

## SECTION IV MARKET OPERATIONS

### 4.1 Market Hours and Operation

#### 4.1.1 Market Hours

The Exchange will be open for trading on all business days during the market hours specified in the trading calendar, which is available at [www.nodalexchange.com](http://www.nodalexchange.com). During non-trading hours, Exchange systems will allow users to submit, modify and cancel Orders as defined in this Section IV. Block Trades executed during non-trading hours will be queued and cleared in the order of submission when the market is next opened.

#### 4.1.2 Procedures

With respect to trading on or through the Exchange, the Exchange may adopt, without limitation, procedures relating to Transactions in Nodal Contracts and trading on the Exchange, including procedures to:

- (a) disseminate the prices of bids and offers and the prices of trades in Nodal Contracts;
- (b) record and account for Nodal Contracts;
- (c) perform market surveillance and regulation on matters affecting Nodal Contracts;
- (d) establish limits on the number and/or size of Orders that may be submitted by a Participant or Authorized User to the Exchange;
- (e) establish limits on the number of Nodal Contracts that may be traded by a Participant on the Exchange;
- (f) establish a limit on the maximum daily price fluctuations for any Nodal Contracts and provide for any related restriction or suspension of trading in such Nodal Contracts; and
- (g) require a suspended or expelled Participant, or a Participant with restricted trading rights, to cause Nodal Contracts to be executed for such Participant's account to reduce or eliminate such Participant's open positions.

#### 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:

- (a) suspending or curtailing trading or limiting trading to liquidation only (in whole or in part);
  - (b) extending or shortening the last trading date for Nodal Contracts;
  - (c) providing alternative settlement mechanisms;
  - (d) ordering the liquidation or transfer of Transactions, the fixing of a Settlement Price, or the reduction of positions;
  - (e) extending, limiting or changing the Trading Hours;
  - (f) temporarily modifying or suspending any provision of the Rules;
  - (g) requiring Participants to meet special margin requirements;
  - (h) alter the settlement terms or conditions for any Nodal Contract;
  - (i) imposing or modifying trading limits, price limits and/or position limits; and/or
  - (j) 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 Board action, to implement any Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency. In such circumstances, the Chief Executive Officer or other Officer shall abstain from deliberating or deciding whether to implement the Emergency Rule if such Officer has a direct and substantial financial interest in the result of the

Emergency Rule, as determined by the Chief Regulatory Officer pursuant to Rule 2.6.2. As soon as practicable after the Chief Executive Officer or other Officer has implemented an Emergency Rule, the Board must convene a meeting in order to affirm, amend, revoke, suspend or modify such Emergency Rule.

- (d) Whenever the Exchange, the Board, the Chief Executive Officer or authorized Officer takes actions necessary or appropriate to respond to an Emergency, a duly authorized representative of the Exchange, where possible, will post an announcement in a notice to Participants. The Board shall terminate the actions taken in response to the Emergency once the Board determines in good faith that the Emergency has sufficiently abated to permit the affected functions of the Exchange to resume normal functioning. If the Board has not yet convened, the Chief Executive Officer or other authorized Officer shall terminate the actions taken in response to the Emergency once such Officer determines that the Emergency has sufficiently abated to permit the affected functions of the Exchange to resume normal functioning.
- (e) The Exchange will use reasonable efforts to notify the CFTC in accordance with CFTC Regulations prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not practicable, the Exchange will notify the CFTC as soon as reasonably practicable, but in all circumstances within twenty-four (24) hours of the implementation, modification or termination of such Emergency Rule. The Exchange may take any actions as directed by the CFTC.
- (f) Upon taking any action in response to an Emergency, the Exchange will document the decision-making process related to such action. Such documentation will be kept for at least five (5) years following the date on which the Emergency ceases to exist or to affect the Exchange, and all such documentation will be provided to the CFTC upon request.

## 4.2 Nodal Contracts Offered

### 4.2.1 Nodal Contracts/Expiries

- (a) Contract Specifications are set forth in Appendix A to these Rules. Contract Specifications are subject to revision or amendment from time to time. Revised Contract Specifications may be listed for trading by self-certification in accordance with CFTC Regulation 40.2, sent electronically to the CFTC for receipt by the open of business on the business day preceding the contract's listing, which shall include: (1) a description of the contract and its rules

related to its terms and conditions, (2) the intended listing date, (3) certification by the Exchange that the contract to be listed complies with the CEA and the CFTC Regulations thereunder, (4) a concise explanation and analysis of the product and its compliance with applicable provisions of the CEA, including core principles, and the CFTC Regulations thereunder, including supporting documentation, and (5) certification that the Exchange posted a notice of pending product certification with the Commission on its website with a copy of the submission, with confidential treatment requests as appropriate.

- (b) To offer new products, the Exchange may request that the CFTC approve a new product prior to listing the product for trading. The submission to the CFTC shall be filed electronically in accordance with CFTC Regulations 40.3 and include: (1) a description of the product with the rules that set forth the contract’s terms and conditions, (2) an explanation and analysis of the product and its compliance with applicable provisions of the CEA, including core principles, and the CFTC Regulations thereunder, including documentation relied upon to establish the basis for compliance with the applicable law, or incorporate information contained in such documentation, with appropriate citations to data sources, (3) description of any agreements or contracts entered into with other parties that enable the Exchange to carry out its responsibilities, (4) certification that the Exchange posted on its website a notice of its request for CFTC approval of the new product with a copy of the submission, (5) a request for confidential treatment as permitted under CFTC Regulation 40.8, if appropriate, and (6) the filing fee required in accordance with CFTC Regulations. If requested by CFTC staff, the Exchange will provide evidence, information or data demonstrating that the contract meets, initially or on a continuing basis, the requirements of the CEA, or other requirements for designation or registration under the CEA or the CFTC Regulations thereunder. The Exchange shall submit the requested information by the open of business on the date that is two business days from the date of request by CFTC staff, or at the conclusion of such extended period agreed to by CFTC staff after timely receipt of a written request from the Exchange.

