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September 21, 2015

Christopher Kirkpatrick, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
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Washington, D.C. 20581
Telefacsimile: (202) 418-5521
Email to secretary@cftc.gov and electronically to <http://comments.cftc.gov>

Re: Solicitation of Comments Regarding Rule Amendment Filings by ICE Futures U.S., Inc., IF 15-007 and IF 15-005

Dear Mr. Kirkpatrick:

In response to a Request for Public Comments¹ issued by the Division of Market Oversight (“DMO”) of the Commodity Futures Trading Commission (the “Commission” or “CFTC”), the International Energy Credit Association (“IECA”) respectfully provides these comments in support of the rule amendment certification filings by ICE Futures U.S., Inc. (“ICE”).

ICE has submitted a certification filing to amend the position limits on New York Independent System Operator (“NYISO”) Zone G futures contracts entitled “Amendments to Resolution No. 2 of Chapter 18 – Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6(a),” Submission No. 15-101, dated May 11, 2015 (the “ICE Submission No. 15-101”); as supplemented by ICE in a “Supplement to Amendments to Resolution No. 2 of Chapter 18 – Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6(a),” Submission No. 15-101s, dated June 23, 2015 (the “ICE Submission No. 15-101s”).

Following the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“DFA”) and its amendments of the Commodity Exchange Act (“Act”), the IECA has filed numerous comments with the Commission seeking to protect the rights and advance the interests of the commercial end-user community that makes up the majority of its membership. Many of the IECA’s members are representatives of commercial end-users that rely on futures

¹ On July 7, 2015, the DMO issued its “Solicitation of Comments regarding the ICE Futures U.S. Inc. Futures Contracts in New York Independent System Operator (“NYISO”) Electric Power for Zone G” (the “Request for Public Comments”).

contracts and swaps to help them mitigate and manage (i.e., hedge) the risks of energy commodity price volatility to their physical energy businesses.

Procedural Background

On May 11, 2015, ICE filed ICE Submission No. 15-101, which proposed certain amendments to its Exchange Rulebook under which ICE would adopt a new estimation for deliverable supply on which position limits for eight of ICE's NYISO Zone G futures contracts would be based. ICE Submission No. 15-101 stated that: "[t]he Exchange will implement the position limit changes on May 27, 2015, effective for all expiration months, including those with open interest."

On May 26, 2015, the DMO issued its Notification of Stay with respect to ICE Submission No. 15-101 (the "Notification of Stay"), which indicated that DMO had determined to stay the certification review period for ICE Submission No. 15-101 for an additional 90 days until close of business on August 24, 2015. This Notification of Stay indicated that, pursuant to Regulation 40.6(c)(2), the Commission will provide a 30-day public comment period for ICE Submission 15-101 during the 90-day review period.

On June 23, 2015, ICE submitted ICE No. Submission 15-101s, which contained additional factual support for the amendment proposed in ICE Submission No. 15-101.

On July 7, 2015, the DMO issued its Request for Public Comments with respect to ICE Submission No. 15-101 and ICE Submission No. 15-101s, pursuant to which public comments were due to be submitted to the Commission no later than August 6, 2015.

On July 29, 2015, ICE submitted a further Supplemental Submission ("ICE Submission No. 15-101s-2"), which requested "a 45-day extension to the 30-day public comment review period for the IFUS Submission No. 15-101."

On August 5, 2015, the DMO issued a press release, which announced that DMO had granted ICE "a 45-day extension of the public comment period and a 60-day extension of the stay period for Submission No. 15-101, dated May 11, 2015" (the "Press Release"). In the Press Release, DMO indicated that comments must be submitted on or before September 21, 2015.

Issues Raised by ICE Submission Nos. 15-101 and 15-101s

ICE Submission No. 15-101 proposed certain amendments to its Exchange Rulebook under which ICE would adopt a new determination for deliverable supply on which position limits for eight of ICE's NYISO Zone G futures contracts would be based. ICE Submission No. 15-101 included the following statement: "[t]he amendments to Resolution No. 2 of Chapter 18 increase position limits, single month accountability levels and all month accountability levels for eight financial power futures."

