



2001 Pennsylvania Avenue NW
Suite 600 | Washington, DC 20006
T 202 466 5460
F 202 296 3184

September 21, 2015

Via Electronic Submission

Mr. Christopher J. Kirkpatrick
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

**RE: ICE Futures U.S. Inc.'s Amendment to Position Limits for NYISO Zone G Futures Contracts
(Submission No. 15-101)**

Dear Mr. Kirkpatrick:

The Futures Industry Association¹ ("FIA") appreciates the opportunity to comment on the Division of Market Oversight's ("DMO") stay of ICE Futures U.S. Inc.'s ("ICE") Submission No. 15-101 certifying amendments (the "Amendments") to Resolution No. 2 of Chapter 18 of ICE's Rulebook. The Amendments would revise ICE's position limits, single-month accountability levels, and all-month accountability levels for eight financial power futures for New York Independent System Operator ("NYISO") Zone G based on ICE's updated calculation of deliverable supply in the cash market. FIA supports the Amendments, believes they are supported by relevant market data and comply with applicable law, and urges DMO to withdraw its stay and allow the Amendments to take effect.

FIA's regular and associate members, their affiliates, and their customers actively participate in the listed and OTC derivatives markets as intermediaries, principals, and users. These markets include power markets throughout the United States, including in the NYISO. Deliverable supply estimates help set position limits and accountability levels in these markets, which in turn impact price formation and liquidity. Consequently, FIA's members have a significant interest in ICE's Amendments and, more generally, believe this comment period offers a valuable opportunity for dialogue on exchanges' calculation of deliverable supply for all contracts that are, or may be, subject to position limits or accountability levels.

¹ FIA is the leading trade organization for the futures, options, and cleared swaps markets. FIA's membership includes clearing firms, exchanges, clearinghouses, and trading firms from more than 25 countries as well as technology vendors, lawyers, and other professionals serving the industry. FIA's mission is to support open, transparent, and competitive markets, to protect and enhance the integrity of the financial system, and to promote high standards of professional conduct. As the principal members of derivative clearinghouses worldwide, FIA's member firms play a critical role in the reduction of systemic risk in the global financial markets. FIA along with its affiliated associations, FIA Europe and FIA Asia, make up the global alliance, FIA Global, which seeks to address the common issues facing its collective memberships.

Historically, the Commodity Futures Trading Commission (the “Commission”) has recognized the expertise of exchanges to calculate deliverable supply.² This is because exchanges’ experience with and access to reliable market data best position them to calculate the level of deliverable supply in cash markets, especially as it relates to listed derivatives products and hedging. FIA recommends that DMO continue to follow the practice of relying upon the exchanges to set deliverable supply amounts that are reasonable for the traded area, in this case NYISO Zone G.

The ICE Amendments are supported by relevant market data and comply with applicable law. As ICE noted in its supplemental letter, dated June 23, 2015, the Commission has defined “deliverable supply” as “the quantity of the commodity meeting a derivative contract’s delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract’s delivery points during the specified delivery period, barring abnormal movement in interstate commerce.”³ Applied to power, this definition means deliverable supply is a measure of system capability. While we would recommend that the Commission retain flexibility to consider different analytical frameworks in different circumstances, we agree with ICE that, in view of this definition, an appropriate estimate of deliverable supply in NYISO Zone G is “the sum of capacity of generation . . . and total transfer capability (TTC) available”⁴ This sum represents the system capability by reference to industry-standard terms⁵ that can be reliably measured.⁶

At a minimum, the proper measure for deliverable supply of power is not the load at a hub or zone. Load represents the *demand* for power, not the capacity of the system to supply power at a particular location. If electricity supply at a hub or zone was capable of being increased as necessary through generation and transmission to meet increases in load, such capacity must be included within deliverable supply. This is to say that load does not constrain the amount of electricity “that can reasonably be expected to be readily available . . . in normal cash marketing channels . . . barring

² See *Position Limits for Futures and Swaps*, 76 Fed. Reg. 71626, 71669 (Nov. 18, 2011) (“Given that DCMs that list Core Referenced Futures Contracts have considerable experience in estimating deliverable supply for purposes of position limits, this expertise will be of significant benefit to the Commission in its determination of levels of deliverable supply for the purpose of resetting spot month position limits. The additional data provided by DCMs will help the Commission to accurately determine the amounts of deliverable supply, and therefore the proper level of spot-month position limits.”).

³ *Id.* at 71633; see also *id.* (“The Commission continues to believe that deliverable supply represents the best estimate of how much of a commodity is actually available in the cash market, and is thus the best basis for determining the proper level to deter manipulation and excessive speculation while retaining liquidity and protecting price discovery.”).

⁴ Supplemental Letter from ICE to CFTC, Exh. A, Submission No. 15-101s (June 23, 2015).

⁵ See Glossary of Terms Used in NERC Reliability Standards, North American Electric Reliability Corporation, available at http://www.nerc.com/files/glossary_of_terms.pdf (last updated May 19, 2015) (defining “Total Transfer Capability”).

⁶ The process the NYISO utilizes to balance supply and demand is an economic optimization process that is not relevant to the determination of deliverable supply. The economic optimization process determines the least-cost combination of supply resources that satisfies customer demand and system constraints (*e.g.*, system reliability) at a moment in time. It does not determine or limit deliverable supply, which is a measure of system capability.

abnormal movement in interstate commerce.” Deliverable supply therefore should not be treated as a function of load, nor should load be treated as a constraint on deliverable supply.⁷

Important market considerations also augur against constraining deliverable supply to load. Underestimating deliverable supply would inappropriately reduce the positions that may be held by market participants, which drains liquidity from the market. Such liquidity is critical to hedgers to offset their risks at the best possible price. Denying hedgers the ability to hedge efficiently ultimately increases the prices consumers pay for commodities.

The proper functioning and utility of markets depends on deliverable supply amounts being set at appropriate levels. Exchanges are best situated to measure deliverable supply and to revise position limits and accountability levels accordingly. Measuring deliverable supply is a contract- and market-specific inquiry. For this reason the Commission historically has relied on exchanges to perform this fact-intensive determination. We urge DMO to continue to follow this tradition, both with respect to ICE’s Amendments and exchanges’ calculation of deliverable supply more generally. Continued recognition of exchanges’ expertise in this area will result in the most accurate measures of deliverable supply, which in turn will facilitate liquidity, encourage price discovery and ultimately yield healthier, more efficient markets for commodity market participants and consumers alike.

We appreciate the DMO’s consideration of our comments.

Sincerely,



Allison Lurton

Senior Vice President and General Counsel

⁷ While load (demand) may be observed as a part of the process (*i.e.*, load is being satisfied; therefore, at a minimum that level of deliverable supply must exist), ultimately a deliverable supply analysis must be focused on the supply side of the equation and include all supply that is readily available.