

Nodal plans second wave of gas migration

Nodal Exchange hopes to migrate a second tranche of US natural gas futures and options contracts from Nasdaq Futures' (NFX) later this month, after migrating the first tranche to its clearing house Nodal Clear.

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By **Wendy Lisney**

Paul Cusenza, chair and CEO of Nodal Exchange and Nodal Clear, told Global Investor that Nodal did not move all of the natural gas open interest from NFX to Nodal in a migration announced late on Monday, and hopes to facilitate additional migration later this month.

"We do not expect to get all of the US natural gas market even in the long term, rather a reasonable share given the benefits of power and natural gas cross-margining," he said.

Virginia-based Nodal, a subsidiary of the European Energy Exchange, said that it migrated 818,737,500 million British Thermal Units to Nodal Exchange, the energy equivalent of 240 million MWh representing about 94,000 lots.

Nodal now has about a 1% market share of natural gas futures and options combined, Cusenza said. He added that the exchange is "very excited about having this initial position and customer base to now grow."

Nodal postponed the migration originally planned for mid-March due to Covid-19. Cusenza said that

the pandemic has made it a "challenging time to be migrating portfolios".

Since the original planned migration date, the NFX natural gas portfolio open interest has reduced, Cusenza said, because of continued settlements and roll-off of open interest.

"Nodal views this natural gas migration as planting a seed to grow its natural gas business. Given our 48% market share of the US power market open interest, adding natural gas creates an effective cross-margining opportunity for capital efficiency,"

Nodal announced in November last year that it had purchased core assets of NFX's futures and options exchange business.

On February 6, Nodal Exchange migrated 91 million MWh of power futures, which represented all of the NFX North American power open interest.

Nodal Exchange currently has a 48% market share of US power futures open interest with over 930 million MWh of open interest. ■