



Nodal Exchange Rulebook

BY ACCESSING, INITIATING, ENTERING ANY ORDER OR EXECUTING A TRANSACTION ON OR SUBJECT TO THE RULES OF THE EXCHANGE, DIRECTLY OR THROUGH AN FCM PARTICIPANT, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, ANY PERSON, INCLUDING A PARTICIPANT (INCLUDING AN FCM PARTICIPANT), CUSTOMER, AUTHORIZED USER, OR AUTHORIZED BROKER, AGREES AND CONSENTS (I) TO BE BOUND BY, AND COMPLY WITH, THE RULES AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT, HIM OR HER, AND (II) TO BECOME SUBJECT TO THE JURISDICTION OF THE EXCHANGE WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PERSON.

- 1.30 **Contract Location.** The location or locations against which a Nodal Contract settles. For example, the Contract Location for Nodal Contracts on power is the Contract Node against which the Nodal Contract settles.
- 1.31 **Contract Node.** For power contracts, the Node or Nodes against which the Nodal Contract settles.
- 1.32 **Contract Specifications.** The descriptions of the contractual items for each Nodal Contract as set forth in the document available in Appendix A. Items described in the Contract Specifications referenced in this Rulebook include “Last Trading Day,” “Daily Settlement Price,” ~~and~~ “Final Settlement Price, and Final Settlement Day.”
- 1.33 **Contract Term.** The length of the settling period for the Nodal Contract, including, but not limited to, monthly, weekly and daily Nodal Contracts.
- 1.34 **Customer** means a Person who uses an FCM Participant as an agent in connection with trading Nodal Contracts.
- 1.35 **Daily Settlement Price** has the meaning set forth in Rule 4.10.1(a).
- 1.36 **Deliverable Product** or **Underlying Contract**, as applicable, has the meaning set forth in the Contract Specifications of Physically Settled Nodal Contracts.
- 1.37 **Direct Access** means a direct connection by a Clearing Member or Person to the System to enter Orders for Nodal Contracts for execution, without the Order passing through the credit and risk control infrastructure of a Clearing Member.
- 1.38 **Director.** An individual serving on the Board.
- 1.39 **Disciplinary Action** has the meaning set forth in Rule 7.1.
- 1.40 **Disciplinary Panel.** Either or both of a Review Panel and a Hearing Panel, as the context requires.
- 1.41 **Eligible Contract Participant** or **ECP** has the meaning set forth in Section 1a(18) of the CEA and CFTC Regulation 1.3.
- 1.42 **EFP** has the meaning set forth in Rule 4.7.1(a).
- 1.43 **EFR** has the meaning set forth in 4.7.1(b)
- 1.44 **EFRP** has the meaning set forth in Rule 4.7.
- 1.45 **EFS** has the meaning set forth in 4.7.1(b)
- 1.46 **Emergency** means the occurrences or circumstances which, in the opinion of the Board (or Chief Executive Officer or other authorized Officer, as appropriate), require immediate action to be taken in accordance with Rule 4.1.3, and which

(g) any other unusual, unforeseeable or adverse circumstance as determined by the Exchange.

1.47 **EPT.** Eastern Prevailing Time.

1.48 **Exchange Official.** Any Officer or employee of the Exchange and any member of the Board, a committee established by the Board, a Disciplinary Panel or Appeals Committee.

1.49 **Exchange Requirements.** The Rules; other requirements implemented by the Exchange pursuant to the Rules; each term of a Nodal Contract; and the participation documentation and other contractual obligations between any Person (including its Authorized Users) and the Exchange.

1.50 **Expiry.** A Nodal Contract with a specific date of expiration.

1.51 **Final Settlement Day.** The day the Final Settlement price is calculated and is defined in the Contract Specifications.

1.51.52 **Final Settlement Price.** The price for each Nodal Contract supplied by the Exchange to the Clearing House as the final Settlement Price for the Expiry as specified in the Contract Specifications.

1.521.53 **FCM.** A futures commission merchant as defined in the CEA and CFTC Regulations and registered with the CFTC as such.

1.531.54 **FCM Participant.** A Participant that meets the qualifications of Rule 3.21 and is authorized by its Customer(s) to trade Nodal Contracts as an agent for and on their behalf.

1.541.55 **FOK.** “Fill-or-Kill” (FOK) are Orders that may be entered on Nodal T7 whereby either the total quantity is matched upon Order entry and the Transaction is executed or the entire Order is cancelled.

