



October 28, 2011

The Honorable Gary Gensler, Chairman
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

By Email: ggensler@cftc.gov

RE: Periodic Review of Spot-month Position Limits for Energy Contracts

Dear Mr. Chairman:

An apparent conflict of information has come to my attention regarding certain specifics of the final rule for speculative position limits approved by the Commission on Tuesday, October 18, 2011. I wish to seek further clarification on the frequency with which the CFTC plans on reviewing spot-month speculative position limits for energy commodities.

As you are aware, we believe strongly that spot month limits for energy contracts should be reviewed more frequently than every two years. Therefore, we were pleased to hear at the public meeting on October 18th that the Commission would be conducting an annual review of such limits (see staff summary of the final rule in the archived webcast of the meeting, at 3:05:00):

“The initial spot month limits would be based on limits currently in place in futures exchanges. Subsequently, spot month limits would be adjusted every two years for agricultural contracts and **annually for energy and metal contracts.**”

I also understand that, in the week following the approval of a final rule on speculative position limits, the Commission circulated a “Fact Sheet” to members of Congress and others stating the same - that spot-month limits for energy and metals contracts would be reviewed annually, and agricultural contracts biennially.

However, earlier this week, the Commission published the text of the final rule and a revised Fact Sheet on its website that contradicts this information. The revised fact sheet now says:

“Spot-month limits will be effective sixty days after the term “swap” is further defined under the Dodd-Frank Act. The limits adopted at that time will be based on the spot-month position limit levels currently in place at DCMs. Thereafter, the spot-month limits will be adjusted annually for agricultural contracts and **biennially for energy and metal contracts.**”

The final rule itself, as published online this week, states:

“The Commission recognizes the concerns regarding the necessity and desirability of an annual updating of the deliverable supply calculations on a single anniversary date, and that under normal market conditions, agricultural, energy, and metal commodities typically do not exhibit dramatic and sustained changes in their supply and demand fundamentals from year-to-year. Accordingly, the Commission has determined to **update spot-month limits biennially (every two years) for energy** and metal Referenced Contracts instead of annually, and to stagger the dates on which estimates of deliverable supply shall be submitted by DCMs.”

And

§151.1(d)(2)(iii)(B) – “For energy Core Referenced Contracts listed in §151.2(b), by the 31st of December **and biennially thereafter**”

We are confused by the apparent conflict of information provided by the Commission and would appreciate any clarification that you might provide. In the final rule approved by Commissioners on October 18th, was the requirement that spot-month limits for energy and metal contracts be reviewed on an annual or biennial basis? If it is on a biennial basis, was the change made last minute or immediately prior to the vote? Has the Commission done anything to address the apparent conflict and the confusion it may have caused?

Thank you and I appreciate any additional information that you can provide.

Sincerely,



Michael C. Trunzo, President & CEO
The New England Fuel Institute

MCT/jc

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