

# SUBMISSION COVER SHEET

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): \_\_\_\_\_

Organization: ICE NGX Canada Inc. \_\_\_\_\_

Filing as a:  DCM  SEF  DCO  SDR Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 11/09/2018 Filing Description:

Amendments to Margin Methodology Guide and Sections 1.2 and 8.4b(ii) of the Contracting Party Agreement

**SPECIFY FILING TYPE** Please note only ONE choice allowed per Submission.

## Organization Rules and Rule Amendments

- |                                     |                                     |            |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/>            | Approval                            | § 40.5(a)  |
| <input type="checkbox"/>            | Notification                        | § 40.6(d)  |
| <input type="checkbox"/>            | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/>            | SIDCO Emergency Rule Change         | § 40.10(h) |

Rule Numbers: \_\_\_\_\_

## New Product

Please note only ONE product per Submission.

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

Official Product Name: \_\_\_\_\_

## Product Terms and Conditions (product related Rules and Rule Amendments)

- |                          |   |                      |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | Certification   | § 40.6(a)            |
| <input type="checkbox"/> | Certification Made Available to Trade Determination     | § 40.6(a)            |
| <input type="checkbox"/> | Certification Security Futures                          | § 41.24(a)           |
| <input type="checkbox"/> | Delisting (No Open Interest)                            | § 40.6(a)            |
| <input type="checkbox"/> | Approval  | § 40.5(a)            |
| <input type="checkbox"/> | Approval Made Available to Trade Determination          | § 40.5(a)            |
| <input type="checkbox"/> | Approval Security Futures                               | § 41.24(b)           |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | “Non-Material Agricultural Rule Change”                 | § 40.4(b)(5)         |
| <input type="checkbox"/> | Notification  | § 40.6(d)            |

Official Name(s) of Product(s) Affected: \_\_\_\_\_

Rule Numbers: \_\_\_\_\_

**ICE NGX CANADA INC.**  
**Rule Amendment Submission**  
**November 9, 2018**

1. The text of the amended provisions to the ICE NGX Canada Inc. (“ICE NGX”) Margin Methodology Guide (“Guide”) is appended as Attachment A. The Guide is a policy of ICE NGX and therefore a “rule” as defined under Commodity Futures Trading Commission (“Commission”) Rule 40.1. Also included in Attachment A are conforming changes to the Contracting Party Agreement (“CPA”), part of ICE NGX’s rulebook, including the addition of a new defined term. Additions to the text are underlined and deletions are struck through.
2. The date of intended implementation for these amendments is ten business days after the date of this submission.
3. Attached, please find a certification that: (a) these rule amendments comply with the Commodity Exchange Act (the “Act”), and the Commission’s regulations thereunder; and (b) concurrent with this submission, NGX posted on its website: (i) a notice of pending certification of the amendments with the Commission; and (ii) a copy of this submission.
4. A concise explanation and analysis of the operation, purpose, and effect of the amendments appears below.
5. There were no opposing views expressed regarding these amendments.
6. Confidential treatment is not requested.

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CONCISE EXPLANATION AND ANALYSIS OF THE OPERATION, PURPOSE, AND EFFECT OF THE RULE AMENDMENT AND ITS COMPLIANCE WITH APPLICABLE PROVISIONS OF THE ACT, INCLUDING CORE PRINCIPLES AND THE COMMISSION’S REGULATIONS THEREUNDER

Pursuant to Commission Rule 40.6(a)(7)(vi), the following is a concise explanation and analysis of the operation, purpose, and effect of the amendments to the ICE NGX Guide.

ICE NGX is amending the Guide and CPA to make conforming changes with respect to a power contract that ICE NGX is relaunching, the AB FLR RRO% contract (the “Revised Contract”). Specifically, ICE NGX had previously listed a financially-settled futures contract on Regulated Rate Option (“RRO”) provider load, for which EPCOR Energy Alberta GP Inc. as general partner of EPCOR Energy Alberta Limited Partnership (“EPCOR”) is the RRO provider (the “Prior Contract”). The RRO is the default supply rate for electricity in Alberta. The Alberta Utilities Commission can appoint a retailer as the RRO provider for a specified distribution service area.

