Weather and climate-related data are becoming the new hit

The need for improved weather forecasting has been driven by the highly publicized impeding climate change, growing population and emerging energy issues.
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Featured

Weather and Climate Related Data Rise in Prominence

The need for improved weather forecasting is being driven by a multitude of high profile factors, which include the highly publicized climate change debate, growing population and emerging energy issues. Energy markets are seeing sustained growth in renewable power generators, which typically produce electricity only under certain weather conditions (solar, wind). Poorly predicted, extreme weather events can result in a supply-demand imbalance, sending energy prices through the roof. Supported by governmental funding and private interests, a stream of new services and technologies allowing for the monitoring of a broader range of weather phenomena is continuously being introduced to the market. New data providers, improved parameters and reduced data granularity are producing more statistics requiring more data repositories and analytical capabilities.

Dodd-Frank Updates: Swap Data Repositories Begin to Take Shape

The July 21, 2011 deadline to develop all rules and regulations under the Act’s provisions has come and gone, but regulators still have much work to do. To this end, the development of global derivatives market reform continues as American lawmakers are getting closer to concluding the rule making process and defining what a post-Dodd-Frank world will look like from a compliance point of view.

Upcoming Events

September

October
Hello and welcome to our inaugural issue of the ZE DataWatch electronic magazine. First of all, thank you for being one of our first readers. Now allow me say a few words about this publication.

The idea of this magazine has been brewing for a while and came to fruition as a natural outcome of our interaction with clients, working on consulting projects, and the development of our award-winning data management software, ZEMA.

Working as an energy consultant helping clients valuate projects and markets has helped me to realize that assessing information requires multiple levels of analysis. At the highest level, companies need to process information concerning all aspects of their enterprise operation. This is consuming an ever greater portion of internal resources due to a greater emphasis on due diligence coupled with the mounting challenge of staying on top of an ever-shifting stream of real time data.

The process of performing quantitative analysis using multiple information sources usually uncovers unanticipated changes in the way the data is structured. Often when you return to a source, some financial products are delisted while others are newly launched. To deliver the most accurate and complete view of the market, companies must perform a thorough examination of all available data sources.

The deeper levels of analysis are those that provide us with insight into, and the ability to forecast, future developments. With no crystal ball at my disposal, I must read through hundreds and hundreds of pages of legislative and regulatory materials to figure out how they will shape the markets and in what way they will affect our clients. This process naturally forced me to reflect upon how all these pending or just contemplated changes to market structure will affect the data flow; whether there will be more data sources, aggregation of data, or reduction of data scope. This became a sort of by-product of my research, but nonetheless very challenging and inspiring.

When I realized that other businesses must be facing similar challenges, I proposed to develop a service to highlight major energy and commodity market data news: new data flowing into the market, data that is being removed from circulation, and all potential changes in information sources that should be watched for. Consequently, this realization translated into this magazine.

Our goal for this magazine is to encapsulate and clarify the ever-evolving data landscape, as we strive to become a mainstay in your reference base. I hope this publication will reflect my and ZE team’s passion about energy and commodity markets, as we share our expertise that has been built and refined over many years of specializing in energy industry consulting and data management. Our team, supported by ZEMA’s capabilities, hopes that ZE DataWatch will support your business operations and provide you with a greater awareness of what is happening in the market.

We invite you, our readers, to share your news and your views with us. We value your feedback as we strive to create the most useful and informative publication for our readers. I hope you will benefit from our experience as much as we will from yours.