Exhibit A to ICE Submission No. 15-101 contained the proposed eight changes including, by way of example, the following three changes:

<u>Contract Name</u>	<u>Contract Size</u>	<u>Unit of Trading</u>	<u>Spot Month Limit</u>	<u>Single Month Accountability Level</u>
NYISO Zone G Day-Ahead Peak Daily Fixed Price Future	800	Mwh	200 1,481	2,000 1,481
NYISO Zone G Day-Ahead Peak Mini Fixed Price Future	1	MW	476 3,526	4,762 3,526
NYISO Zone G Day-Ahead Off-Peak Daily Fixed Price Future	50	Mwh	4,000 27,505	40,000 27,505

In its ICE Submission No. 15-101s, ICE indicates that its estimated deliverable supply, which is used to determine appropriate position limits for its futures contracts for NYISO Zone G, “is based upon numbers published by the NYISO for Zone G.” ICE states that its estimate of deliverable supply is based on “the average deliverable supply calculated by [ICE which] includes and incorporates the peak and off-peak periods and all four seasons for each year of such period [of three full calendar years and is therefore] in compliance with the requirements of this paragraph [(b)(1)(i)(C) of Appendix C to Part 38 of the CFTC’s Regulations].”

In ICE Submission No. 15-101s, ICE states that its estimate of deliverable supply includes the sum of the Nameplate Rating (“NPR”) of generation available in Zone G, plus the total transfer capability (“TTC”) along interfaces into NYISO Zone G from other NYISO zones to the north and south, from PJM or ISO New England.

To ensure that usage of TTC was an appropriate measure of actual power flows, ICE determined that these interfaces have an overlapping path of power flow, which ensures that the same resources cannot transmit over multiple power flows or be double counted. Moreover, ICE reviewed NYISO intertie flow data and confirmed that “the total actual tie flow in max hours at each interface to Zone G was 98% of the TTC listed in NYISO’s Operating Studies.”²

To ensure that usage of NPR is an appropriate measure of actual generation, ICE reviewed data from the U. S. Energy Information Administration’s (“EIA”) Form No. 860, which includes generator-specific Net Summer and Net Winter performance-based generation data. On the basis of this review, ICE concluded that “[t]otal Net Winter Capacity was 98% of total NPR. This means that for every 100 MW of Nameplate generation performance testing, an average of 98 MW of power would be available in peak winter conditions.”³

² See ICE Submission No. 15-101s at page 3.

³ Id. at page 3.

As set forth in confidential Exhibit B to ICE Submission No. 15-101, which was resubmitted as public Exhibit A – Deliverable Supply Analysis to ICE Submission No. 15-101s, ICE concluded: “To calculate the total amount of electricity deliverable at Zone G, the Exchange used the sum of average NPR [3,097 MW] and TTC [11,008 MW] for the aforementioned [three year] time period. The Exchange determined that the deliverable supply of electricity in Zone G was 14,105 MW.”

Based on the foregoing, ICE concluded in ICE Submission No. 15-101s (at page 3 thereof):

“For the foregoing reasons, [ICE] believes that the Deliverable Supply Analysis (attached hereto as Exhibit A for reference) which accompanied Submission 15-101 is consistent with the requirements of paragraph (b)(1)(i)(C) of Appendix C to Part 38. Further, the Exchange believes that the amended spot month position limit levels continue to comply with the current standard set forth in CFTC Regulation 150.5(c) as they do not increase the potential for manipulation or distortion of the underlying market.”

DMO indicated that its Notification of Stay was “based upon the fact that the submission contains an inadequate explanation of the subject rule amendment” saying the “the filing lacks sufficient analysis of peak vs. off-peak power, dynamic constraints to the use of name plate rating (NPR), effects of ancillary services on supply, double counting for total transfer capability (TTC), historical delivered power vs. load demanded, and seasonality effects on the markets.”

