

## Chapter 1157

### UK NBP Natural Gas Calendar Month Futures

#### 1157100. SCOPE OF CHAPTER

This chapter is limited in application to UK NBP Natural Gas Calendar Month Futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all natural gas bought or sold for future delivery on the Exchange with delivery at the UK NBP ("National Balancing Point"), the Natural Gas virtual trading hub in the UK.

The term **Balancing Charges** shall have the meaning ascribed to it in the Uniform Network Code.

The term **Banking Day** means a day on which major banks are open for banking business in London and New York.

The term **Contract Value** shall mean the amount equal to the final settlement price times one thousand (1,000) times the number of Gas Flow Days in the delivery month times the number of contracts to be delivered. The Contract Value represents the payment that the buyer's Clearing Member is obligated to make pursuant to the applicable delivery.

The term **Daily Imbalance** shall have the meaning ascribed to it in the Uniform Network Code.

The term **Designee** means a third party appointed by a Clearing Member to effect the submission of Trade Nominations in its place in respect of an open long position or open short position and who in each case is permitted to make or take delivery of natural gas to or from the Clearing House.

The term **Gas Flow Day** shall mean a delivery period starting at 05:00 hours London prevailing time and ending at 05:00 hours London prevailing time the following calendar day as defined in the Uniform Network Code. Deliveries resulting from a UK NBP Natural Gas Calendar Month Futures contract shall include all Gas Flow Days in the respective month.

The term **Gas Delivery Agent** shall mean a third party appointed by the Clearing House to effect the submission of Trade Nominations on its behalf.

The term **Gemini System** shall mean the system (forming part of the UK Link system) which enables users to submit Trade Nominations to National Grid for the purposes for the disposal or acquisition of rights to natural gas under the Uniform Network Code.

The term **National Balancing Point (NBP)** shall mean the virtual point of delivery within the National Transmission System of the United Kingdom at which the balancing of deliveries into and out of the National Transmission System is deemed to take place under the Uniform Network Code.

The term **National Transmission System** shall mean that part of the National Grid system for the time being designated by National Grid.

The term **National Grid** means National Grid Gas plc.

The terms "**seller**" and "**buyer**" shall mean the seller of the physical product and the buyer of the physical product, respectively.

The term **therm** shall mean an amount of energy equal to 29.3071 kilowatt hours (kWh). One therm is the equivalent of 100,000 British thermal units (Btu).

**Trade Nomination** means a trade nomination within the meaning of the Uniform Network Code, which shall include **Acquiring Trade Nominations**, being a trade nomination that is made by a person or, if applicable, its Designee **or agent** to acquire rights to natural gas at the National Balancing Point and submitted in the manner required by the Uniform Network Code and **Disposing Trade Nominations**, being a trade nomination that is made by a person or, if applicable, its Designee **or agent** to dispose of rights to natural gas at the National Balancing Point and submitted in the manner required by the Uniform Network Code.

The term **Uniform Network Code** shall mean the legal and contractual framework to supply and transport natural gas, managed by the Joint Office of Gas Transporters, which governs the transportation of natural gas within the UK from time to time.

## 1157101. **CONTRACT SPECIFICATIONS**

The contract grade for delivery on futures contracts shall be “natural gas” as defined in the Uniform Network Code as any hydrocarbons or mixture of hydrocarbons and other gases consisting primarily of methane which at a temperature of 15 °C and an absolute pressure of 1.01325 bar are or is predominantly in the gaseous state. Deliveries under the contract shall effected by transferring rights to natural gas in the National Transmission System through the process of making Trade Nominations. Deliveries shall be made in kWh. Trade Nominations shall be submitted for each Gas Flow Day that commences in the contract month in accordance with the requirements of the Uniform Network Code.

## 1157102. **TRADING SPECIFICATIONS**

The number of contract months open for trading at any given time shall be determined by the Exchange.

### 1157102.A. **Trading Schedule**

The hours of trading shall be determined by the Exchange.

