



1921 Gallows Road, 3rd Floor
Tysons Corner, VA 22182
Phone (703) 962 9800
Fax (703) 962 9850
www.nodalexchange.com

June 15, 2017

VIA CFTC PORTAL

Commodity Futures Trading Commission
Attention: Chris Kirkpatrick, Secretary
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: CFTC Regulation 40.2(a) Certification: Notification of Product Offered for Trading on Nodal Exchange, LLC – ERCOT HB_NORTH Monthly Real Time On-Peak Power Option

Dear Mr. Kirkpatrick:

Nodal Exchange, LLC (“Nodal Exchange” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that pursuant to Commission Regulation 40.2(a), the Exchange is self-certifying the listing of twelve new power option contracts for trading on Nodal Exchange beginning on June 19, 2017. The contract specifications describing these new Exchange option contracts are attached to this letter as Exhibit A, to be added to the Nodal Exchange Rulebook Appendix A – Contract Specifications. The reporting levels, accountability levels, and position limits for these contracts is attached to this letter as Exhibit C, which will be added to the Nodal Exchange Rulebook Appendix C – Reporting Levels, Accountability Levels and Position Limits.

The Exchange is adding twelve new power option contracts in response to the requests of market participants. One of these new contract offerings is ERCOT HB_NORTH Monthly Real Time On-Peak Power Option.

Exchange management has assessed the Exchange’s contracts’ compliance with applicable provisions of the Commodity Exchange Act (“Act”), including the Commissions Regulations thereunder and the Core Principles. Regulatory compliance of Nodal Exchange’s contracts is mostly addressed in the Nodal Exchange Rulebook, concisely explained as follows:

Core Principle 2 - Compliance with the Rules: Trading in the Exchange’s contracts will be subject to the Nodal Exchange Rulebook in Section IV, describing trading procedures, and Section VI, which establishes trading codes of conduct, sound trading practices, and identifies prohibited trading behavior and abuses. In addition, trading behavior and activity will be subject to extensive monitoring and surveillance by the Exchange’s Division of Market

Administration and Surveillance. The Exchange's Compliance Department has the authority to address disciplinary matters through investigation and enforcement procedures in accordance with Section VII of the Exchange Rulebook.

Core Principle 3 - Contracts not Readily Susceptible to Manipulation: Nodal Exchange's new option contracts are not readily susceptible to manipulation as they are based on established and liquid underlying futures contracts. In addition, trading of the new option contracts will be monitored by the Market Surveillance Department.

Core Principle 4 - Prevention of Market Disruption: Trading in the Exchange's contracts will be subject to the Nodal Exchange Rulebook Section VI, which prohibits disruptive trading behavior and manipulation, subject to monitoring and surveillance by the Exchange's Division of Market Administration and Surveillance.

Core Principle 5 - Position Limitations or Accountability: Nodal Exchange's new option contract positions are weighted by an option delta and combined with underlying contract positions. The Exchange uses position accountability levels for futures contracts because the underlying cash market of the futures contracts is federally regulated and not readily susceptible to manipulation. The spot-month speculative position limits for the Exchange's contracts are set at 25% of the deliverable supply in the respective underlying market. The futures contracts reporting levels, accountability levels and position limits are provided in Nodal Exchange Rulebook Appendix C – Reporting Levels, Position Accountability Levels and Position Limits.

Core Principle 7 - Availability of General Information: The Exchange will post general information, including the contract specifications for the new contracts, Exchange fees, and the Nodal Exchange Rulebook, on the Exchange's website: www.nodalexchange.com.

Core Principle 8 - Daily publication of Trading Information: The Exchange will publish daily information on settlement prices, volume, open interest and opening and closing ranges for the Exchange's actively traded contracts on its website.

Core Principle 9 - Execution of Transactions: The Exchange's new contracts will be available on the Exchange's electronic trading screen that is a central limit order book ("CLOB"). The CLOB provides the market with the ability to execute the Exchange's contracts from the interaction of multiple bids and multiple offers within a predetermined, nondiscretionary automated trade matching and execution algorithm.

Core Principle 10 - Trade Information: The CLOB will maintain all information with respect to each order and each consummated trade, as well as all other information relating to the trade environment that determines the matching and clearing of trades. As such, any order submitted to the CLOB can be tracked from the time it is entered into the system until the time that it is matched, canceled or otherwise removed.

Core Principle 11 - Financial Integrity of Transactions: The Exchange has entered into a clearing arrangement with Nodal Clear, a derivatives clearing organization subject to Part 39 of the Commission Regulations. The new contracts executed on the CLOB or as a block trade will be subject to the Exchange Rulebook provisions for submission to Nodal Clear for clearing as described in Section V.

Core Principle 12 - Protection of Markets and Market Participants: Section VI of the Nodal Exchange Rulebook protects the market and market participants from abusive, disruptive, fraudulent, noncompetitive and unfair conduct and trade practices. The new contracts are subject to these rules that apply to all transactions in the Exchange's contracts.

Core Principle 13 - Disciplinary Procedures: Section VII of the Nodal Exchange Rulebook describes the disciplinary procedures of the Exchange that authorize the Exchange to discipline, suspend, or expel anyone on the Exchange that violates these rules. The Compliance Department is authorized to investigate matters involving financial surveillance.

Core Principle 14 - Dispute Resolution: Section VIII of the Nodal Exchange Rulebook establishes rules concerning alternative dispute resolution, which provide for the resolution of disputes between or among Exchange users through the NFA arbitration program. Under Section VIII, arbitration is available for all disputes, controversies or claims among all Exchange users relating to Exchange activities.

Pursuant to Section 5c(c) of the Act and the Commission's Regulation 40.2(a), the Exchange certifies that the Exchange's new futures contracts to be listed comply with the Act and the Commission's Regulations thereunder.

Nodal Exchange certifies that this submission has been concurrently posted on the Nodal Exchange website at www.nodalexchange.com.

If you have any question or need additional information regarding the above, please contact the undersigned at 703-962-9853 or markotic@nodalexchange.com or Anita Herrera, Chief Regulatory Officer & General Counsel at 703-962-9835 or Herrera@nodalexchange.com.

Sincerely,

/s/ Max Markotic

Senior Compliance Manager

Attachments:

Exhibit A: June 19, 2017 Addition to Nodal Exchange Appendix A - Contract Specifications

Exhibit C: June 19, 2017 Addition to Nodal Exchange Appendix C – Reporting Levels, Accountability Levels and Position Limits