November 08, 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 Financial Sales Credit

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 Amendments") - 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 Amendments") is a "rule" as that term is defined under Commission Regulation 40.1(i).

Collectively, the CPA Amendments and the RMF Amendments are referred to herein as the "Amendments".

1. Overview

ICE NGX is amending the RMF and the CPA to reflect changes to the process that ICE NGX employs to manage collateral related to settlement payments.

ICE NGX intends to implement the Amendments on November 29, 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.

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2. Details of Rule Changes

Monthly Financial Settlement for ICE NGX's Financially Settled Products

Prior to the implementation of ICE ECS[1], ICE NGX processed final settlement payments for financially settled contracts by wiring cash out to the Contracting Party's external bank account. Today, following the implementation of ICE ECS, ICE NGX no longer wires final settlement payments for Financially Settled Contracts to an external, non-collateral account. Instead, final settlement payments are processed within the internal ICE NGX clearing-related collateral account, meaning payments to the Contracting Party are deposited as collateral.

Notwithstanding that ICE NGX has migrated to ICE ECS, the legacy timing process for payments related to the prior two-account system remains.

Under the old two-account system, there was a risk that a Contracting Party could become undercollateralized when the final settlement payment was wired. Accordingly, ICE NGX employed a process to ensure that a final settlement payment did not cause a Contracting Party to be undercollateralized. Under that process, ICE NGX stopped recognizing the value of the settlement amount in the Contracting Party's collateral account five business days prior to the settlement payment. Specifically, on the first of the month ICE NGX would zero-value the settlement amount in the receiving Contracting Party's collateral account until the Financial Settlement Date on the sixth business day of the month. The five-day lag (between the zero-valuing and the payment) was designed to allow ICE NGX to collect from the receiving Contracting Party any collateral deficit that might arise from the settlement payment.

As a result of ICE NGX's recent migration onto ICE's ECS collateral management and settlement payment processing system, the five-day lag process described above is no longer necessary. In short, the payment to an external, non-collateral account has been eliminated. As noted above, final settlement payments for these contracts are made into/out of Contracting Party's cash collateral account. Importantly, this use of ECS and the cash collateral account ensures that a payment won't cause a Contracting Party to be undercollateralized. In other words, the ECS collateral management system does not allow outgoing payments that will result in a collateral deficit.

The Amendments relating to monthly Financial settlement amounts reflect the removal of the five-day lag process because it is no longer needed following the implementation of ECS.

[1] ICE NGX uses the ICE ECS platform for collateral management and settlement payment processing. These changes were described in the self-certification filed by ICE NGX on June 20, 2023, titled: 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): Settlement Processing.

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Daily MTM Settlement for Albert and Ontario Power Contracts
With respect to ICE NGX's Alberta and Ontario Power Contracts, variation gains and losses are marked-to-market (MTM) daily, and settled on a T+2 basis. The settlement amounts in respect of the variation gains and losses are referred to as MTM settlement amounts.

Prior to the implementation of ECS, ICE NGX employed the same two-account process for daily MTM settlements - meaning "winning" payments were made to a non-collateral bank account in the Contracting Party's name.

Under the old two-account approach, ICE NGX did not, and does not currently, recognize the value of any positive MTM Settlement amounts in the "winning" Contracting Party's margin requirements. This process was designed to address the same risk as noted above with respect to final settlement payments, i.e., that a Contracting Party might be undercollateralized while the outgoing settlement payment to the Contracting Party's external bank account was being processed.

As a result of the ECS process upgrades noted above, positive MTM Settlement amounts are now deposited directly into the "winning" Contracting Party's cash collateral account. The payment to a non-collateral account has been eliminated and the Contracting Party's cash collateral account is utilized to effect the settlement payment. Importantly, this use of ECS and the cash collateral account ensures that a payment won't cause a Contracting Party to be undercollateralized. In other words, the ECS collateral management system does not allow outgoing payments that will result in a collateral deficit.

The Amendments relating to MTM settlement amounts reflect the removal of the five-day lag process because it is no longer needed following the implementation of ECS.

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 and clarify ICE NGX's policies and procedures for complying with Commission regulations and internal policies.

Risk Management (Core Principle D): The Financial Sales Credit Amendments are consistent with Core Principle D - Risk Management and Commission Regulation§ 39.13(f), as the Amendments do not create or result in any additional exposure to the clearinghouse or any other clearing participant from a potential default by a Contracting Party, because the MTM settlement amounts and monthly Financial settlement amounts are already owed by the clearinghouse to the respective clearing participant.

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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,

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By: Greg Abbott
Title: President & COO
Date: November 08, 2024

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APPENDIX

AMENDMENTS TO THE ICE NGX CONTRACTING PARTY AGREEMENT

SCHEDULE "C" - COLLATERAL AND RISK MANAGEMENT

[Note: Insertions are underlined, deletions are struck through.]

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6. Valuation of Collateral

For the purposes of calculating the value of Collateral, Available Margin and Margin Requirement for a Contracting Party, Exchange shall value the Collateral of the Contracting Party as follows:

a. with respect to each letter of credit constituting Eligible Collateral Support, the undrawn portion of such letter of credit available to Exchange;

b. with respect to cash, or interest-bearing instruments contemplated by Section 3.3 of the Terms and Conditions, the full amount of cash or the face value of the instrument, as applicable;

c. with respect to Previous Month Accounts Net Payable, the amount of such Contracting Party's Previous Month Accounts Net Payable; provided that, no positive value shall be allocated for such Contracting Party for such Previous Month Accounts Net Payable after the 20th day of the current month;

d. with respect to Current Month Accounts Net Payable, the amount of such Contracting Party's Current Month Accounts Net Payable;

e. with respect to Financially Settled Futures Settlement Net Payable, the amount of such Contracting Party's Financially Settled Futures Settlement Net Payable; ~~provided that, no positive value shall be allocated for such Contracting Party for such Financially Settled Futures Settlement Net Payable after the last calendar day of the month immediately preceding the month when such Financially Settled Futures Settlement Net Payable is to be paid;~~

f. with respect to MTM Settlement Net Payable, the amount of such Contracting Party's MTM Settlement Net Payable, ~~provided that no positive value shall be allocated for such Contracting Party;~~ and,

g. with respect to Variation Margin, the amount determined for such Contracting Party by Exchange, in its sole discretion~~; provided that, no positive value shall be allocated for such Contracting Party for such Variation Margin from and after it converts to a Current Month Accounts Net Payable~~.

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