### 1157102.B. **Trading Unit**

The contract quantity shall be measured in therms. The contract quantity shall be 1,000 therms per day for each Gas Flow Day in the contract month. Each contract shall be valued as the contract quantity multiplied by the settlement price.

### 1157102.C. **Price Increments**

Prices shall be quoted in British pence (GBp) per therm. The minimum price fluctuation shall be GBp 0.005 per therm on CME Globex and on CME ClearPort. There shall be no maximum price fluctuation.

Prices shall be exclusive of any taxes or duties that may be applied to a transaction.

### 1157102.D. **Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

### 1157102.E. **Termination of Trading**

In respect of a contract month, trading shall cease on the second London business day immediately preceding the first calendar day of the contract month, unless such day is not also a NYMEX business day, in which case trading shall cease on the first preceding NYMEX business day that is also a London business day. On the last trading day, trading shall terminate at 17:00 hours London prevailing time. Any contracts remaining open after the last day of trading must be either:

- (a) settled by delivery which shall take place on each calendar day in the contract month per the delivery process described below ; or
- (b) Liquidated by means of a bona fide Exchange for Related Position (“EFRP”) pursuant to Rule 538. An EFRP is permitted in an expired futures contract until 20:00 hours London prevailing time on the last day of trading of the expiring futures contract. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract.

**1157103.****DELIVERY****1157103.A. Delivery principles**

Delivery is effected by transferring rights to natural gas in the UK National Transmission System through the process of making Trade Nominations through the UK Link system via the Gemini System, as set out in the Uniform Network Code, between the accounts of Clearing Members (or their appointed Designee) and the Clearing House.

**1157104.B. Delivery requirements**

The Clearing Member shall be responsible for fulfilling the delivery requirements of every contract that it has entered into. If it is so able, a Clearing Member may directly make the required Trade Nominations to fulfil delivery requirements. Where a Clearing Member chooses not to make Trade Nominations itself, it must appoint a third party to act as Designee in its place. The Clearing Member must notify the Clearing House of the appointment of each relevant Designee through submission of a completed Designee Notification Form (signed by an authorised signatory of each of the Clearing Member and the Designee) to the Clearing House. A Clearing Member may appoint a different Designee in respect of any account or customer account, provided that only a single Designee may be appointed to effect the submission of Trade Nominations in respect of any single account.

The Clearing Member must ensure that:

1. It notifies the Clearing House of third parties acting as Designee relating to any account by submission to the Clearing House of a completed Designee Notification Form by no later than 17:30 hours London prevailing time three NYMEX business days prior to the first Gas Flow Day of the contract month; and
2. The Designee acknowledges its appointment no later than 17:30 hours London prevailing time three NYMEX business days prior to the first Gas Flow Day of the contract month, in writing by email to the Clearing House.

The Clearing Member is responsible for the accuracy of information provided in any Designee Notification Form and for ensuring that the person signing the Designee Notification Form on behalf of the Clearing Member and the Designee is authorised to do so.

Each Clearing Member must ensure that it, or any Designee that it may appoint, has the right to make Trade Nominations under the Uniform Network Code and has access to the UK Link system. Each Clearing Member must ensure that it, or where one has been appointed, its Designee, will at all times comply with the terms of any applicable licence or registration it holds, the Uniform Network Code, and any other applicable law. Each Clearing Member, or any Designee appointed by the Clearing Member, must obtain and adequately maintain at all times such systems and technology as may be necessary in order to comply with such requirements.

All payments relating to the UK NBP Natural Gas Calendar Month Futures contract shall be made between the Clearing House and the Clearing Member.

Unless a third party is appointed by a Clearing Member to act as Designee, the Clearing House will deliver natural gas under any contract to, and will receive the delivery of natural gas from, the Clearing Member. The Clearing House may accept delivery from, and make delivery to, third parties acting in the capacity of Designee notified by the Clearing Member to the Clearing House in accordance with this Rule.