Olga Gorstenko

Have an idea for an article or would like to contribute to an upcoming issue? Write to us at datawatch@ze.com
ICE Introduced OTC Contracts for ISO-New England (ISO-NE)

Effective August 1, 2011, Intercontinental Exchange has been trading six new OTC power energy contracts for ISO-NE:

<table>
<thead>
<tr>
<th>ICE Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>IEB</td>
<td>ISO-NE Maine DA LMP Peak Monthly</td>
</tr>
<tr>
<td>IED</td>
<td>ISO-NE Maine DA LMP Off-Peak Monthly</td>
</tr>
<tr>
<td>IHB</td>
<td>ISO-NE New Hampshire DA LMP Peak Monthly</td>
</tr>
<tr>
<td>IHG</td>
<td>ISO-NE New Hampshire DA LMP Off-Peak Monthly</td>
</tr>
<tr>
<td>IWB</td>
<td>ISO-NE West Central Massachusetts DA LMP Peak Monthly</td>
</tr>
<tr>
<td>IWD</td>
<td>ISO-NE West Central Massachusetts DA LMP Off-Peak Monthly</td>
</tr>
</tbody>
</table>

ICE offers a wide range of electricity contracts for 18 power hubs including physically delivered and cash-settled power products. ISO-NE is another addition to this set.

The California PUC (CPUC) Issues Data Access Rules

CPUC issued new rules applying to “Big Three”: PG&E, SCE and SDG&E, in regard to how the major utilities in the state should share data collected from the proposed smart grid. In line with federal regulations, utilities will only be able to share data to third parties with the consent of the affected customers. The rules also require each utility to report customers’ detailed usage and demand forecasts on their websites and provide “tier alerts” when customers move from one price tier to the next via some form of rapid communication. These changes are intended to allow customers to better monitor power consumption; however, they will be useful for all parties wishing to forecast electricity demand.

Midwest ISO (MISO) Proposes New Capacity Market

MISO filed with the Federal Energy Regulatory Commission (FERC) its enhanced resource adequacy construct plan intended to improve resource allocation. The plan discloses MISO’s intention to introduce a mandatory Planning Resource Auction in April 2012, which will supplement the existing Voluntary Capacity Auction. The proposal encompasses a series of improvements to the resource adequacy processes, including establishment of seven Local Resource Zones. If the plan is approved, the scope of data provided by MISO will increase while improving comparability with other system operators, like PJM and NYISO.

Platts Replaces Cinergy Hub with Indiana Hub

Platts, a leading provider of energy, metals and petrochemical information, reported that effective January 1, 2012, the Cinergy Hub will be replaced with the Indiana Hub. This follows the release of NYMEX trading contracts for the Indiana Hub on May 16, 2011, and Duke Energy Ohio and Duke Energy Kentucky move from MISO to PJM. Platts stated that the Indiana Hub will be available under the same codes as the existing Cinergy Hub via Platts Market Data services under category ES.

ICE Launches BRIX, Brazil’s Electric Power Market

On August 1, 2011, ICE launched Brazil’s first electronically traded marketplace, BRIX, for key Brazilian power contracts. Trades started with OTC, bilateral, physical power contracts, which are expected to progress (as index pricing develops) into standardized futures. The creation of BRIX demonstrates an increasing global reach of energy trading as exchanges like ICE penetrate emerging markets. Previous Brazilian attempts to start a similar trading platform failed due to low participation. If successful this time, the exchange founders, Brazilian billionaire Eike Batista and other local investors, hope to expand into other types of energy, like oil, ethanol and biodiesel.

For more information follow the link
ICE Launches Low Sulfur Gasoil Futures, Options and Swaps

On September 19, 2011, ICE will commence trading of Low Sulphur Gasoil products based on a 0.001% sulphur (10ppm) diesel barge specification. New products will trade from the January 2012 contract and delivery month, out to December 2016. The need for low sulfur content gasoil is supported by the emerging market need for cleaner fuels, especially in Europe, to stay compliant with the carbon emission reduction goals.

