



April 25, 2016

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

Re: Regulation Automated Trading, Notice of Proposed Rulemaking, RIN 3038-AD52

Dear Secretary Kirkpatrick:

The Edison Electric Institute (“EEI”), the Electric Power Supply Association (“EPSA”) and the Natural Gas Supply Association (“NGSA”) (collectively “Joint Associations”) respectfully submits this supporting comment letter in response to the Commodity Futures Trading Commission’s (the “CFTC” or “Commission”) Notice of Proposed Rulemaking, Regulation Automated Trading (“Regulation AT”)¹, which proposes risk controls, transparency measures, and other safeguards to improve the Commission’s regulatory oversight of automated trading on designated contract markets. NGSA supports the March 16, 2016 comments submitted in the proceeding by Sutherland Asbill & Brennan LLP on behalf of The Commercial Energy Working Group and the Commodity Markets Council (collectively, the “Commercial Alliance”) and respectfully wishes to offer an end user perspective for the Commission’s consideration.

EEI is the association of U.S. shareholder-owned electric companies. Our members provide electricity for 220 million Americans, operate in all 50 states and the District of Columbia, directly employ more than 500,000 workers and serve over 70 percent of the ultimate customers in the United States. EEI members are physical commodity market participants in the energy industry and rely on commodity derivative contracts primarily to hedge or mitigate commercial risks.

EPSA is the national trade association representing leading competitive power suppliers, including generators and marketers. These suppliers, who account for nearly 40

¹ See *Regulation Automated Trading*, Notice of Proposed Rulemaking, 80 Fed. Reg. 78,824 (Dec. 17, 2015) (“Regulation AT”)

percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. EPSA seeks to bring the benefits of competition to all power customers.

Established in 1965, NGSAs encourage the use of natural gas within a balanced national energy policy, and promote the benefits of competitive markets, thus encouraging increased supply and the reliable and efficient delivery of natural gas to U.S. customers.

Because of the potential for the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") to impede what are and have been healthy, competitive, and resilient energy commodity markets, the Joint Associations, along with many end user groups, played an active role in the shaping of the act during its passage and wishes to continue such a role in ensuring the act's successful implementation.

The Joint Associations' members enter into thousands of physical and financial natural gas transactions daily and invest billions in the long-term development of natural gas and energy supply for sale in the U.S. natural gas market as well as markets abroad. As large producers and suppliers of natural gas, the Joint Associations' members would not invest in the growth of the physical energy markets if they did not believe the market exhibited three key principles of health – integrity, transparency and efficiency.

Like the Commercial Alliance, the Joint Associations believe that automated trading should be subject to appropriate pre- and post-trade risk and other controls. As such, the Joint Associations appreciate the Commission's efforts under Regulation AT to promote market integrity and transparency and mitigate exposure to systemic risk as derivatives markets continue to evolve toward automated trading systems. However, as the Commercial Alliance pointed out, Regulation AT, as proposed, risks broad impacts on commodity markets by subjecting commercial energy and agricultural firms to significant regulatory burden, despite the Commission's stated intent to limit the scope and applicability of the proposed rulemaking to approximately 100 new registrants.

Specifically, the Joint Associations are concerned that the proposed definition of an "AT Person" is overly broad and might sweep commercial market participants accessing a futures market into regulation as a floor trader, subjecting them to rigorous recordkeeping requirements and compliance reviews. Extending floor trader registration to entities whose activities are ill-suited for such financial regulations risks unnecessarily increasing the costs of end user risk management practices, stifling innovation in commercial trading practices and discouraging exchange trading.

Commercial market participants are actively engaged in ensuring compliance with the changing regulations affecting commodity trading and risk management practices. Yet significant regulatory uncertainty still remains with respect to the Commission's implementation of the Dodd-Frank Act. The Joint Associations encourage the Commission to work closely with commercial market participants to find a path forward

that will meet the Commission's objectives while maintaining the end user protections that are so important to cost-effective hedging practices.

In this regard, the Joint Associations would be delighted to participate in a dialogue regarding a viable path forward with respect to regulation of automated trading. Please do not hesitate to contact us if you have any questions.

Sincerely,

/s/ Lopa Parikh

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