As set forth in its Request for Public Comments (see page 2 of 4): “the Commission is requesting written data, views or arguments from interested and knowledgeable members of the public. Commenters are specifically requested to address the following issues [set forth in 17 specific questions].”

IECA Comments on ICE Submission Nos. 15-101 and 15-101s

The IECA appreciates this opportunity to provide comments to the Commission and its DMO regarding ICE’s proposed estimate of deliverable supply for use in setting position limits for ICE’s futures contracts for NYISO Zone G.

A. ICE’s Use of the Available NPR of Generators Located in NYISO Zone G and the Available TTC Capability to Transmit Electric Energy into NYISO Zone G from Adjacent Areas, Averaged Over Each Day of a Three Year Period (2012 – 2014), Provides a Representative and Accurate Estimate of the Deliverable Supply in NYISO Zone G.

The IECA notes that NYISO Zone G is uniquely situated geographically so that it is the highway for power flowing from outside NYISO Zone G through Zone G and into the much larger electric markets of New York City in NYISO Zone J.

As a result of this geographic configuration, any estimate of the “deliverable supply” available in NYISO Zone G needs to recognize the physical supply market in Zone G, which is

much larger than merely the load physically located in NYISO Zone G. Limiting the determination of “deliverable supply” to the quantity of electric energy consumed by the load physically located in NYISO Zone G ignores the characteristics of the cash market in NYISO Zone G, dramatically under-estimates the deliverable supply available in NYISO Zone G, artificially constrains the price discovery process and reduces the ability to hedge risks using futures contracts for NYISO Zone G.

As a further indication of the size of the market in NYISO Zone G, the IECA notes that many of its members report that commercial market participants routinely use NYISO Zone G futures contracts to hedge activity outside of NYISO Zone G. The use of the cash market in NYISO Zone G for physical supplies of electricity to serve load located outside of NYISO Zone G, as well as the use of futures contracts for NYISO Zone G by commercial participants to hedge activities outside of NYISO Zone G, demonstrates that relying solely on the load physically located in NYISO Zone G will not provide an accurate measure of the actual use by market participants of the market in NYISO Zone G nor will it provide a representative estimate of deliverable supply of electricity that potentially could be made available for sale on a spot basis in NYISO Zone G.

ICE’s estimate of the deliverable supply that reasonably can be expected to be readily available in NYISO Zone G includes the generating capacity of generation facilities located in NYISO Zone G plus the quantity of power that can be transmitted into NYISO Zone G from adjacent areas, both of which were derived from public data in the NYISO Operating Study across a three year period of 2012 through 2014.

ICE has said that its proposed NYISO Zone G position limit is set at 25% of its estimate of deliverable supply (with such “deliverable supply” being determined based on the average NPR of the generators in NYISO Zone G and the average TTC from adjacent areas into NYISO Zone G) and yet this number represents just 2% and 10%, respectively, of the average daily open interest for Peak and Off-Peak futures contracts. This fact confirms the statements of the IECA members that market participants use futures contracts for NYISO Zone G extensively to hedge activities outside of NYISO Zone G. This also confirms that ICE’s use of the existing position limit, which is determined using an estimate of deliverable supply that is based solely on the load served in NYISO Zone G, severely misrepresents, underestimates and artificially constrains the size of the market in NYISO Zone G.

The IECA supports ICE in its conclusion that a more accurate and representative measure of deliverable supply in NYISO Zone G should recognize the contribution to deliverable supply in NYISO Zone G from both the average of the NPR of the available generators located in NYISO Zone G plus the additional contribution to deliverable supply in NYISO Zone G provided by the average of the TTC from the interfaces with adjoining areas into NYISO Zone G. The IECA believes this recognition of NPR and TTC is consistent with and actually envisioned by the Commission’s regulations.