<table>
<thead>
<tr>
<th>ICE Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>LSG</td>
<td>Gasoil Outright — ICE Low Sulphur Gasoil Futures</td>
</tr>
<tr>
<td>LSO</td>
<td>Gasoil Options — ICE Low Sulphur Gasoil American-Style Options</td>
</tr>
<tr>
<td>LSF</td>
<td>Gasoil Diff — Low Sulphur Gasoil 1st Line vs. Heating Oil 1st Line Swap</td>
</tr>
<tr>
<td>SFO</td>
<td>Gasoil Diff - Low Sulphur Gasoil 50 ppm FOB RDAM Barges vs. Heating Oil 1st Line Swap</td>
</tr>
<tr>
<td>SFO</td>
<td>Gasoil Crack (mt) - Heating Oil 1st Line vs. Low Sulphur Gasoil 1st Line Swap</td>
</tr>
<tr>
<td>JHO</td>
<td>JHO Jet Fuel Diff — USGC Jet Fuel vs. Heating Oil 1st Line Swap</td>
</tr>
<tr>
<td>GUB</td>
<td>Gasoil Outright — ICE Low Sulphur Gasoil American-Style Options</td>
</tr>
<tr>
<td>JHO</td>
<td>JHO Jet Fuel Diff — USGC Jet Fuel vs. Heating Oil 1st Line Swap</td>
</tr>
</tbody>
</table>

Contract Specifications can be found here.

CME Adds Coking Coal Swap Futures Contract

CME started trading the Australian Coking Coal (Platts) Swap Futures contract. The new contract, based on Platts’ physical market price assessments for metallurgical coal shipping from Australian ports, brings the total number of CME contracts settled on physical market assessments published by Platts to 450.

<table>
<thead>
<tr>
<th>CME Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACL</td>
<td>Australian Coking Coal (Platts) Swap Futures</td>
</tr>
</tbody>
</table>

Contract Specifications can be found here.

Argus Launched US Export Coal Assessments

Argus introduced coal price assessments for US Gulf coast exports at New Orleans and US east coast exports at Hampton Roads. The new service reflects the growth in global interest in this fossil fuel, especially in Asia. The assessment is conducted on a weekly basis and will provide additional insight into the coal markets already assessed by the publisher:
- Central Appalachian
- Illinois Basin
- Northern Appalachian
- Powder River Basin
- Colombia
- US import markets at key trading hubs
- Western bituminous

ICE Introduced OTC Contracts for Natural Gas, Oil and Natural Gas Liquids

On August 1, 2011, ICE started trading new contracts for fossil fuel markets, most of which reference data providers’ assessments:

- Two new option contracts designated for the Henry Hub
- Two new differentials for crude oil
- Four new swaps referencing OPIS LP Gas Fax

Platts to Granulate Petroleum Forward Curves for Asia and Europe

On August 1, 2011, Platts introduced updates to Asia market assessments. Additional to the existing quarterly and annual strip assessments, Platts now reports monthly granularity to Asia forward curves. Assessments start with midpoint value and low/high (if they exist) are calculated from the midpoint. Details can be found here.

European Forward Curves will be enhanced on October 3, 2011. Platts will also provide midpoints for all assessments where they are not already published. For more information, please click here.

Additionally on October 3, 2011, Platts will start granulating the existing Brent frontline forward curve and its WTI/Brent swaps curve assessments. In addition to the existing quarterly and calendar year strip assessments, the new report will show the value of each individual contract month and quarter assessed.
New NGX Canadian Crude Products on ICE

On August 8, 2011, ICE commenced clearing and settlement services for the following new NGX Canadian Crude Market bilateral products:

<table>
<thead>
<tr>
<th>Crude Type</th>
<th>Crude Code</th>
<th>Hub - Infrastructure</th>
<th>Hub Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Canadian Select</td>
<td>WCS</td>
<td>Hardisty - Enbridge In-Line</td>
<td>HAR EIL</td>
</tr>
<tr>
<td>Western Canadian Select</td>
<td>WCS</td>
<td>Hardisty - Enbridge Transfer at Source</td>
<td>HAR ENB</td>
</tr>
<tr>
<td>Blend</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cold Lake</td>
<td></td>
<td></td>
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<tr>
<td>Cold Lake CLK</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lloydminster Blend</td>
<td>LLB</td>
<td>Hardisty - Enbridge In-Line</td>
<td>HAR EIL</td>
</tr>
<tr>
<td>Lloydminster Blend</td>
<td>LLB</td>
<td>Hardisty - Enbridge Transfer at Source</td>
<td>HAR ENB</td>
</tr>
<tr>
<td>Summertime Heavy Blend</td>
<td>SHB</td>
<td>Edmonton - Enbridge In-Line</td>
<td>EDM EIL</td>
</tr>
<tr>
<td>Summertime Heavy Blend</td>
<td>SHB</td>
<td>Edmonton - Enbridge Transfer at Source</td>
<td>EDM ENB</td>
</tr>
<tr>
<td>Condensate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweet</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Sweet SYL BLX 1a</td>
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<td>Synclude</td>
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<td>Synclude SYL BLX 1a</td>
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<tr>
<td>Synclude SYL BLX 1a</td>
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</table>