The Revised Contract<sup>1</sup>, like the Prior Contract, provides for cash settlement based on the difference between the agreed-upon contract price and the cash price determined by the Alberta Electric System Operator (“AESO”). The Revised Contract, like the Prior Contract, is traded as a

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<sup>1</sup> ICE NGX has submitted contemporaneously with this 40.6 rule amendment self-certification a notification under Commission Rule 48.10(a) to make the revised contract available to U.S. participants through direct access as a registered FBOT.

percentage of the EPCOR load volume. Contract Participants' positions (and the associated collateral) are determined based on estimated load amounts, with a final adjustment based upon the actual load volume. The estimated load volumes are adjusted in the Revised Contract by the actual load volumes at two, three and five months following the contract tenor.

The margin methodology for the Revised Contract is substantively the same as for the Prior Contract, except for including one additional adjustment between the first and final settlement. This should provide for more closely aligning the contract terms (and the associated collateral requirement) to the cash market. The remaining changes to the text of the Guide are for clarity.

The amendments to the CPA are conforming changes for clarity and to facilitate settlement of positions relating to the Revised Contract.

The clearinghouse has considered these amendments in light of Core Principle D, Risk Management, and Core Principle E, Settlement Procedures, and the rules thereunder. See, Sections 5b(c)(2)(D) and (E) of the Act and Commission Rules 39.13 and 39.14. The calculation and margin methodology and the settlement process is not being amended except for the non-material inclusion of one additional interim adjustment to the position and associated collateral calculation. Accordingly, the amendments are not expected to have a material effect on the clearinghouse risk position or its risk management in respect of these contracts or on the settlement process. Thus, ICE NGX believes that the amendments make no substantive change to the operation, purpose or effect of the provisions being amended and that the amendments are in compliance with Core Principle D and Core Principle E and the rules thereunder.

These changes are appended as Attachment A; additions are underlined and deletions are struck through.

**CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE ACT, 7  
U.S.C. §7A-2 AND COMMODITY FUTURES TRADING COMMISSION RULE 40.6, 17 C.F.R.  
§40.6**

I hereby certify that:

- (1) the amended provisions of the Contracting Party Agreement and the Margin Methodology Guide comply with the Commodity Exchange Act, and the Commodity Futures Trading Commission's regulations thereunder; and
- (2) concurrent with this submission, ICE NGX Canada Inc. posted on its website: (a) a notice of pending certification of these rules with the Commission; and (b) a copy of this submission.

*"original signed by"*

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By: Steve Lappin  
Title: President  
Date: November 9, 2018

## ATTACHMENT A

*[insertions are underscored; deletions are struck through.]*

### Contracting Party Agreement – Rule Amendments

#### 1.2 Definitions

vvvvv. “Post-Settlement Load Adjustment Amount” means the amount payable by or to a Contracting Party with respect to a Post-Settlement Load Adjustment as set forth in Schedule “E”;

*[Note: Numbering for each of the subsequent definitions in this section will be updated to reflect the insertion of this new definition.]*

#### 8.4 Invoices for Financially Settled Futures Products and Option Products

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b.\*\*\*

(ii)

an Invoice on the second Business Day of each calendar month in respect of Daily Financially Settled Futures Transactions mark-to-market settled in the prior calendar month and that are payable in the same currency, setting forth the Daily Financially Settled Futures Settlement Amounts for that month and any net amount payable for fees to Exchange under the Fee Schedule; provided that such invoice shall include where applicable a Post-Settlement Load Adjustment Amount;

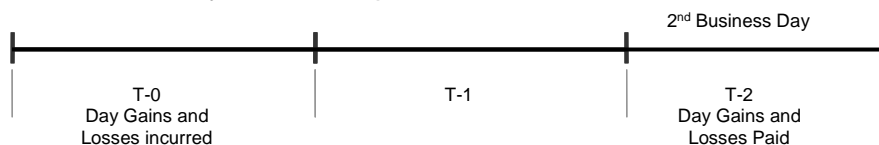
*[Note: No changes are being made to cycle 4; cycle 4 is being included below for information purposes only, as cycle 5 is being changed to better reflect current practice by explicitly referring to cycle 4.]*