For the avoidance of doubt, the Clearing Member shall at all times remain responsible for the satisfactory performance of the contract including completion of its delivery, payment and other obligations under the rules of the Exchange and also for the delivery obligations of any Designee appointed by the Clearing Member.

## **1157104. DELIVERY PROCEDURES**

### **1157104.A. Delivery Process**

Delivery of natural gas shall occur on each Gas Flow Day that commences in the contract month.

Delivery under these contracts is effected by the transfer of rights to natural gas through the process of making Trade Nominations such that the seller of natural gas (or its Designee) makes a Disposing Trade Nomination that corresponds to an Acquiring Trade Nomination made by the Clearing House, and the buyer of natural gas (or its Designee) makes an Acquiring Trade Nomination that corresponds to a Disposing Trade Nomination made by the Clearing House. Trade Nominations must be made through the UK Link system via the Gemini System. The Clearing House may appoint a Gas Delivery Agent to facilitate its processing of delivery instructions and Trade Nominations.

### **1157104.B. Notices of Intention to Deliver and Notices of Intention to Accept Delivery**

1. Exchange Clearing Members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver including the following information: Clearing Member firm, trading member firm, origin (customer/house), quantity, shipper code and any other information required by the Clearing House. Notices of Intention to Deliver must be submitted to the Clearing House no later than 20:30 hours London prevailing time on the last trading day of a contract month.
2. Exchange Clearing Members having open long positions shall provide the Clearing House with a Notice of Intention to Accept Delivery including the following information: Clearing Member firm, trading member firm, origin (customer/house), quantity, shipper code and any other information required by the Clearing House. Notices of Intention to Accept Delivery must be submitted to the Clearing House no later than 20:30 London prevailing time on the last trading day of a contract month.

### **1157104.C. Final Settlement Price**

The final settlement price on the last trading day shall be the basis for delivery.

## **1157105. TIMING OF DELIVERY**

Trade Nominations shall be submitted for each Gas Flow Day in the contract month. The detailed delivery timings set out below are subject to any amendment to the operational arrangements of National Grid.

1. The Clearing House will calculate the net gas delivery requirements for each account for every Gas Flow Day of the contract month on the NYMEX business day prior to the Gas Flow Day. The Clearing House shall provide a report to each Clearing Member detailing final gas delivery obligations for each of the relevant accounts of that Clearing Member by 18:30 hours London prevailing time one NYMEX business day prior to the Gas Flow Day. This report shall describe net flows of natural gas relating to the UK NBP Natural Gas Calendar Month Futures contracts of the Clearing Member for each relevant account for the Gas Flow Day. Gas deliveries shall be expressed in whole kWh. The Clearing House may adjust the delivery obligation of an account in order to express the delivery obligation in whole kWh, and to ensure a balanced delivery for the Gas Flow Day. Clearing Members should report any discrepancies in this report to the Clearing House as soon as possible and in any event within one hour of the provision of the report by the Clearing House to the Clearing Member.
2. The Clearing House, or the Gas Delivery Agent if such an agent has been appointed, shall submit delivery instructions to the UK Link system via the Gemini System by 20:00 hours London prevailing time on the calendar day prior to each Gas Flow Day, reflecting the delivery requirements.

3. The Clearing Member, or its Designee if applicable, must submit Trade Nominations for a Gas Flow Day to the UK Link system via the Gemini System by 20:00 hours London prevailing time on the calendar day prior to each Gas Flow Day.

## **1157106. DELIVERY MARGIN AND PAYMENTS**

### **1157106. A. Definitions**

For the purposes of this Rule, "Payment Date" shall mean the second Banking Day following the start of a Gas Flow Day, unless such day is not also a NYMEX business day, in which case the Payment Date shall be next following NYMEX business day that is also a Banking Day.

### **1157106. B. Margin**

On the first NYMEX business day following the last day of trading, the Clearing Member shall obtain from any buyer margin equal to the full value of the product to be delivered for such Gas Flow Days as directed by the Clearing House, and the Clearing Member shall obtain from any seller margin in an amount fixed, from time to time, by the Clearing House. The buyer's Clearing Member and the seller's Clearing Member shall deposit with the Clearing House margins in such amounts and in such form as required by the Exchange. Such margins shall be returned on the second Banking Day following notification to the Exchange that delivery and payment have been completed for the Gas Flow Day.