These are the first NGX Canadian physical crude products to be offered for trading through the ICE electronic trading platform.

Canadian Coal Producer Expands its South African Presence

Canadian coal producer Forbes and Manhattan Coal, a holder of a majority share in two operating mines in South Africa, was approved for a secondary listing on the Johannesburg stock exchange. The company is planning to triple production at its South African mines in the next three years to increase its export presence. Forbes has already reached an agreement with South African port operator Grindrod and state-owned rail operator Transnet to export coal from the dry bulk coal terminal at Richards Bay. Grindrod will offer export capacity rising to 960,000t by 2013. This growth will likely lead to an increase in data requirements, especially for coal commodity in this region.

Platts’ Addition of Three and Discontinuation of Three Natural Gas Hubs to be Reflected in FERC’s Reports


Additions

- White River Hub in Rio Blanco County, Colorado, owned by Questar Pipeline Co. and Enterprise Products Partners LP, provides access to gas produced in northwest Colorado’s Piceance Basin. Platts started reporting daily assessment of trading and plans to expand it into monthly bidweek assessment when trading activity in the monthly market increases.

- Leidy Hub in Clinton County, PA, accommodates transactions between Dominion Transmission, National Fuel Gas Supply, Columbia Gas Transmission, Texas Eastern Transmission and Transcontinental Gas Pipe Line in the hub’s vicinity. Platts will add a monthly bidweek assessment in addition to the already reported daily market. The assessment will also be reported by FERC.

- Emerson, Viking GL supports deliveries into Great Lakes Gas Transmission from TransCanada PipeLines at the US/Canadian border at Emerson, Manitoba, and deliveries into Viking Gas Transmission from TransCanada at the Emerson 1 station. Platts added a monthly bidweek assessment additional to the already reported daily market. The assessment will also be reported by FERC.

Discontinuations

- Stingray Pool’s daily assessment will discontinue.

- Stanfield, Oregon: Platts will discontinue the monthly bidweek assessment, appearing in FERC’s reports. The publisher will continue daily survey.

- NGPL, Louisiana: Platts will discontinue both the daily and monthly bidweek surveys, also reported by FERC.

The graph below provides a visual representation of consistently declining trading volumes at NGPL hub (source - ICE).
Agriculture and Metals Markets

Hong Kong Mercantile Exchange (HKME) Trades US$ Silver Futures Contracts

HKME launched US$ silver contracts on July 22, 2011, two months after the introduction of gold futures. The growing demand for silver in China, representing about 23% of the global consumption, is supported by constantly increasing inflation. The launch of this contract will allow buyers and sellers in China to be exposed to competitive prices in order to trade effectively.

The real-time trading statistics on the new contract will be accessible through Bloomberg and Thomson Reuters.

Contract Specifications can be found [here](#)

<table>
<thead>
<tr>
<th>HKME Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>HKS</td>
<td>1,000 Troy Ounces Silver Futures</td>
</tr>
</tbody>
</table>

Tokyo Grain Exchange (TGE) Re-launches Rice Futures

TGE reintroduced rice contracts on August 8, 2011, after 72 years of halt from the start of World War II, when the government put grain production and distribution under its control to secure supplies during the war. The rice futures contract will start trading with 3 contract months: November 2011, December 2011 and January 2012.

<table>
<thead>
<tr>
<th>TGE Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/a</td>
<td>Rice Futures</td>
</tr>
</tbody>
</table>

Singapore Mercantile Exchange (SMX) Launched World’s First Iron Ore Futures Contract

On August 12, 2011, SMX launched the world’s first iron ore futures contract. This indirectly sets Singapore as the global trading hub for iron ore. Smaller exporters, traders and importers can now have access to this hedging tool, which is a benchmark price for the seaborne merchant market for sinter fines delivered to China.

<table>
<thead>
<tr>
<th>SMX Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMMBIIO</td>
<td>SMX Metal Bulletin Iron Ore (MBIO) Index Futures</td>
</tr>
</tbody>
</table>

CME Launched Trades of Fertilizer Swap Futures

On July 11, 2011, CME introduced four cash-settled fertilizer swap futures contracts listed on CME ClearPort and the NYMEX trading floor. New swap futures contracts on UREA, UAN and DAP are offered for post-trading clearing services, and based on an average of price assessments published by the leading industry publications, ICIS and Profercy.

<table>
<thead>
<tr>
<th>CME Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>UFN</td>
<td>Urea (Granular) FOB US Gulf Swap Futures</td>
</tr>
<tr>
<td>UFU</td>
<td>UAN FOB NOLA Swap Futures</td>
</tr>
<tr>
<td>DFT</td>
<td>DAP FOB Tampa Swap Futures</td>
</tr>
<tr>
<td>DFL</td>
<td>DAP FOB NOLA Swap Futures</td>
</tr>
</tbody>
</table>

The global increase in demand for fertilizers, driven by the growth in population and food consumption, prompted the exchange to expand its product mix.

Back to Summary
ICE, GreenX and Brokers Launch California Carbon Futures

Despite announced delay of the California Emissions Trading Scheme from 2012 to 2013, financial products for regulatory compliance are being launched on exchanges and OTC markets.

The Green Exchange originally announced September 11, 2011 as the launch date of Californian carbon allowances for 2012-2014 contracts. Extremely high demand for the product induced the exchange to push the first trading day to August 29, 2011.

Evolution Markets executed the first trade of California carbon futures contract on the Green Exchange on August 16, 2011. ICE starts trading California instruments on its OTC platform (see article next page, CCFE Trading Platform is Shutting Down; Equivalent OTC Contracts to be listed on ICE).

A new stream of data will likely be introduced on other exchanges and OTC markets as well. California is projected to become the world’s second largest carbon market.

NOAA Published Updated Climate Normals

Starting August 1, 2011, each US National Weather Service office started using climate averages, or “Normals,” calculated by NOAA’s National Climatic Data Center on data from 1981-2010. Normals are recalculated every 30 years and reflect typical climatological variables, including temperature and precipitation, for thousands of locations across the US. Additional Normals, such as frost/freeze dates, growing degree days, population-weighting heating and cooling degree days, climate division, and gridded Normals will be provided in a supplemental release by the end of 2011.

Initial access to both releases will be via file transfer protocol (FTP). It is expected that web services and selection capabilities to the new Normals will be made available on NCDC’s website by November 2011 for the core Normals, and April 2012 for the supplemental Normals.

GreenX Delists SO2 and NOx Contracts

On July 6, 2011, the US Environmental Protection Agency released the final version of the Cross-State Air Pollution Rule (CSAPR) to replace the 2005 Clean Air Interstate Rule (CAIR), effective January 1, 2012. The new rule will re-establish a cap-and-trade program on reducing sulfur dioxide (SO2) and nitrogen oxide (NOx) emissions in 28 states.

Following long proceedings, all global data (except for data from 19 Polish stations) needed to populate dataset CRUTEM3 are now in the public domain. CRUTEM3 is a gridded dataset of global historical land surface temperature anomalies, which are expected to be used to study global climate change. Data are available from the world’s 5,000-plus weather stations for each month since January 1850, on a 5 degree grid.

On July 6, 2011, the US Environmental Protection Agency released the final version of the Cross-State Air Pollution Rule (CSAPR) to replace the 2005 Clean Air Interstate Rule (CAIR), effective January 1, 2012. The new rule will re-establish a cap-and-trade program on reducing sulfur dioxide (SO2) and nitrogen oxide (NOx) emissions in 28 states:

**ClearPort Code**

<table>
<thead>
<tr>
<th>ClearPort Code</th>
<th>Globex Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCA</td>
<td>CCA</td>
<td>California Carbon Allowance futures contract</td>
</tr>
</tbody>
</table>
Markets reacted to the new rule by dropped interest in trading the financial instruments developed for compliance with CAIR. Effective August 12, 2011, GreenX delisted 12 SO2 and NOx contracts. Financial instruments developed for compliance with CAIR. Effective before 2012, and are expected to bring new trading products to the market.

The new SO2 and NOx allowance trading programs will be created before 2012, and are expected to bring new trading products to the market.

CCFE Trading Platform is Shutting Down; Equivalent OTC Contracts to be Listed on ICE

On August 5, 2011, CCFE announced that it will be shutting down in the first quarter of 2012 as it has been operating at a loss.

The graph below demonstrates the volume of trades of the SO2 futures. It has declined dramatically over the last year bringing it to almost a zero level. Source - CCFE.

Furthermore, as CCFE contracts do not meet the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires the futures contracts to be at least 85% screen-traded, CCFE is forced to eventually de-list, restrict or alter the way these contracts are currently traded.
CME Introduces new Product to Manage Global Interest Rate Exposure

On October 3, 2011, trading will begin on CME's new Euribor futures and options. The product will be based on the Euro Interbank Offered Rate and will use the same matching algorithms, implied functionality and quoting conventions that are used for CME’s benchmark Eurodollar futures. The product is being launched as investors show increasing concerns regarding European sovereign debt, resulting in large volatilities of bond yield spread between Euro member states. Contract specifications for the 3-Month Euribor Futures can be found [here](#).

CME and Osaka Securities Exchange (OSE) Announce Strategic Partnership

CME and OSE announced the beginning of a strategic partnership, which among other things, will lead to joint product development. Both exchanges will offer Japanese yen-denominated products for their global customer base.

OSE will list futures contracts based on the Dow Jones Industrial Average, traded on the J-GATE, which is OSE’s derivatives trading platform. CME Group will offer an E-micro futures contract, traded on the CME Globex platform, based on the Nikkei 225 Average, denominated in Japanese yen. Both products are expected to be offered by early 2012.

The partnership is another move leading to globalization of exchange trading and to the development of more global benchmarks.

CME and the Mexican Derivatives Exchange (MexDer) Announce Order Routing Agreement

CME and MexDer launched the second phase of the “north-to-south order routing agreement,” giving customers in the U.S. access to MexDer’s benchmark derivatives contracts. This follows the first phase, which gave Mexican investors access to CME benchmark derivatives contracts, including interest rates, foreign currencies, equity indexes, energy, metals and agricultural commodities. The agreement continues the trend of global consolidation of the market exchanges.
First Matching of Dry Freight

GFI Group recently announced that it has conducted the first matching of dry freight forward freight agreements “FFAs” trades on its electronic platform EnergyMatch® Europe. The screen allows for trading in co-mingled markets (co-mingling is the ability to clear trades with different clearing houses) and provides customers with the choice of CCP (Central Counter Party Clearing House) for clearing.

Wind Generating Forecasting Tool

IIR Energy has recently released a new, more accurate, Wind Generating forecasting tool in the market which gives Power & Gas Marketers a reliable view of the entire supply stack as demand and production continually fluctuate. Coupled with the IIR Power Outage database, traders can monetize their portfolio more reliably. IIR’s monitoring of power output at key wind farms and all other generation units improves the forecast performance by enabling model calibration on real-time wind generation data. Details of all the key attributes of each farm, at the farm level, for each tower, including design capacity, actual output, turbine make and model, Hub height, in combination with the most reliable weather forecasting and modeling tools, is intended to give users the edge they need to correctly predict market movements.

Upgrade to the Hourly Forecasting System

MDA EarthSat has just completed a significant upgrade to its hourly forecasting system, which uses a man-machine optimization to provide 15-day hourly forecasts of temperature, humidity, wind, cloud cover, and precipitation for thousands of cities in the U.S., Canada, and Europe. Significant improvement in accuracy can be seen at all times, with greatest improvement in the critical 1-3 day forecast period, which now consistently exceeds the skill of competitors’ forecasts.

Two End of the Day Forward Curve Products

OTC Global Holdings recently released two end of day forward curve products: a Natural Gas Basis Forward Curve and a Natural Gas Implied Volatility report. Designed for use by middle and back office managers around the globe, the data provides internal price validation and highly accurate mark-to-market results, in addition to providing price discovery for front office traders. Our reports leverage OTCGH’s 17 brokerages and are derived from our unique EOXLive broking/trading platform, which is well-known in the commodities sector for its ability to combine the convenience of electronic trading with voice broking's unique ability to provide market color and create bespoke transactions. Our basis forwards cover 72 basis locations with 84 months of monthly granularity. Our Implied Volatility report covers 25 locations with 24 months of monthly granularity.

Wind Forecast Generation Service for PJM

Weather Services International recently launched a wind forecast generation service for PJM called WSI WindCast IQ - PJM powered by Genscape, which is marketed to power traders who are actively trading PJM. WSI currently provides wind generation forecast services for ERCOT, MISO, BPA, & CAISO.

ZEMA to Host Enterprise Risk and Data Management Conference

In a constant pursuit to provide the broadest coverage of energy and commodity market data, ZEMA recently added over 180 reports to our library of over 2000 existing feeds. While carefully protecting its status as a neutral data management and analysis system, ZEMA puts tremendous effort in trying to connect clients with the right data to meet their needs. To that end, ZE is active in working with many of our data vendor partners to host webinars, workshops and conferences, helping companies extract the greatest value from their data. The next event that ZEMA and its partners will be hosting is the EDM for ERM Conference: Requirements for Enterprise Data and Risk Management, to be held on October 4-5, in Vancouver, BC. For more details follow the link.

Back to Summary
There is a distinction between weather and climate as defined by the US National Oceanic and Atmospheric Administration (NOAA). Simply put, weather is something that happens in real-time and over the near-term, while climate must be viewed and analyzed over mid and long-term timeframes. Whether it is being generated by human activity, or just a part of the Earth’s natural climate cycle, climate change is generally accepted to be occurring, and scientific circles are focusing on studying the parameters and drivers of these changes.

Pending climate change goes hand in hand with, and is aggravated by population growth. The increasing number of people will put a strain on agriculture, transportation, and energy resources. Overstretched utilization of these sectors leads to many changes, including transformation of water tables, water contamination from human waste and increased use of fertilizers, air pollution with multiple toxins, and carbon emissions. All of them have a direct impact and influence on weather and ultimately on climate.

The major portion of weather and climate related data is not available to us yet. According to a study led by the Rovira i Virgili University, only about 20% of the recorded climate information has been digitized. Some records go back as far as the 17th century and are stored in non-usable formats. Scientists believe that this information contains a valuable climatic message yet to be analyzed. When these missing points are transferred into digital format and made publicly available, the volume of data flows will explode exponentially.

Extreme weather events, when unanticipated, can result in a dramatic reaction from energy markets. The graph below demonstrates such a case (the occurrences of weather events are illustrated in yellow color for natural gas and red color for electricity prices). The example shows how a cold snap in Texas, in the winter of 2003, sent electricity and natural gas prices higher.

Governmental agencies continue to allocate significant funding towards improving weather forecasting. The $1.5 billion “National Polar Orbiting Experimental Satellite System Preparatory Project,” referred to as the “future of forecasting,” is ready and will be launched in October 2011. The satellite will deliver data for the NOAA numerical weather models and will help to monitor a broad range of land, ocean and atmospheric phenomena, such as ocean temperature sensing, moisture sensing, cloud density, etc.