In Paragraph (b)(1)(i)(A) of Appendix C to Part 38 of the CFTC’s regulations, the CFTC has said: “Typically, deliverable supply reflects the quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract’s delivery

points.” Paragraph (b)(1)(i)(B) of Appendix C to Part 38 of the CFTC’s regulations goes on to say: “To assure the availability of adequate deliverable supplies and acceptable levels of commercial risk management utility, contract terms and conditions should account for variations in the patterns of production, consumption and supply over a period of years of sufficient length to assess adequately the potential range of deliverable supplies. This assessment also should consider seasonality, growth, and market concentration in the production/consumption of the underlying cash commodity. ... In addition, consideration should be given to the relative roles of producers, merchants, and consumers in the production, distribution, and consumption of the cash commodity...” (emphasis added).

The above regulatory provisions require an estimate of deliverable supply to consider “production, consumption and supply” and the “roles of producers, merchants, and consumers.” Limiting ICE’s estimate of deliverable supply solely to the “load served” in NYISO Zone G ignores production, supply, producers, and merchants and considers solely consumption and consumers, which is contrary to the Commission’s own regulations.

Moreover, the NYISO operates an economic dispatch system to determine which generators are called upon to operate and produce electric energy during a specified period of time. In this economic dispatch system, generally, the generator offering the lowest price is dispatched (called upon to operate and generate electric energy) first, followed by the generator offering the next lowest price, in an iterative process until the amount of electric energy generated in that time period matches the demand (or load) for electric energy during that time period. And the price for all electric energy generated during that specified time period shall be the price offered by the highest priced generator of all the generators that were dispatched to run and generate electric energy during that specified time period, subject to a further adjustment under the locational marginal pricing (LMP) method to address locational impacts on congestion arising due to the location of each generator relative to the load being served.

This economic dispatch does not mean, however, that the “quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract’s delivery points” during any time period is limited to the quantity of electric energy actually consumed by load located within NYISO Zone G during that time period. In fact, were the customers being served during that specified time period unexpectedly to demand additional electric energy, the NYISO would simply have dispatched additional generators with the next highest offering prices for their generation until sufficient electric energy was generated to match this additional demand of the customers being served.

Assuming that this unexpected additional demand did not arise, it seems unreasonable for ICE or the Commission to exclude this additional generation capacity, which was easily made available, from consideration as part of the quantity of electric energy that potentially could be made available for sale on a spot basis during any specified time period. On the contrary, the quantity of electric energy that potentially could be made available for sale on a spot basis during any time period is much more closely tied to the NPR of the generation available during that time period than it is to the quantity of electric energy actually consumed during that time period.

In its Deliverable Supply Analysis (Exhibit B to ICE Submission No. 15-101 and Exhibit A to ICE Submission No. 15-101s), ICE indicates that it utilized the average of the total NPR of the generators corresponding to Zone G provided by NYISO in its annual Load & Capacity Data report (referred to as the “Gold Book”) from 2012 to 2014. In that Deliverable Supply Analysis (at page 3 of 3), ICE indicated that “The Gold Book indicated that during the aforementioned time period, the average total NPR in Zone G was 3,097 MW.”

We believe this statement means that the Gold Book report was reporting the average NPR of all the generators that were available on each day during the three year period 2012 through 2014. If so, then this measurement of the average NPR of the generators in NYISO Zone G would take into consideration the availability of each such generator. This would be consistent with ICE’s statements on page 2 of 3 of the Deliverable Supply Analysis, which said: “If a generator were unavailable, the report would reflect the decreased generation capacity at the location. For example, routine maintenance will cause portions of a utility’s generation fleet to be offline for a period of time.”

Assuming that ICE’s use of NYISO’s report of the average NPR of the generation in Zone G over three years takes into consideration the actual availability of the NPR of each such generator, recognizing the unavailability of the NPR of any individual generator due to maintenance or other outages during that three-year period, then IECA submits that ICE’s use of the average NPR data for generators located in NYISO Zone G is a much more accurate and representative estimate of the “quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract’s delivery points.”

