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Nodal Exchange and LCH.Clearnet Ltd to introduce natural gas contract for Henry Hub

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Nodal Exchange, LLC and LCH.Clearnet Ltd (LCH.Clearnet) are to offer trading and clearing for a Henry Hub natural gas contract.

The contract, which will be launched in the fourth quarter of 2010, will allow Nodal Exchange participants to enhance capital efficiency by cross-margining their power and natural gas portfolios using VaR margining. The Henry Hub natural gas contract will be available through Nodal Exchange's cleared over-the-counter (OTC) trade platform.

The Henry Hub contract will have a monthly term with a lot size of 2,500 MMBtu per month. Contract expiries will extend from the prompt month to 4 years forward for a rolling offering of 48 months.

The contract will be cash settled in US Dollars per MMBtu, with the final settlement price equal to the monthly last settlement price for natural gas as published by the CME Group's New York Mercantile Exchange (NYMEX) for the month of production. Should this price be unavailable, the final settlement price will be equal to that of the Intercontinental Exchange (ICE) Henry Financial LD1 Fixed Price contract, as published by ICE for the month.

"Beginning later this year, participants and brokers will be able to submit cleared OTC trades for natural gas contracts to Nodal Exchange for clearing by LCH.Clearnet, providing cross-margining benefits with their power portfolio. We are very happy to be able to offer this advantage to Nodal Exchange participants and also welcome new participants focused on the natural gas market to our trading community," said Paul Cusenza, Chief Executive Officer of Nodal Exchange.

Roger Liddell, CEO at LCH.Clearnet said: “This is another important step that brings greater efficiency to the Nodal marketplace. The correlation between the natural gas and power contracts will allow market participants to gain significant benefits through cross-margining, improving collateral management and increasing liquidity.”

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About Nodal Exchange, LLC

Nodal Exchange is the first independent electronic commodities exchange dedicated to offering locational (nodal) futures contracts and related services to participants in the organized North American electric power markets. Nodal Exchange builds on the success of the existing Regional Transmission Organization/Independent System Operator (RTO/ISO) Day-Ahead and Real-Time markets by offering cash-settled futures contracts in a cleared market enabling Nodal Exchange participants to effectively manage basis and credit risk. Daily auctions are held on over 90 key locations and weekly auctions on over 1,800 hubs, zones and nodes. The Nodal Exchange platform also accepts for clearing bilateral over-the-counter (OTC) transactions submitted by participants and brokers. Nodal Exchange is an independent, privately held company. For more information, visit www.nodalexchange.com.

About LCH.Clearnet

LCH.Clearnet is the leading independent clearing house group, serving major international exchanges and platforms, as well as a range of OTC markets. It clears a broad range of asset classes including: securities, exchange traded derivatives, energy, freight, interbank interest rate swaps, credit default swaps and euro and sterling denominated bonds and repos; and works closely with market participants and exchanges to identify and develop clearing services for new asset classes.

A clearing house sits in the middle of a trade, assuming the counterparty risk involved when two parties (or members) trade. When the trade is registered with a clearing house, it becomes the legal counterparty to the trade, ensuring the financial performance; if one of the parties fails, the clearing house steps in. By assuming the counterparty risk, the clearing house underpins many important financial markets, facilitating trading and increasing confidence within the market.

Initial and variation margin (or collateral) is collected from clearing members; should they fail, this margin is used to fulfill their obligations. The amount of margin is decided by the clearing house's highly experienced risk management teams, who assess a member's positions and market risk on a daily basis. Both the soundness of the risk management approach and the resilience of its systems have been proven in recent times.

LCH.Clearnet is regulated or overseen by the national securities regulator and/or central bank in each jurisdiction from which it operates.