1.551.56 **GFD.** Orders entered “Good-for-Day” (GFD) will be deleted at the end of the same trading day the Order was entered on Nodal T7.

1.561.57 **Governmental Authority.** The CFTC, any domestic or foreign government (or political subdivision), governmental or regulatory authority, agency, court, commission, or other governmental or regulatory entity (including any Self-Regulatory Organization).

1.571.58 **GTC.** Orders entered “Good-till-Cancelled” (GTC) on Nodal T7 will remain on the Trading Platform until executed as a Transaction or deleted by the Participant from the Trading Platform.

1.581.59 **GTD.** Orders entered “Good-till-Date” (GTD) on Nodal T7 are valid until the date specified by the Participant. In the event such Order is not executed as a

4.1.3 Market Suspension and Emergencies

- (a) During an Emergency, the Board may implement temporary emergency procedures and rules (“**Emergency Rules**”), subject to the applicable provisions of the CEA and CFTC Regulations. Emergency Rules may require or authorize the Exchange, the Board, the Chief Executive Officer or, in his or her absence, any other authorized Officer to take actions necessary or appropriate to respond to the Emergency, including, but not limited to, the following actions which shall be taken, as appropriate, in consultation with the Clearing House:
- i. suspending or curtailing trading or limiting trading to liquidation only (in whole or in part);
 - ii. extending or shortening the ~~last trading date~~Last Trading Day for Nodal Contracts;
 - iii. providing alternative settlement mechanisms;
 - iv. ordering the liquidation or transfer of Transactions, the fixing of a Settlement Price, or the reduction of positions;
 - v. extending, limiting or changing the Trading Hours;
 - vi. temporarily modifying or suspending any provision of the Rules;
 - vii. requiring Participants to meet special margin requirements;
 - viii. alter the settlement terms or conditions for any Nodal Contract;
 - ix. imposing or modifying trading limits, price limits and/or position limits; and/or
 - x. any other action as directed by the CFTC.
- (b) Before any Emergency Rule may be adopted and enforced, a required vote of the Board must approve the adoption of such Emergency Rule at a duly convened meeting. Directors may attend such a meeting by teleconference.
- (c) Notwithstanding paragraph (b) above, if the Chief Executive Officer, or another authorized Officer, determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be convened, then the Chief Executive Officer or such Officer shall have the authority, without

Price up to the Final Settlement ~~Date-Day~~ as defined by the Contract Specifications. Expiries cannot be traded on the Nodal Block or Trading Platform after the Last Trading ~~Date-Day~~ as described in the Contract Specifications.

- (d) *Suspended.* Expiries may be suspended at any time, in order to prevent further trading. For example, this may occur on a power Nodal Contract in response to the decision of an ISO to stop providing pricing of the relevant Contract Nodes; or for a Nodal Contract based on environmental products if the Deliverable Product is no longer available as determined by the Exchange. A Suspended status may also be used to end trading within the Last Trading Day of an expiring natural gas Expiry once trading has ceased and pricing is known on the Final Settlement Price, as detailed in the Contract Specification.
- (e) *Closed.* Upon determination of the Final Settlement Price, the Expiry is Closed, all trading has ended and the Final Settlement Price is fixed.

4.3 Use of User IDs

- 4.3.1 Each Participant, including each FCM Participant, must request one or more ITMs as needed to accommodate the nature and volume of the Participant's or the Customer's business.
- 4.3.2 Each Participant, including each FCM Participant, must have at least one Authorized User and each Authorized User must have at least one unique, Exchange assigned, registered User ID.
- 4.3.3 Each Order entered will contain a previously assigned User ID or such user credentials that enables the Exchange to identify the Authorized User that entered the Order.
- 4.3.4 No Person may use a User ID to place any Order except as permitted by these Rules, nor may any Person knowingly permit or assist the unauthorized use of a User ID. Each Participant, including each FCM Participant, and Authorized User shall ensure that no User ID is used by any Person not authorized by these Rules. Each Participant, including each FCM Participant, that is not an individual must have in place policies and procedures acceptable to the Exchange to ensure the proper use and protection of User IDs.
- 4.3.5 Each Participant, including each FCM Participant, shall ensure the accuracy of the registration information of its Authorized Users at all times.

and (iv) the circumstances of the markets or the parties to the Block Trade.