In addition, Paragraph (b)(1)(i)(A) of Appendix C to Part 38 of the CFTC’s regulations stipulates that:

“Typically, deliverable supply reflects the quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract’s delivery points. For a non-financial physical delivery commodity contract [such as electricity], this estimate might represent product which is in storage at the delivery point(s) specified in the futures contract or can be moved economically into or through such points consistent with the delivery procedures set forth in the contract and which is available for sale on a spot basis within the marketing channels that normally are tributary to the delivery point(s).” (Emphasis added.)

Use of the TTC available from adjacent areas outside of NYISO Zone G is consistent with the express language set forth above in Paragraph (b)(1)(i)(A) of Appendix C to Part 38 of the Commission’s regulations, which explicitly includes “product which ... can be moved economically into or through such points ... which is available for sale on a spot basis.” This provision of the Commission’s regulations should readily incorporate TTC from regions adjacent to NYISO Zone G.

In fact, such TTC from adjoining zones or regions into NYISO Zone G can and is routinely called upon by the NYISO to meet increases in the demands of consumers (load of the consumers) served at the delivery points set forth in the futures contracts for NYISO Zone G.

In addition, the Federal Energy Regulatory Commission (“FERC”) performs periodic measurements of the “market power” capable of being wielded by a generator or power marketer and its affiliates within a particular zone or control area of the US electric grid. In undertaking its analysis of such “market power,” the FERC routinely looks at the generating capacity owned or controlled by the generator or marketer and its affiliates within that zone or control area, plus any additional generating capacity owned or controlled by the generator or marketer and its affiliates which is located in another (so-called “first tier”) zone or control area immediately adjacent to the zone or control area under review. This use by FERC, a sister agency to the CFTC, of the TTC in assessing power markets should give additional comfort to the Commission that it can rely on TTC as proposed by ICE in its determination of the deliverable supply for NYISO Zone G.

The average availability of the NPR of the generators physically located in Zone G, based on the NYISO published data for the last three years, plus the average of the additional quantities of electric energy available for transmission into NYISO Zone G from adjacent areas through the TTC, should readily demonstrate to the Commission that the sum of the TTC and NPR provides a much more accurate measure of the deliverable supply for NYISO Zone G. Plus, this larger deliverable supply estimate recognizes the market for electricity in NYISO Zone G both from a physical supply perspective and the use of futures contracts by commercial market participants who use such Zone G futures contracts to hedge commercial activity outside of Zone G.

Finally, since the numbers used by ICE in ICE Submission No. 15-101 and ICE Submission No. 15-101s are based on an average of the data for every day of a three year period, these amounts reflect a conservative assessment of the deliverable supply, which also takes into consideration the seasonality and peak and off-peak periods. As a result, this estimate of the deliverable supply of NYISO Zone G should be “sufficient to ensure that the contract is not susceptible to price manipulation or distortion,” which is after all the standard to be applied under Paragraph (b)(1)(i)A) of Appendix C to the Commission’s regulations.

B. The Commission Should Instruct ICE and Other Exchanges to Use Similar Methods to Estimate the Deliverable Supply for Purposes of Setting Position Limits and Accountability Levels for Futures Contracts Involving Electricity Products.

Without limiting its jurisdiction and authority over exchanges, the Commission has historically given exchanges, such as ICE, considerable flexibility to use a self-certification process to propose and implement revisions to their futures contracts and applicable position limits, accountability levels and the underlying estimates of deliverable supply. In the past, the Commission has generally concluded that the exchanges knew and understood the markets they administered and were in a good position to make recommendations and revisions to address market changes when and as needed to provide an accurate and efficient price discovery process, a mechanism to allow commercial end-users to economically hedge market risks, and a reasonable investment opportunity for investors willing to speculate about market volatility. The Commission generally allowed the exchanges to do their jobs of ensuring that futures contract markets worked efficiently and without manipulation or fraud for the benefit of all market participants.

The IECA believes that the Commission should continue to allow the exchanges to do their jobs, reserving the right to step-in if and when an exchange gets it wrong, but otherwise not unnecessarily delaying the exchanges' implementation, by self-certification, of changes to futures contracts, position limits, accountability levels, and estimates of "deliverable supply" that need to be addressed.