### **1157106.C. Payment**

On the Payment Date relating to each Gas Flow Day, the payment made on the required Payment Date shall be based on the Contract Value for that Gas Flow Day. The Contract Value shall be rounded to the nearest GBP 0.01, or in the case of an exact uneven multiple of GBP 0.005, to the nearest higher GBP 0.01.

Delivery payment will be made during the 07:45 hours Eastern Time collection cycle, or such other time as designated by the Clearing House. Thus, the cost of delivery will be debited or credited to the Clearing Member's settlement account. Long Clearing Members obligated to accept delivery must take delivery and will make delivery payment and short Clearing Members obligated to make delivery will receive delivery payment during the 07:45 hours Eastern Time settlement process, or at such other time designated by the Clearing House, on the Payment Date. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with Exchange Rules, policies and procedures.

## **1157107. VALIDITY OF DOCUMENTS**

The Exchange makes no representation respecting the authenticity, validity, or accuracy of any Notice of Intention to Deliver, Notice of Intention to Accept Delivery, check or any document or instrument delivered pursuant to these Rules.

## **1157108. IMBALANCE CHARGES**

Without prejudice to Chapter 7 of the rules of the Exchange, where a buyer or seller fails to submit a valid Trade Nomination for the Gas Flow Day, such that the Clearing House experiences a Daily Imbalance within the National Transmission System, the Clearing Member shall make a compensation payment to the Clearing House for the full amount of any Balancing Charges imposed on the Clearing House by National Grid. The Clearing House may also require an additional compensation payment from a Clearing Member that fails to submit a valid Trade Nomination to cover any additional costs, express or implied, experienced by the Clearing House in the course of remedying the failed submission and failure to deliver.

## **1157109. VAT**

While contract prices shall be exclusive of any taxes or duties, should Value Added Tax (VAT) be payable on UK NBP Natural Gas Calendar Month Futures, the relevant buyer shall be responsible for ensuring that it accounts for such VAT to the relevant tax authority under the reverse charge procedure where applicable.

Prior to entry into any UK NBP Natural Gas Calendar Month Futures Contract, Clearing Members must provide such information reasonably requested by the Clearing House for the purposes of determining the applicability of VAT or other taxes, including but not limited to

valid VAT registration details, and for the purposes of accounting for any applicable taxes to a tax authority. The Clearing Member is deemed to represent and warrant that the information it has provided under this Rule is complete and accurate each time a contract is entered into.

Where VAT is due and payable and the reverse charge procedure does not apply, the buyer must make payment of such VAT to the Clearing House as seller at the same time as the payment of the purchase price.

Where the reverse charge procedure applies, the Clearing Member warrants and represents that the relevant buyer has a valid VAT registration and will account for any applicable VAT to the relevant tax authority under the reverse charge procedure.

Where the reverse charge procedure does not apply, the Clearing Member must notify the Clearing House prior to the entry into any UK NBP Natural Gas Calendar Month Futures contract.

The Clearing Member agrees to indemnify the Clearing House in respect of any VAT, interest, penalties and associated costs of the Clearing House in the event that the Clearing House does not receive any applicable VAT from the relevant buyer when due under this rule.

**1157110.****LIABILITY**

Without prejudice to the generality of the rules of the Exchange, neither the Exchange, the Clearing House nor any of its Affiliates shall be liable for any losses, liabilities, damages, claims, costs or expenses arising from or in connection with the availability or unavailability or performance or failure to perform of National Grid, the Gemini System or the National Transmission System or any other part of the infrastructure for physical delivery of UK natural gas under the Uniform Network Code.

Notwithstanding the appointment of a Designee by a Clearing Member, the relevant Clearing Member shall continue to be liable and responsible for discharging its obligations and liabilities under the rules of the Exchange.