Aside from the anticipated enhanced accuracy, the new satellite system will improve weather monitoring in areas which have a limited number of installed monitoring stations. An example of the benefits resulting from this greater accuracy might be better prediction of hydro flows, which are critical for hydro generation, as well as agriculture. Analysis of hydrology involves the examination of historical water levels, precipitation, and snow-water equivalent.

The main driving force behind the improvement in forecasting capabilities within the energy sector is renewable power generation, which operationally, directly depends on the weather. Better forecasts of wind parameters assist to maintain electricity system reliability and allow for the enhanced short-term forecast of electricity and natural gas prices. As shown in the following example of MISO electricity prices, there is a correlation between wind power generation and the Minnesota hub electricity prices: electricity prices tend to decline with an increase in wind power generation, and increase when wind power production drops.

Wind prediction is the central point of renewable generation forecasting. The most recent development is the Wind Forecast Improvement Project, a result of the collaboration between NOAA, the U.S. Department of Energy, two private wind energy companies and academic research institutions. Dozens of powerful, custom designed instruments will feed NOAA high-resolution research models, which profile and predict the weather and winds 350 feet above Earth’s surface. The need for such data emerged as power generating wind turbines have been moving into higher zones of the atmosphere.

The impact and influence of weather and climate on energy markets and other industries is apparent. Enhanced climate and weather data sets will enable new and more sophisticated types of analysis. To serve these needs, the list of weather forecasting resources is being constantly updated with new names of data providers. At the same time, new products are introduced and data granularity is increasing. Weather-related financial products are becoming more and more popular. To stay afloat in this ocean of constantly multiplying data, one has to exercise the highest degree of vigilance.

A URV study reveals that 80% of global climate data are not digitalized.

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Dodd-Frank Updates:
Swap Data Repositories Begin to Take Shape

The Dodd–Frank Wall Street Reform and Consumer Protection Act (the Act) was signed into law a year ago by US President Barak Obama. Meant as a remedy against a recurrence of the financial crisis of 2007-2009, the Act embodies a set of measures to realize a “sweeping overhaul of the United States financial regulatory system, a transformation on a scale not seen since the reforms that followed the Great Depression.”

Title VII - Wall Street Transparency and Accountability, sets a regulatory framework for OTC markets. Covering a major portion of energy OTC derivatives, Title VII requires mandatory clearing of all swaps and the setting of position limits on energy trading. Position limits is not a new concept and traditionally they have been set by exchanges; however, now the authority to establish position limits has been granted to the CFTC, which adds another layer of federal oversight. Mandatory clearing of all swaps is the most resource consuming endeavor, which once realized, will have a direct and overwhelming impact on data management systems.

The development of Swap Data Repositories (SDRs) is moving forward as the Depository Trust & Clearing Corporation (DTCC), ICE and CME continue plans to build SDRs for reporting transaction and position data. The DTCC has the support of the majority of financial institutions through the International Swaps and Derivatives Association; however, both ICE and CME plan to move into this lucrative business citing existing functionality and client overlap with their OTC clearing businesses. The CFTC’s Technology Advisory Committee is in the processes of working with these parties to develop derivatives reporting data standards.

The added compliance cost of reporting to these entities is driving smaller market participants out of the market. The Chicago Climate Futures Exchange cited new compliance requirements as one of the primary factors in winding down the business, while smaller investors such as hedge funds claim to be unable to cope with such burdensome reporting requirements, and are either closing funds or moving to less regulated overseas jurisdictions.

European and Canadian regulators have signaled that they will follow America’s lead in the standardization of derivatives reporting data and the creation of data repositories. European members cite the need for common reporting standards in a global market place, regardless of differences in regulations. Meanwhile, the Canadian Securities Administrators Derivatives Committee has released recommendations that follow US trade repositories rules and allow reporting to US based SDR’s.

Section 728 of the Dodd-Frank Act establishes SDRs with the mandate to collect and make swap data electronically available in an effort to promote transparency and reduce systemic risk. The creation of data repositories will exponentially increase the amount of data related to OTC transactions and has the potential to reshape the OTC market.

*Remarks by the President on 21st Century Financial Regulatory Reform, June 17, 2009, White House

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