- (c) Nodal Contracts on power may settle against the pricing at a single physical location (a “**Node**”) on the physical network, as defined by the ISO, or against multiple Nodes on this network. For Nodal Contracts on power which settle against a Contract Node that is the consolidation of multiple physical Nodes, the Settlement Price shall be the simple average of all the included Nodes for the duration of the Expiry period as provided in Rule 4.10 (“**Expiry Settlement**”) and the appropriate Contract Class.

- ~~(e)~~(d) Nodal Contracts based on trucking freight futures will settle against the simple average of the corresponding DAT Freight Rate Index for the duration of the Expiry period as provided in Rule 4.10 (“Expiry Settlement”).
- ~~(d)~~(e) Natural gas Expiries will settle against the last Settlement Price for the Expiry as determined by either an index or exchange listed contract as specified in the Contract Specification for the Nodal Contract.
- ~~(e)~~(f) Nodal Contracts based on environmental products will Physically Settle against the underlying Deliverable Product as specified in the Contract Specifications.
- ~~(f)~~(g) Options will settle physically against the underlying futures contract as specified in the Contract Specifications.
- ~~(g)~~(h) For Nodal Contracts on power, in the event the Exchange determines that an ISO will no longer price a Node that is a component of the Contract Node, the Exchange may eliminate the Node from the Contract Node. In the event the Exchange determines that an ISO will no longer price a Node that is the whole of the Contract Node, the Exchange will substitute a successor Contract Node that, in the Exchange’s judgment, is reasonably comparable to the Contract Node no longer being priced, or if no open interest exists, the Exchange will discontinue the Nodal Contract.

#### 4.2.2 Trading Status

- (a) Expiries may have four trading statuses in the market as defined below: Active, Restricted, Suspended, and Closed.
- (b) *Active.* All Expiries will have a status of Active upon being entered into the market for trading. Active Expiries are available for unrestricted trading as Block Trades and on the Trading Platform if offered.
- (c) *Restricted.* In the case where all initial Settlement Price data is available, the Expiry is set to Restricted status at the end of the day. The Restricted status allows the Exchange to capture additional ISO revisions to the components of Locational Marginal Price up to the Last Trading Day as defined by the Contract Specifications. For example, a monthly off-peak day ahead power Expiry would become Restricted at the end of the second to last day of the month – which is the day that all Settlement Price data become available for the Expiry in question. During the Restricted period, an Expiry

can only be traded as a Block Trade within a narrowly defined band as determined by the Exchange (e.g., plus or minus one percent of the announced initial Settlement Price). Restricted Expiries cannot be traded on the Trading Platform.

- (d) *Suspended.* Expiries may be suspended at any time, in order to prevent further trading. 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 trucking freight futures after the last Business Day of the Contract Term; 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 must request one or more ITMs as needed to accommodate the nature and volume of the Participant's business.
- 4.3.2 Each 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 and Authorized User shall ensure that no User ID is used by any Person not authorized by these Rules. Each 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 shall ensure the accuracy of the registration information of its Authorized Users at all times.
- 4.3.6 Each Participant shall be solely responsible for controlling and monitoring the use of all User IDs issued to it and its Authorized Users.

determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market. Any decision of the Exchange with respect to an adjustment or cancellation subject to this Rule 4.9.1 shall be final.

#### 4.9.2 Review of Trades

The Exchange may review a trade based on its analysis of market conditions or a request for review by a user of the Exchange. A request for review must be made within five minutes of the execution of the trade. The Exchange shall promptly determine whether the trade will be subject to review, and upon deciding to review a trade, the Exchange will promptly issue an alert to all Participants on the Exchange indicating that the trade is under review. In the case of Nodal Contracts determined by the Exchange to be illiquid, the Exchange may initiate a review up to one hour after the execution of the trade, and has the authority, but not the obligation, to review trades reported more than one hour following execution if it determines that the trade price was significantly out of line with fair value. In the course of its review of any trade, the Exchange may, but is not obligated to, inform any of the parties to the trade of the identity and contact information of any other party to the trade.

### 4.10 **Futures Expiry, Options and Physical Settlements**

#### 4.10.1 Futures Expiry 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 first of these Settlement Prices (the “**Intra-day Settlement Price**”) will be determined at 12:30 pm ET (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 ~~and trucking freight~~ Expiries with no ~~active Orders or trades executed on the Exchange~~ direct market information, Settlement Prices will be extrapolated from the ~~nearest-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, 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, trading on the Expiry 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.
- (e)(d) Trucking freight Expiries will settle in cash against the simple average of the corresponding DAT Freight Rate Index with the Pickup Date from the first DAT Business Day of the contract month through the last DAT Business Day, inclusive. The Exchange will first calculate an initial Settlement Price once all the underlying data has been collected. On the Last Trading 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, trading on the Expiry will be suspended, as provided in Rule 4.2.2.

#### 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 ET (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 unless the Exchange is notified by 4:30 pm for power and natural gas Options or by 5:30 pm for environmental product 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.
- (b) On the Last Trading Day, the Daily Settlement Prices for Options' underlying futures contracts ("Reference Price") shall be published no later than 3:30 pm ET for power and natural gas Options and no later than 4:30 pm ET (absent operational delays by the Exchange) for the relevant Option Strike Prices. Reference Prices will be calculated primarily based on that day's Transactions, the Orders on the CLOB, relevant trading in other markets as well as available market data, as outlined in the Contract Specifications for the underlying futures contracts.

#### 4.10.5 Physically Settled Nodal Contracts