In this regard, the IECA urges the Commission to instruct ICE and other exchanges to use similar methods to estimate the deliverable supply for purposes of setting position limits and accountability levels for futures contracts involving electricity products.

C. IECA Offers the Following Answers to Several of the 17 Specific Questions Asked by the Commission in its Request for Public Comments.

In addition to the preceding comments, the IECA offers the following responses to one or more of the 17 specific questions asked by the Commission in its Request for Public Comments.

1. When estimating deliverable supply is nameplate capacity ("NPC") appropriate to reflect the structure of the cash market for the underlying commodity?

ANSWER: Yes. So long as the NPC of the generators in a particular zone or region is averaged over a three year period, utilizes data reported by one or more independent publicly available sources, and so long as the average NPC over such three year period recognizes and incorporates the unavailability due to maintenance or other outages of the NPC for specific generators in calculating such average NPC, then the use of NPC is very appropriate for estimating deliverable supply in the cash market for an underlying electric product commodity.

2. Since all generating units do not operate throughout the day and supply must always equal demand to maintain an electric power system's operations how can these two factors be accounted for in a deliverable supply estimate?

ANSWER: In an economic dispatch system, limiting the quantity of electric energy available for sale during any time period to the quantity of electric energy actually consumed during such time period misrepresents the deliverable supply, unfairly constrains the price discovery process, and unnecessarily reduces hedging capabilities. See discussion above.

3. When estimating deliverable supply, is total transfer capability ("TTC") appropriate to reflect the structure of the cash market for the underlying commodity?

ANSWER: Yes, see discussion above.

4. Does TTC include or exclude electric power generated to meet demand in the zones outside NYISO Zone G? Would it be appropriate to reduce estimated deliverable supply for zones other than Zone G where power contributed to the TTC flows comes from those areas?

ANSWER: IECA has not developed a position on this question.

5. What adjustment to TTC should be made to account for demand, transmission and node constraints? Is the use of a flowgate model appropriate to account for TTC?

ANSWER: Use of the TTC quantities publicly reported by the NYISO, and therefore using data that is publicly available, should be the measure of TTC used by ICE in estimating “deliverable supply” for NYISO Zone G. Consideration of how NYISO calculates its numbers for TTC, e.g., considering whether NYISO does, or does not, use a flowgate model to calculate that number for TTC, should not be the reason for ICE or any other exchange to modify the TTC number reported by the NYISO.

6. Is the use of historic capacity electric power data appropriate for the estimation of deliverable supply? Or should historic flow data for that zone be used, where available?

ANSWER: The use of historic flow data for a zone may ignore the production capacity actually available, but simply not dispatched because load being served during any historic period was less than the supply of electric energy available in that zone during such period. Such a use of historic flow data unfairly reduces the estimate of the deliverable supply available simply because the demand by customers (load) was lower than the production capacity available during the time period being considered.

7. How does NPC and/or TTC relate to historical electric power flows?

ANSWER: Overly broad question; the Commission should provide more specificity regarding this question to enable market participants and the public to formulate an answer.

8. Is the use of average load appropriate to estimate supply of electric power over a period of time at a zone?

ANSWER: No. See discussion above.

9. What adjustments if any should be made for historical load data containing periods of exceptionally high or low load for the zone?

ANSWER: Overly broad question; the Commission should provide more specificity regarding this question in order for the IECA to formulate an answer.

10. To what extent do the current ICE deliverable supply estimates for the futures contract for NYISO Zone G electric power contracts reflect seasonality effects on the market?

ANSWER: Use of the NPC and the TTC averaged over each day of a three year period should account appropriately for seasonality effects on the market.

11. Is it appropriate to calculate two separate estimates of deliverable supply for both peak and off-peak electric power futures contracts?

ANSWER: To the extent that a particular futures contract applies to a zone or region that includes one or more generation resources that are intermittent resources (i.e., generation resources which are not generally available during peak periods), that characteristic should be recognized and included in estimating the deliverable supply separately for peak and off-peak futures contracts.

