



May 29, 2024

**VIA CFTC PORTAL**

Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st St., N.W.  
Washington, D.C. 20581

**Re: Amendment to ICE NGX Canada Inc. Rules - Submission Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and CFTC Regulation § 40.6(a): Amendments relating to Early Delivery and Physical Invoice Available Date**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, (“Act”) and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), ICE NGX Canada Inc. (“ICE NGX”) is submitting this self-certification relating to amendments to the:

- ICE NGX Contracting Party Agreement (“CPA”) - the CPA functions as the rulebook for ICE NGX’s exchange and clearinghouse operations and is a “rule” as that term is defined under Commission Regulation 40.1(i); and
- the ICE NGX Risk Management Framework (“RMF”) - the RMF is a “rule” as that term is defined under Commission Regulation 40.1(i).

**1. Overview**

ICE NGX is amending the RMF and the CPA to provide that early-delivered commodities are excluded from application of Initial Margin and Delivery Margin (the “Early Delivery Amendments”). Specifically, the Early Delivery Amendments relate to ICE NGX’s Alberta Environmental Products.

ICE NGX is also amending the CPA to specify an earlier availability date for preliminary invoices relating to Physically Settled Gas Futures Transactions and Physically Settled Power Futures Transactions (the “Invoice Available Date Amendments” and together with the Early Delivery Amendments, the “Amendments”).

ICE NGX intends to implement the Amendments on June 24, 2024 or on such later date as ICE NGX may designate.

The text of the amended CPA provisions is attached as the Appendix to this letter. The RMF Amendments were submitted concurrently with this submission; ICE NGX has respectfully requested confidential treatment for the RMF Amendments.



Note: All capitalized terms not otherwise defined herein have the meaning given to them in the CPA.

## 2. Details of Rule Changes

### ***Early Delivery Amendments***

The CPA currently provides that a Seller under an Alberta Environmental Product may deliver credits to ICE NGX prior to the contract expiry date (“early delivery”), as early as the 6th business day of the contract expiry month. Because right and title to the environmental credit is passed to ICE NGX upon delivery, ICE NGX considers confirmed early delivery as satisfaction of the seller’s delivery obligations. Accordingly, the CPA and RMF currently provide that a seller’s early delivered Environmental Products are not subject to Delivery Margin.

For the same reason that early-delivered volumes are not subject to Delivery Margin after contract expiry, ICE NGX intends to also exclude a seller’s early-delivered volumes from the following margin requirements that would otherwise be applicable prior to contract expiry:

- Portfolio Margin - the main component of Initial Margin requirements;
- Stress testing calculation;
- Shortfall Margin, if any - an add-on component of Initial Margin, to cover uncollateralized stress exposure in excess of the Shortfall Allowance allocated to the Contracting Party;
- Stress Loss Charge, if any - an add-on component of Initial Margin, to cover uncollateralized stress exposure in excess of ICE NGX’s guarantee fund.

ICE NGX is of the view that excluding a seller’s early-delivered volumes from these margin requirements will not increase the risk exposure to the clearinghouse, because, right and title to the environmental credit is passed to ICE NGX upon delivery and therefore ICE NGX considers confirmed early delivery as satisfaction of the seller’s delivery obligations.

ICE NGX will continue to apply variation margin to both Buyers and Sellers at this time, but will continue to consider whether a seller’s early-delivered volumes should also be excluded from variation margin requirements.

For greater certainty, during the entire life cycle of Alberta Environmental Products, buyers are not exempted from any margin requirements, because - absent prepayment in full - the buyer’s contractual obligations are not fulfilled until financial settlement (i.e., invoice payment) is complete.

### ***Invoice Available Date Amendments***

These amendments update the CPA to reflect ICE NGX’s recent operational change to make preliminary invoices relating to Physically Settled Gas Futures Transactions and Physically Settled Power Futures Transactions available to Contracting Parties 5 days earlier. Making the preliminary invoices available earlier is intended to provide Contracting Parties more time to resolve discrepancies in the preliminary invoices prior to the date the invoices lock for payment,

with the aim of reducing the frequency of adjustments later in the invoicing cycle or in subsequent periods following the relevant settlement date.

### **3. Compliance with Core Principles**

ICE NGX reviewed the Amendments and determined that they comply with the rules and regulations of the Commission. In this regard, ICE NGX reviewed the derivatives clearing organization (“DCO”) core principles (each a “Core Principle”) and determined that the Amendments are potentially relevant to the following Core Principles and applicable regulations of the Commission thereunder.

Compliance (Core Principle A): The Amendments are consistent with Core Principle A - Compliance and Commission Regulation 39.10, as the Amendments update ICE NGX’s policies and procedures for complying with Commission regulations and internal policies.

Risk Management (Core Principle D): The Early Delivery Amendments are consistent with Core Principle D - Risk Management and Commission Regulations

- § 39.13(b), as the Early Delivery Amendments update ICE NGX’s policies, procedures and controls for managing risks relating to early-delivered positions in Alberta Environmental Products;
- § 39.13(b), as the Early Delivery Amendments limit ICE NGX’s exposure to potential losses from a Contracting Party default, specifically in identifying that early-delivered volumes are deemed under the CPA to be satisfaction of the seller’s delivery obligations;
- § 39.13(g)(1), as the Early Delivery Amendments reflect a risk-based approach to determining exclusions from margin requirements; and
- § 39.13(g)(3), as the Early Delivery Amendments were reviewed and validated by a qualified and independent party.

Settlement Procedures (Core Principle E): The Invoice Available Date Amendments are consistent with Core Principle E - Settlement Procedures and Commission Regulation § 39.14 generally, as the Invoice Available Date Amendments provide that ICE NGX update the CPA to reflect the earlier availability of preliminary invoices relating to Physically Settled Gas Transactions and Physically Settled Power Transactions.

### **4. Certifications**

ICE NGX certifies that the proposed Amendments discussed in this submission comply with the Commodity Exchange Act, including the Core Principles and the Regulations of the Commission thereunder. ICE NGX is not aware of opposing views expressed regarding the Amendments. ICE



NGX further certifies that, concurrent with this filing, a copy of this submission was posted to ICE NGX's website.

Yours truly,

A handwritten signature in black ink, appearing to read 'Greg Abbott', is positioned above a horizontal line.

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By: Greg Abbott  
Title: President & COO  
Date: May 29, 2024