### ICE NGX Margin Methodology Guide – Rule Amendments

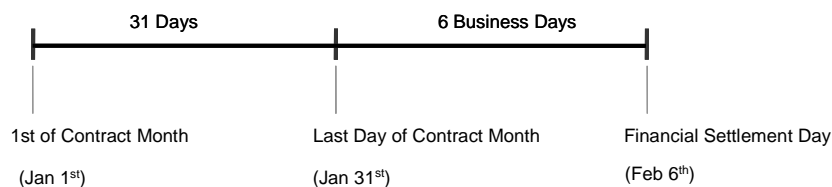
#### 4. Financial Daily Index A/R Cycle – Daily MtM Settlement Power

Mark-to-Market (MtM) for Canadian financial power contracts are settled in two parts

- a) For daily MtM on the second business day following the date MtM incurred based on the ICE NGX daily settlement price; and



- b) For the System Operator (AESO or ISO) pool price true-up which settled in the month following the month for which they were traded (i.e. a June contract would settle in July).



## 5. Regulated Rate Option (“AB FLR RRO%”) A/R Cycle

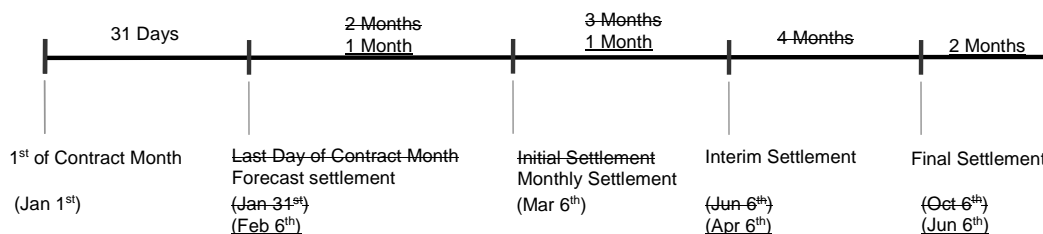
AB FLR RRO% contracts are unique from other financial products, as there are ~~three~~four settlement periods (~~initial forecast, monthly, interim, final~~). For clarity, the AB FLR RRO% product is subject to daily MtM settlement power described above (cycle No. 4).

The ~~initial~~first (forecast) AB FLR RRO% settlement period begins on the first of a calendar month, and continues until settlement day ~~two months~~one month later (i.e. a January position would have an ~~initial~~initial forecast settlement on the sixth business day in ~~March~~February). This settlement, however, is only a close estimate as to the final contract value, which is why there are ~~two~~three subsequent settlement periods. As there is always a risk to ICE NGX that the ~~initial~~initial forecast settlement amount may be insufficient, 5% of the ~~settlement~~absolute value of the outstanding AP/AR amounts is held against a customer’s position (~~as current collateral~~. On the 1<sup>st</sup> day following the contract month A/R) until the final settlement period, 5% of the contact value is also held against collateral.

The second (~~interim~~)monthly AB FLR RRO% settlement period begins on the first of the month, ~~three months~~one month following the ~~initial forecast~~ settlement. Any discrepancies between the ~~initial forecast~~ and ~~interim~~monthly settlement amounts are settled on the sixth business day of the ~~third~~first month following the ~~initial forecast~~ settlement (i.e. a January position would have a monthly settlement on the sixth business day in ~~June~~March).

The third (interim) AB FLR RRO% settlement period begins on the first of the month, two months following the monthly settlement. Any discrepancies between the forecast and monthly settlement amounts are settled on the sixth business day of the first month following the interim settlement (i.e. a January position would have an interim settlement on the sixth business day in April).

The ~~third~~fourth (final) AB FLR RRO% settlement period begins on the first of the month, ~~four~~two months following the interim settlement. At this point, power usage data is finalized and any discrepancies are settled on the sixth business day of the ~~fourth~~second month following the interim settlement (i.e. a January position would have a final settlement on the sixth business day in ~~October~~June).



### *Total Financial A/R*

Determining the Total Financial A/R for financial products requires the calculation of the Future Clearing Amount, which results when the fixed amount of the financial contract is subtracted from the floating amount:

