

June 4, 2021

VIA PORTAL

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

Re: CFTC Regulation 40.6(a) Certification: Submission of Amendments to the Nodal Exchange Rulebook

Dear Mr. Kirkpatrick:

Nodal Exchange, LLC (“Nodal Exchange” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to the Nodal Exchange Rulebook (“Rules”) pursuant to Commission Regulation 40.6(a). The Exchange is amending the minimum block size for New Jersey Compliance Renewable Energy Certificate Class 2. The amended *Nodal Exchange Rulebook Appendix B Minimum Block Sizes* is attached hereto and indicate the specific text in red that is being added. The Exchange intends to implement the amended Rules on or after June 18, 2021.

A review of the minimum block sizes for Environmental Contracts identified that New Jersey Compliance Renewable Energy Certificate Class 2 (NJ REC Class 2) should have a minimum block size of 10 lots consistent with all other comparable Environmental Contracts. As such, Nodal Exchange is amending the minimum block size for NJ REC Class 2 from 25 lots to 10 lots.

A review of New Jersey's Renewable Portfolio Standard (RPS) indicates a much smaller and less liquid Class 2 market relative to the Class 1 market. In May 2018, A.B. 3723 updated New Jersey's RPS to specify what percentages of electricity sold in the state must come from qualified Class 1 and Class 2 renewable energy sources. Class 2 renewable energy is defined as electricity generated from small hydropower facilities (less than 30 MW) and resource-recovery facilities (i.e. municipal solid waste generators, or MSW) located in New Jersey. Electricity generated from these qualified resources is mandated to account for 2.5% of the state's total generation in 2021, and this percentage will remain flat through 2030.¹ In contrast, the requirement for Class 1 will increase from 21% in 2021 to 50% in

¹ <https://programs.dsireusa.org/system/program/detail/564/renewables-portfolio-standard>

2030, therefore resulting in a much larger market. In addition, New Jersey has updated their RPS to limit solar resources and Class 1 resources to fulfill requirements for Class 2.²

Exchange management has assessed the amendments to the Rules and their compliance with applicable provisions of the Act, including the Commissions Regulations and the Core Principles. Nodal Exchange has identified that the amendments may affect the following Core Principles as follows:

Core Principle 2 - Compliance with the Rules: The amendments to the Rules provide clarity and consistency with the Act for compliance with the Rules. The Exchange and Clearing Transaction Fee Schedule is applicable to all Nodal Exchange Participants.

Core Principle 4 - Prevention of Market Disruption: All activity performed on Nodal is 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 Surveillance.

Core Principle 7 - Availability of General Information: The amendments to the Rules provide clarity to Exchange Participants. The amended Rules are available to market authorities, Participants, Authorized Brokers and the public on the Exchange website.

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.

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.

Pursuant to Section 5c(c) of the Act and the Commission's Regulation 40.6, the Exchange certifies that amended Rules comply with the Act and the Commission's Regulations thereunder. There have not been any opposing views expressed regarding the amendments to the Rules.

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

² <https://casetext.com/regulation/new-jersey-administrative-code/title-14-public-utilities/chapter-8-renewable-energy-and-energy-efficiency/subchapter-2-renewable-portfolio-standards/section-148-26-energy-that-qualifies-for-a-class-ii-rec>

If you have any question or need additional information regarding this submission, please contact me at 703-962-9853 or Markotic@nodalexchange.com.

Sincerely,

/s/ Max Markotic

Director of Compliance

Attachment:

Redline of Nodal Exchange Rulebook Appendix B – Minimum Block Sizes