



ARGUS WEATHER MARKETS

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LAST UPDATED: FEBRUARY 2016

The most up-to-date Argus Weather Markets methodology is available on www.argusmedia.com

Introduction

Argus Media publishes weekly assessments for European weather derivatives contracts traded in the over-the-counter (OTC) markets. The assessments appear in the daily Argus European Electricity and Argus European Natural Gas reports.

Argus weather derivative assessments

Assessments are for cash-settled European Heating Degree Day (HDD) and Cumulative Average Temperature (CAT) derivative contracts.

Timing

Heating degree days are a measure of the temperature compared to a baseline room temperature of 18°C. As such, the heating degree day market is a winter market, with assessments published in September-April for the October-April contracts, inclusive.

Cumulative average temperature is primarily a summer market and Argus publishes assessments in April-September for the May-September contracts, inclusive.

For most of the year, Argus publishes a current month and one forward month assessment, except for the months in which both the HDD and CAT markets are active (*see table*).

HDD and CAT publication schedule				
Month of assessment	HDD		CAT	
	Current month	Forward month 1	Current month	Forward month 1
January	January	February		
February	February	March		
March	March	April		
April	April			May
May			May	June
June			June	July
July			July	August
August			August	September
September		October	September	
October	October	November		
November	November	December		
December	December	January		

HDD and CAT

Assessments show the bid/ask range of cumulative HDD and CAT for the month indicated.

The unit of the assessments is °C HDD/°C CAT.

HDD assessments are the monthly sum of the difference between average daily temperatures and 18°C. CAT assessments are the monthly sum of temperatures in °C.

If the average daily temperature is equal to or above 18°C, the HDD will be zero.

Implied daily average temperatures

HDD and CAT can also be expressed as implied daily average temperatures to better align with the way temperatures are discussed and forecast.

HDD implied daily average temperatures are calculated by subtracting from 18°C the number of HDD divided by the number of days in the month.

CAT implied daily average temperatures are calculated by dividing the number of CAT by the number of days in the month.

Locations

Assessments are provided for the following locations: Amsterdam Schiphol; Essen; London Heathrow; Paris Orly.

Methodology

Assessments are based on an average of bids and offers gathered through weekly interaction with market sources by trained market reporters. The assessment process also takes into account reported and verified over-the-counter (OTC) trades and exchange values. Bids and offers are tested against current market conditions in discussions with market participants. Argus applies editorial judgment to information gathered from market sources and will exclude values that appear to be outside the consensus of the market.

Argus reporters obtain market information by telephone and various electronic mail and messaging services. Argus does not restrict itself to one subsection of the market such as a single trading platform or single informational channel for its market information. Market information is gathered by trained specialist reporters.

Argus publishes assessments that report and reflect prevailing levels for open-market arms length transactions (please see the Argus Global Compliance Policy for a detailed definition of arms length).

Argus also publishes 10-year average HDD settlement values provided by a third-party data provider (*see table*).

Assessments are concluded by 5:30pm London time on the day of assessment. Assessments are made each week on a Friday, or on the nearest working day.