- (e) Block Trades shall not affect Transactions executed on the Trading Platform.
- (f) Parties to a Block Trade must ensure that each Block Trade is submitted without delay upon execution of the trade, in no event later than fifteen (15) minutes after execution via an approved submission method. The submission must include the Nodal Contract(s), ~~contract—month~~Expiry(s), price, quantity of the Transaction, time of execution, the respective Clearing Member accounts, as well as any other information that the Exchange may require. The Exchange shall promptly publish Block Trade price and volume information separately from the reports of Transactions executed on the Trading Platform.
- (g) Authorized Brokers and Participants and/or Customers, as applicable, involved in the execution of Block Trades must maintain written or electronic records of all such Block Trades, including an electronic timestamp reflecting the date and time each such Order was received as well as an electronic timestamp reflecting the date and time such Order was executed or cancelled
- (h) If an FCM Clearing Member has actual or constructive knowledge that an account it carries does not meet the requirements of this Rule 4.6 and fails to take appropriate action, the FCM Clearing Member may be found to have committed an act detrimental to the best interests of the Exchange. Upon request from the Exchange, an FCM Clearing Member carrying an account for which a Block Trade has been executed shall verify that the Participant or Customer account holder qualifies as an ECP pursuant to Rule 3.4.1 to the Exchange.

4.6.3 Trade Entry

- (a) Block Trades may be accepted from Participants or Authorized Brokers.
- (b) For Block Trades that are submitted directly by Participants, Exchange staff will facilitate trade entry via an email template, where both Participants must confirm the Block Trades, specifying the identical Expiry(s) to be traded, the volume and price, and the buyer and seller.
- (c) An Authorized Broker must specify the Expiry(s) to be traded, the volume and price, the buyer and seller and their respective Clearing Members. Both buyer and seller must be ECPs.

- (a) The Exchange will provide the Clearing House with Settlement Prices twice per day for use by the Clearing House in settling trades and positions. The first of these Settlement Prices (the “**Intra-day Settlement Price**”) will be determined at 12:30 pm EPT (absent operational delays), and the second (the “**Daily Settlement Price**”) shall be determined at the close of business each day. Settlement Prices will be calculated primarily based on that day’s Transactions, the Orders on the CLOB, relevant trading in other markets, as well as other available market data. For power Expiries with no direct market information, the Exchange will employ an extrapolation methodology to calculate the Settlement Prices. This extrapolation methodology relies on creating a relationship, through a regression of historical price movements, of each Nodal Contract at a non-trading Contract Node and a Nodal Contract at a traded Contract Node, usually a hub or zone. For natural gas and environmental product Expiries with no direct market information, Settlement Prices will be extrapolated from the most active Expiries based on the prevailing differential between the Expiries.
- (b) The Exchange reserves the right to adjust Daily Settlement Prices as it deems necessary based on current market conditions or otherwise, per the Contract Specifications.
- (c) Without limiting the foregoing, the Exchange reserves the right to subject Block Trades priced more than a certain percentage set by the Exchange above or below the Settlement Price to a review pursuant to Rule 4.9.2 to determine whether the Exchange believes it is appropriate to include the Block Trade in that day’s Intra-day Settlement Price or Daily Settlement Price calculation.

4.10.2 Futures Expiry Final Settlement

- (a) All power Expiries on the Exchange will ultimately settle in cash against prices in the physical markets as determined by the definitional characteristics of the Expiry (Contract Node, Commodity Type, Contract Term, Contract Class and Expiry date) and will post in dollars per megawatt-hour (\$/MWh), as specified in the relevant Contract Specifications. As such, the price for an Expiry is determined by averaging all of the applicable hours as defined in the Expiry. In the case where a Contract Node is composed of multiple physical Nodes, the prices of all the constituent Nodes are averaged together to determine final settlement pricing.
- (b) For power Expiries, the Exchange will first calculate an initial Settlement Price on the last date contained in the Contract Term. On the ~~Last Trading Day~~Final Settlement Day, the Final Settlement

Price will be calculated, with any adjustments to the underlying pricing data reflected in the Final Settlement Price. During the period between the last date in the Contract Term and the ~~Last Trading Day~~Final Settlement Day, ~~trading on~~ the Expiry cannot be traded ~~will be restricted~~, as provided in Rule 4.2.2.

