb, Secretary, Commodity Futures Trading Commission, Three Lafayette Centre, 21st Street, NW., Washington, DC 20581. In addition, comments may be sent by facsimile transmission to facsimile number (202) 418-5521, or by electronic mail to secretary@cftc.gov. Reference should be made to the proposed amendments to contract size and price limits of the NYMEX California-Oregon-Border and Palo Verde electricity futures contracts.

**FOR FURTHER INFORMATION CONTACT:** Please contact Joseph Storer of the Division of Economic Analysis, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street NW., Washington, DC 20581, telephone (202) 418-5282. Facsimile number: (202) 418-5527. Electronic mail: jstorer@cftc.gov.  
**SUPPLEMENTARY INFORMATION:** The Exchange justified the proposals by stating that:

These rule changes [to the contract size] are being proposed in order to provide more consistency between the futures and cash markets. Currently the standard cash market transaction requires a delivery rate of 25 MW. Since the delivery rate of many cash market contracts is not divisible by two 2 MW—the delivery rate of the futures contract—it is difficult to use the futures contracts for hedging. A delivery rate of 1 MW would allow traders to more precisely hedge with 25 futures contracts per standard cash market transaction.

These changes [to the price limit provisions] help to ensure that futures market prices are able to reflect cash market pricing by not subjecting them to artificial price constraints at times when the market is reacting to fundamental changes in the supply/demand balance. Rule language identical to the language proposed in this submission has already been approved by the Commission for the Exchange's Cinergy, Entergy and PJM contracts.

The NYMEX stated in its submission that it plans to make the amendment effective 60 days following notice of Commission approval for application to existing and newly listed months. Exchange staff indicated that the planned implementation date is November 1, 1999. According to the Exchange, "implementation for contracts with open interest would be executed between trading sessions and all open positions will be split so that any open positions would be converted to two open positions. For example, if a trader held a short position of 20 contracts at the end of the trading

session before the effective date of the rules, the trader would hold a short position of 40 contracts at the beginning of the next session. The total value of the position would be unchanged since each old position based on 864 MWhs would be converted to two positions based on 432 MWhs which is an equivalent MWh total."

The Division requests comment on the proposed amendments. In addition, the Division requests comment on the Exchange proposal to apply the amendments to certain existing contract months, as noted above.

Copies of the proposed amendments will be available for inspection at the Office of the Secretariat, Commodity Futures Trading Commission, Three Lafayette Centre, 21st Street NW, Washington, DC 20581. Copies of the proposed amendments can be obtained through the Office of the Secretariat by mail at the above address, by phone at (202) 418-5100, or via the Internet on the CFTC website at www.cftc.gov under "What's New & Pending".

Other materials submitted by the NYMEX in support of the proposal may be available upon request pursuant to the Freedom of Information Act (5 U.S.C. 552) and the Commission's regulations thereunder (17 CFR part 145 (1987)), except to the extent they are entitled to confidential treatment as set forth in 17 CFR 145.5 and 145.9. Requests for copies of such materials should be made to the FOI, Privacy and Sunshine Act Compliance Staff of the Office of Secretariat at the Commission's headquarters in accordance with 17 CFR 145.7 and 145.8.

Any person interested in submitting written data, views, or arguments on the proposed amendments, or with respect to other materials submitted by the NYMEX, should send such comments to Jean A. Webb, Secretary, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street NW, Washington, DC 20581 by the specified date.

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**John Mielke,**

*Acting Director.*

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