



Nodal Exchange

Nodal Exchange is the first commodities exchange dedicated to offering locational (nodal) futures contracts and related services to participants in the organized North American electric power markets. Nodal Exchange builds on the success of the existing Regional Transmission Organization (RTO/ISO) Real Time and Day Ahead markets by offering cash settled futures contracts in a cleared market enabling Nodal Exchange participants to effectively manage basis and credit risk.

Since its launch in April 2009, Nodal Exchange has grown to become a significant part of the North American power market, obtaining a market share of over 27% of all cleared North American power futures contracts, measured by open interest, as of October 31st, 2013. Notional value of open positions is about \$15 billion per side and \$30 billion in total. Nodal Exchange's success is due to many innovations, and, in particular, to its granular contract offering, which allows participants to create more effective hedges. Nodal Exchange is the leading market for power basis trading – across all cleared markets, Nodal Exchange has an over 50% market share of zonal open positions and a 100% market share of nodal open positions. Nodal Exchange is continuing its strong growth with year-to-date 2013 trading volumes more than doubling those for the same period in 2012.

Benefits of Nodal Exchange

Granular Contracts

Nodal Exchange offers ~1,200 cleared power contracts with ~50,000 expiries offering the largest set of cleared contracts for power. Nodal Exchange offers on-peak and off-peak power contracts on hundreds of unique locations in the following organized electric markets: ISO-NE, NYISO, PJM, MISO, ERCOT, and CAISO. Nodal Exchange power contracts are all offered in 1MW lot sizes to give participants the ability to tailor their futures positions to their actual needs.

Product Innovation

Nodal Exchange is constantly evolving its offering to meet the changing needs of the North American power market. Since



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Chairman and Chief Executive Officer
Nodal Exchange

launch, Nodal Exchange has extended expiries out 68 months, added Real Time power to its suite of Day Ahead power contracts, introduced contracts in the ERCOT and CAISO markets, added a Henry Hub natural gas contract, designed new more granular off-peak contracts, and created the ability to trade “look-alike” Financial Transmission Rights using new energy + congestion contracts. Nodal Exchange's business model allows for the rapid introduction of new products, and Nodal Exchange has the flexibility to quickly add granular locations as needed by Participants.

Credit Risk Management

One of the major advantages Nodal Exchange offers to its Participants is the full clearing of all trades through its Central Counterparty (CCP): LCH.Clearnet. LCH.Clearnet is the leading independent clearing house, serving major international exchanges and platforms, as well as a range of OTC markets. With its broad reach, experience, and large capital base, LCH.Clearnet allows Nodal Exchange Participants to concentrate on the market itself rather than on counterparty or credit risks.

Capital Efficiency

Nodal Exchange provides effective risk management and superior capital efficiency through the use of portfolio Value-at-Risk (VaR) margining. This robust and effective approach to margining, which accounts for the correlations between many different contracts, even across ISOs and different commodities (e.g., power and gas), results in greater capital efficiency for Nodal Exchange Participants.

Price Discovery and Market Liquidity

Nodal Exchange provides superior price discovery and market transparency. Daily marks are provided to participants on approximately 50,000 expiries.

Nodal Exchange is a designated contract market (DCM) registered with the US Commodity Futures Trading Commission (CFTC). Nodal Exchange is an independent, privately held company. For more information, visit www.nodalexchange.com.