- (c) Natural gas Expiries will settle against the relevant exchange listed contract or industry index as detailed in its Contract Specification, and prices shall be posted in \$/MMBtu. Natural gas Nodal Contracts will cease trading on the Last Trading Day, as outlined in the Contract Specification.

4.10.3 Options Daily Settlement

- (a) The Exchange will provide the Clearing House with Settlement Prices twice per day for use by the Clearing House in settling trades and positions. The Intra-day Settlement Price will be determined at 12:30 pm EPT (absent operational delays), and the Daily Settlement Price shall be determined at the close of business each day. Settlement Prices will be calculated primarily based on that day's Transactions, the Orders on the CLOB, relevant trading in other markets as well as other available market data as outlined in the Contract Specifications.
- (b) The Exchange reserves the right to adjust Daily Settlement Prices as it deems necessary based on current market conditions or otherwise, per the Contract Specifications.
- (c) Without limiting the foregoing, the Exchange reserves the right to subject Block Trades priced more than a certain percentage set by the Exchange above or below the Settlement Price to a review pursuant to Rule 4.9.2 to determine whether the Exchange believes it is appropriate to include the Block Trade in that day's Intra-day Settlement Price or Daily Settlement Price calculation.

4.10.4 Options Exercise (Physical Settlement)

- (a) Exercise of "In-the-Money" Options is automatic on the ~~last trading day~~Last Trading Day for calendar year power Options. Exercise of "In-the-Money" Options is automatic on the ~~last trading day~~Last Trading Day unless the Exchange is notified by 4:30 pm EPT for power monthly Options and natural gas Options or by 5:30 pm EPT for environmental Options on the Last Trading Day (1) to allow the "In-the-Money" Options to expire without exercise or (2) to exercise expiring "Out-of-the-Money" Options. When exercised against, option sellers will be selected on a pro-rata basis or at the Exchange's discretion.

- i. If such error is discovered or revision is made within thirty (30) calendar days after the final settlement, the Exchange may correct the Final Settlement Price in accordance with Exchange procedures and republish a revised Final Settlement Price for the Nodal Contract, provided however, that if during such 30-day period the Exchange becomes aware that an index provider or other third party which publishes the price on which final settlement of an Nodal Contract is based has indicated that such a price is under review by it, the Exchange may correct the Final Settlement Price and republish a revised Final Settlement Price for the affected Nodal Contract(s) when the index provider or other third party provides public notice of the corrected or revised price (even if after such 30-day period);
- ii. If the Final Settlement Price of a Nodal Contract is used as a data point in determining the Final Settlement Price of another Nodal Contract pursuant to the contract terms and conditions of such other Nodal Contract, the Exchange may, in accordance with its settlement price procedures, correct the Final Settlement Price of the contract within thirty (30) calendar days of the ~~final settlement date~~Final Settlement Day of the related Nodal Contract(s) to conform the Final Settlement Price of the contract to the price used for such contract in the calculation of the Final Settlement Price of the related Nodal Contract;
- iii. Notwithstanding the above, the Exchange may correct at any time the Final Settlement Price for a Nodal Contract which had no open interest at final settlement; and
- iv. Any Settlement Price that is revised by the Exchange shall be reported to, and applied by, the Clearing House in accordance with the Clearing House Rules.

4.11 Recordkeeping; Audit Trail

- 4.11.1 Participants shall maintain records of Orders and Transactions related to Nodal Contracts on the Exchange and in related derivatives markets, including in the Commodity underlying those Nodal Contracts for a period of five (5) years and maintain them in a readily accessible manner for two (2) years. Participants that enter Orders into the Trading Platform through a front-end system rather than directly through the Trading Platform are responsible for maintaining or causing to be maintained audit trail information for such electronic Orders, which shall include the Order ID, Expiry, price, quantity, Order type, User ID and any other tag information for each electronic Order entered, modified or cancelled on the Exchange