12. What, if any, other factors should be considered by ICE in estimating supply of electric power that would be available at NYISO Zone G in a particular month?

ANSWER: Other zones or regions of the US power markets could require consideration of additional factors. With respect to NYISO Zone G, we think the factors considered by ICE are appropriate.

13. Is it appropriate to calculate deliverable supply on historical delivered electric power to account for the merit-order curve? Is another method more appropriate?

ANSWER: No. For the reasons set forth above in these comments, the “historic delivered electric power” (i.e., the load or consumption) for any particular time period in a zone or region should not be the measure of the supply that is deliverable in such zone or region during that time period.

14. When estimating deliverable supply should there be reductions made for ancillary services (e.g. load following, frequency response, spinning reserve capacity, etc.) given their role in normal grid operations?

ANSWER: While we have not conducted any mathematical studies, considering that ancillary services are generally a small percentage of the total available quantity of generating capacity and considering that a position limit will likely be set no higher than 25% of the deliverable supply (which is itself an average over the data for three years), there is very little mathematical justification to making any reduction of the estimate of deliverable supply to reflect the generation used to produce ancillary services, because the resulting reduction of the deliverable supply and the reduction of the position limits and accountability levels would be minimal.

15. How does the methodology of estimating deliverable supply impact the contracts hedging or price-basing utility?

ANSWER: If deliverable supply is unnecessarily under-estimated, then the resulting smaller position limits and accountability levels will limit the positions able to be taken by speculators (and possibly some non-enumerated hedges), which will reduce liquidity in the particular futures contract markets, thereby unnecessarily constraining price discovery function and reducing hedging opportunities for commercial end-users.]

16. How should deliverable supply estimates relate to the speculative position limits and accountability levels for similar contracts traded on other exchanges be viewed?

ANSWER: While it seems like the deliverable supply estimates and, therefore, the position limits and accountability levels should be at least comparable among exchanges trading comparable products in the same zone or region, each exchange will have better data about how its various futures contracts are utilized by market participants, which could reflect differences in use by market participants that support and justify different estimates of deliverable supply as well as different position limits and accountability levels.

To ensure the integrity of the decisions by such exchanges, the CFTC could provide a forum for market participants to raise concerns regarding adverse impacts arising due to differences between exchanges trading comparable products in the same or comparable zones or regions to ensure that markets are efficient and fair, not subject to manipulation or fraud, provide a reasonable price discovery function, provide reasonable investment opportunities to investors, and provide economical risk hedging opportunities for commercial end-users.

17. To what extent should consideration be given to environmental constraints, ramp-rate limits, dynamic constraints, start-up costs, operation scheduling, no-load costs, and pricewise linear cost curves when estimating deliverable supply?

ANSWER: While we have not conducted any mathematical studies, in most situations, these factors should be mathematically irrelevant to the determination of the estimate of the deliverable supply for an entire zone or region, particularly since the position limits and accountability levels calculated from such estimate of the deliverable supply are a relatively small percentage of such deliverable supply.

CONCLUSION. Accordingly, the IECA supports ICE's proposed amendment providing a substantial increase in the estimate of deliverable supply for purposes of establishing position limits and accountability levels for ICE's NYISO Zone G futures contracts. The IECA agrees with ICE that the load served in NYISO Zone G does not provide an accurate estimate of the quantity of electric energy readily available for delivery in NYISO Zone G. The IECA supports ICE's utilizing the sum of the average of the name plate ratings (NPR or NPC) for the generators located in NYISO Zone G plus the average of the Total Transfer Capability (TTC) into NYISO Zone G from the various interfaces with NYISO Zone G as a much more accurate estimate of the quantity of power readily available for delivery in NYISO Zone G. Moreover, use of the NPR of the generators and the TTC recognizes the way market participants use the physical supply markets and futures contracts for NYISO Zone G.

Please direct correspondence concerning these comments to:

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Yours truly,
INTERNATIONAL ENERGY CREDIT ASSOCIATION

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