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ARGUS NORTH AMERICAN HEAT RATE FORWARD CURVES

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The most up-to-date Argus North American Heat Rate Forward Curves methodology is available on www.argusmedia.com

Methodology overview

Methodology rationale

Argus produces daily forward price curves that are distinct from the forward price assessments published in Argus market reports.

Argus forward curves are the modelled current value of a forward delivery or loading period at the specified timestamp on the day of publication and are not forecasts of future spot prices.

Argus forward curves are produced using models designed to produce reliable and representative indicators of commodity market values, free from distortion.

Model inputs and outputs, including the final forward curves, intermediate values that may be generated during the production process and reports, are subjected to ongoing validation to ensure that the models perform as expected in generating representative prices.

Argus North American Heat Rate Forward Curves

Means of calculation

For each term and location, Argus publishes a midpoint, bid level, and offer level for two types of heat rate:

- Nymex heat rates: Argus divides its electricity assessment by the settlement price for the corresponding CME Henry Hub futures contract.
- Other natural gas heat rates: Argus divides its electricity assessment by its assessment of a corresponding local natural gas market.

See the [Argus North American Electricity Forward Curves](#) and [Argus North American Natural Gas Forward Curves](#) methodologies.

Curve length

Heat rate are calculated for 84 months forward, the current year, five years, 27 quarters and 21 seasons forward. Note, winter is January-February, spring is March-April and summer is July-August.

Timing

Heat rates are as of the close of CME's Henry Hub futures primary trading session, normally 14:30 EST.

Currency and units of assessment:

Heat rates are calculated in mn Btu/MWh

Corrections

Argus will on occasion publish corrections to forward curve prices after the publication date. We will correct errors that arise from clerical mistakes, calculation errors, or a misapplication of our stated methodology. Argus will not retroactively change published prices based on new information learned after publication. We make our best effort to produce forward curves based on the information we gather during the trading day assessed.

Corresponding natural gas markets		
Region	Electricity market	Corresponding natural gas market
ERCOT	Houston Load Zone	HSC
	Houston Zone	Waha
	North Load Zone	HSC
	North Zone	Waha
	South Zone	Waha
	South Load Zone	Waha
	West Zone	Katy
FRCC	West Load Zone	Katy
	Florida	FGT - Z3
ISO-NE	Connecticut Zone	Algonquin
	Massachusetts Hub	Algonquin
	Maine Zone	Algonquin
	NEMA Zone	Algonquin
	New Hampshire Zone	Algonquin
	Rhode Island Zone	Algonquin
	SEMA Zone	Algonquin
MISO	WCMA Zone	Algonquin
	Arkansas Hub	Centerpoint
	DEOK Hub	TCO
	Entergy	Centerpoint
	Illinois Hub	Chicago CG
	Indiana Hub	TCO
	Louisiana Hub	Trunkline-LA
NYISO	Michigan Hub	Michcon CG
	Minnesota Hub	Chicago CG
	Texas Hub	HSC
	Zone A	Niagara
	Zone B	Niagara
	Zone C	Niagara
	Zone D	Niagara
	Zone E	Niagara
	Zone F	Algonquin
	Zone G	Algonquin
PJM	Zone H	Algonquin
	Zone I	Algonquin
	Zone J	Transco zone 6 (NY)
	Zone K	Transco zone 6 (NY)
	AD Hub	TCO
	AECO Zone	Transco Zone 6 (non-NY)
	AEP Zone	TCO
	APS Zone	Tetco - M3
	ATSI Zone	Tetco - M3
	BGE Zone	Transco Zone 6 (non-NY)
	ComEd Zone	Chicago CG
	Dayton Zone	TCO
	DEOK Hub	TCO
	DPL	Transco Zone 6 (non-NY)
	Duzuesne Zone	Tetco - M3
	East Hub	Transco Zone 6 (non-NY)
	JCPL Zone	Transco Zone 6 (non-NY)
	Meted Zone	Transco Zone 6 (non-NY)
	NI Hub	Chicago CG
	Peco Zone	Transco Zone 6 (non-NY)
SERC	Penelec Zone	Transco Zone 6 (non-NY)
	PEPCO Zone	Transco Zone 6 (non-NY)
SPP	PPL Zone	Tetco - M3
	PSEG Zone	Transco Zone 6 (non-NY)
	RECO Zone	Transco Zone 6 (non-NY)
	West Hub	Tetco - M3
	Southern Hub	Tetco - ELA
	SPP North Hub	PEPL
	SPP South Hub	PEPL
	VACAR	TCO
	COB	PG&E CG
	Four Corners	EP San Juan
WSPP	Mead	EP Permian
	Mid Columbia	MALIN
	NP 15	PG&E CG
	Palo Verde	EP Permian
	SP 15	Socal

Ethics and compliance

Argus operates according to the best practices in the publishing field, and maintains thorough compliance procedures throughout the firm. We want to be seen as a preferred provider by our subscribers, who are held to equally high standards, while at the same time maintaining our editorial integrity and independence. Argus has a strict ethics policy that applies to all staff. The policy can be found on our website at www.argusmedia.com.

Included in this policy are restrictions against staff trading in any energy commodity or energy related stocks, and guidelines for accepting gifts. Argus also has strict policies regarding central archiving of email and instant messenger communication, maintenance and archiving of notes, and archiving of spreadsheets and deal lists used in the forward curve generation process. Argus publishes prices 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).

Review of methodology

The overriding objective of any methodology is to produce prices which are reliable and representative indicators of commodity market values and are free from distortion. As a result, Argus regularly examines our methodologies and is in regular dialogue with the industry in order to ensure that the methodologies are representative of the market being assessed.

In addition to this ongoing review of methodology, Argus conducts reviews of all of its methodologies and methodology documents on at least an annual basis.

Argus will periodically and as merited initiate reviews of market coverage based on a qualitative analysis that includes measurements of liquidity, visibility of market data, consistency of market data, quality of market data and industry usage of the resulting forward prices. Argus will review:

- Appropriateness of the methodology of existing forward curves
- Termination of existing forward curves
- Initiation of new forward curves

An informal process will be initiated to examine viability. This process includes:

- Informal discussions with market participants
- Informal discussions with other stakeholders
- Internal review of market data

Should changes, terminations, or initiations be merited, an internal proposal will be submitted to management for review and approval. Should changes or terminations of existing forward curves be approved, then formal procedures for external consultation are begun.

Changes to methodology

Formal proposals to change methodologies typically emerge out of the ongoing process of internal and external review of the methodologies. Formal procedures for external consultation regarding material changes to existing methodologies will be initiated with an announcement of the proposed change published to subscribers. This announcement will include:

- Details on the proposed change and the rationale
- Method for submitting comments with a deadline for submissions
- Notice that all formal comments will be published after the given consultation period unless submitter requests confidentiality.

Argus will provide sufficient opportunity for stakeholders to analyse and comment on changes, but will not allow the time needed to follow these procedures to create a situation wherein unrepresentative or false prices are published, markets are disrupted, or market participants are put at unnecessary risk.

Argus will engage with industry throughout this process in order to gain acceptance of proposed changes to methodology. Argus cannot however guarantee universal acceptance and will act for the good order of the market and ensure the continued integrity of its forward curves as an overriding objective.

Following the consultation period, Argus management will commence an internal review and decide on the methodology change. This will be followed by an announcement of the decision, which will be published to subscribers and include a date for implementation.

Publishing schedule

Argus International Biofuels Forward Curves are published on weekdays, according to a publishing schedule that is available at www.argusmedia.com.