- 6.2.9 **False Reports.** No Person shall make any knowing misstatement or omission of a material fact to the Exchange, any Exchange Official, or any Board committee or Exchange panel. No Person shall knowingly disseminate false or misleading reports regarding Transactions, the Exchange, or related to any of the underlying Commodity markets of a Nodal Contract.
- 6.2.10 **Wash Trades.** No Person shall place or accept buy and sell Orders in the same product and ~~expiration month~~Expiry, where such Person knows or reasonably should know that the purpose of the Orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash trades). Buy and sell Orders by Persons that are entered with the intent to negate market risk or price competition shall be deemed to violate the prohibition on wash trades. Additionally, no Person shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.
- 6.2.11 **Front Running.** No Person shall disclose or divulge the buy or sell Order of another Person except (A) in furtherance of executing the Order, (B) at the request of an authorized representative of the CFTC, or (C) pursuant to sub-paragraph 6.3.1 of this Rule regarding certain pre-execution communications.
- 6.2.12 **Financial Condition.** No trading will be conducted for the purpose of misrepresenting the financial condition of the Participant or Customer.
- 6.2.13 **Acts Detrimental to the Exchange.** No Person shall engage in conduct or practices inconsistent with just and equitable principles of trade or conduct detrimental to the best interests of the Exchange. Misuse of Nodal Exchange is strictly prohibited. It shall be deemed an act detrimental to the Exchange to permit unauthorized use of the Exchange, to assist any Person in obtaining unauthorized access to Nodal Exchange, to trade on Nodal Exchange without an applicable agreement and an established account with a Clearing Member, to alter the equipment associated with Nodal Exchange (except with the Exchange’s consent), to interfere with the operation of Nodal Exchange, to intercept or interfere with information provided thereby, or in any way to use Nodal Exchange in a manner contrary to the Rules.
- 6.2.14 **Supervision.** Every Person shall diligently supervise the Exchange related activities of such Person’s employees and agents (including Authorized Users, as applicable), and be responsible for the acts and omissions of such employees and agents. For purposes of this Rule, the term “agent” includes any Exchange related activities associated with automated trading systems that generate, submit and/or cancel messages or Orders without human intervention. Participants and Authorized Brokers shall establish, administer, and enforce supervisory systems, policies and procedures,

whether the positions can be established and liquidated in an orderly manner. All position limit exemptions approved by the Exchange must be renewed on an annual basis.

6.5.13 **Spread Positions.** A spread transaction involves the simultaneous purchase and sale of identical or equivalent Nodal Contracts across two or more markets, such as location or ~~delivery month~~Expiry, in order to hold a position on the discrepancy in their price relationship. For contracts subject to CFTC established position limits, spread positions between single months of a Nodal Contract outside of the spot month, in the same year, may exceed the position limits; provided however, that such spread positions, when combined with any other net positions in the single month, do not exceed the all-months limit established by the CFTC. In order to exceed position limits without violating the Rules, a Participant or Customer must apply for a spread exemption and comply with the following procedures for identifying spread positions subject to this Rule:

- (a) Participant or Customer must apply for, and the Exchange must grant, a spread exemption from position limits. The Exchange may grant exemptions for strategies consistent with the definition of spread transaction in CFTC Regulation 150.1 and/or, for those commodities subject to federal position limits under CFTC Regulation 150.2, for spread transactions and strategies consistent with CFTC Regulation 150.3(a)(2) and Appendix G to Part 150.
- (b) Submit the spread transaction under a single order ID number. If a spread exemption has been approved by the Exchange, positions resulting from spread orders submitted under a single order ID number or block trades submitted under a single trade group ID number shall be deemed spread positions for position limit purposes;
- (c) In the event the qualifying spread position cannot be submitted under a single order ID number, such as when a spread position is executed amongst three or more Participants and/or Customers (as applicable), the Participant and/or Customer (as applicable) must submit a written notice to the Exchange in the form provided by the Exchange that shall include (i) a description of the spread position; (ii) a statement that the position is a spread position; and (iii) a statement that the Participant and/or Customer (as applicable) is complying with all other Rules and requirements of the Exchange;
- (d) If neither (b) nor (c) apply, the Participant and/or Customer (as applicable) must submit a written request to the Exchange in the form provided by the Exchange. The request must be received by the Exchange no later than five (5) Business Days before the position limits are in effect for the proposed spread position and

**APPENDIX C –
REPORTING LEVELS, POSITION ACCOUNTABILITY LEVELS AND
POSITION LIMITS**

Reporting levels, position accountability levels and position limits for Nodal Contracts are available at www.nodalexchange.com.

Power and environmental contracts must be in compliance with spot month position limits as of the close of trading on the trading day preceding the first day of the calendar month covered by the expiry. The Henry Hub Last Day natural gas contracts and penultimate contracts must be in compliance with spot month position limits at the close of trading three business days prior to the Last Trading Day of the Henry Hub Last Day ~~corresponding~~ contract.