

Speedwell Settlement Data FAQs

About Speedwell Settlement Services

Speedwell Settlement Data is used in the index-based weather risk market for the full range of weather risk products including energy market hedges, event insurance, exchange traded products and the [largest weather transactions](#) on record. Since 2010 over one billion dollars in contract notional value has been settled using Speedwell's Settlement Data services.

Just as traders expect accurate, timely, and independent settlement information for financial products such as natural gas, soybeans and coffee, so we believe they should expect the same quality of information for any parametric weather transaction. This is what Speedwell Settlement Data delivers.

With a background in weather derivatives from 1999, Speedwell has a deep understanding of the weather risk market. We regard weather data as a form of financial market data. The provision of Settlement Data, is treated with the highest degree of importance due to the direct financial exposure attached to the information.

Speedwell Settlement Data is based on the observations and records from National Meteorological Services ("NMS") which are then subject to additional levels of quality control to ensure that missing data and gross errors are replaced before official publishing to all counterparties. Speedwell Weather has license agreements in place with a wide range of NMS to redistribute and publish both their data and derived products.

The method for producing Settlement Data is defined within a Settlement Data Specification which can then be referenced in the term sheet. Wherever possible, the Settlement Data is based upon the official local weather observations made by the relevant NMS, except where reports are missing or contain gross errors or in the case of station closure. The use of Speedwell Settlement Data ensures that all counterparties are referencing the same data series or index which avoids potential disputes and the need to produce complex fallback methodologies and terminology in the term sheet

Speedwell has provided Settlement Data for a wide range of weather variables including temperature, HDD, CDD, rainfall, wind, solar radiation, sunshine hours and high-altitude snow-depth observations. We are able to do this for daily or hourly data. Locations range from the most heavily traded markets across Europe and North America to the remotest regions of the Australian outback and South American High Andes.

Speedwell Settlement Data helps facilitate trading, hedging, and market growth by removing data uncertainties and standardizing the language used within weather hedging contracts.

Settlement Data is provided through Speedwell Settlement Services Limited ("SSS"), a subsidiary of Speedwell Weather Limited. Speedwell Settlement Services Ltd is registered as a benchmark administrator under the EU benchmark regulation (Regulation (EU) 2016/1011)

Speedwell Settlement Services

Speedwell Settlement Services Limited is registered in England number 10135203.
Its registered address is Mardall House, 9-11 Vaughan Road, Harpenden, Hertfordshire AL5 4HU
Speedwell Settlement Services Ltd is registered as a benchmark administrator under the EU benchmark regulation (Regulation (EU) 2016/1011)

Mardall House
9-11 Vaughan Road
Harpenden, Herts
AL5 4HU, United Kingdom
Tel: +44 (0)1582 465 551

418 King St
Floor 2
Charleston, SC 29403
United States
Tel: +1 (843) 737-4843

Frequently Asked Questions

Q: How is Speedwell Settlement Data different to the Speedwell Cleaned Data that I already have from Speedwell, or from the data that is published by my local NMS?

- Speedwell Cleaned Data is a “living” series: late revisions or irregularly published data from the original observer is added and included within the series. Values may change over time.
- Settlement Data is published to a strict timetable defined within each Settlement Data contract.
- The methodology used to generate Settlement Data is tailored to each weather contract. However, Speedwell Cleaned Data series uses a generic cleaning methodology.
- Data coming from a local source or NMS is not produced according to a tailored weather contract specification. Inconsistencies may arise due, for example, to reporting convention differences.
- The data from an NMS may not be the same on two consecutive days, as all data is subject to revisions. This may result in market disputes where the counterparties are referencing differing data series picked up at different times from the same NMS.
- NMS data is not always subject to quality control and may contain missing dates or gross errors.

Q: What is the Speedwell methodology used to produce Settlement Data?

The methodology used to produce Settlement Data is dependent upon the weather station, variables, and complexity of the situation. For many sites, a standardized approach is possible and has been implemented.

For more complex locations, where the local micro-climate or geographical features strongly impact weather readings, settlement methodologies need to take in to account local conditions and involve additional information resources such as weather radar, webcam, additional instrumentation and consideration of the regional synoptic meteorology. Other factors to consider include issues such as speed of delivery of revised data from the National Met office, availability of proxy data to verify data and the integrity of local reports. For more complex transactions, the Settlement Data methodology is negotiated with the hedgers and risk takers.

The core of the methodology is to first generate a synthetic observation by using information from a variety of sources including neighboring sites. This work involves a combination of human review and statistical analysis. In the event that the raw observation from the primary station differs materially from that which is expected, then the observation is flagged for further manual review. The Speedwell Settlement Data team will then research the situation in depth using a variety of tools and information. Depending upon data availability the team will analyze:

- Other observations from the same site – In the event that the weather station observes multiple variables and/or the same variable at an alternative temporal resolution this information is used to verify the suspect report(s). Tests are focused on meteorological relationships such as rainfall requiring clouds, or rainfall events and anticipated spikes in humidity.
- External observations – Information which may include data from surrounding weather stations, RADAR, satellite imagery, gridded data, re-analysis data and media reports... are all combined to verify the suspect observation.
- Observations that are declared erroneous are then replaced using the synthetic observation. All aspects of the methodology and result are carefully documented in order to provide full transparency to the process. In this situation Speedwell then informs all parties to the transaction of the change.

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Q: Will the Settlement Process change too many values?

No more than necessary. It is important to note the entire settlement methodology functions under the premise of “do no harm”. The benefit of the doubt is always on the side of the original observation delivered by the NMS. Any changes are made on a strict evidence-based approach and are signed off by a senior Speedwell meteorologist before approval.

Q: We currently use National Meteorological Service (NCDC, DWD, BoM, UKMO...) data for settlement, why should we switch to Speedwell Settlement Data?

Observations reported by the NMSs are the basis for Speedwell Settlement Data. While *generally* these Meteorological Service report reliable data, using raw NMS observations can still cause problems.

These may arise due to:

- Station closure during the risk period
- Missing or delayed data feeds
- Erroneous data (e.g. “+5C versus “-5C”)
- Non-availability of data at the end of the risk period
- Lack of transparency with the NMS quality control process
- Misunderstandings: your definition of “Temperature Average” may be quite different to that of the NMS
- Ambiguity of source: an NMS may make data available through multiple sources and this data may not be identical (e.g. their web download vs their data feed)

Q: How different is Speedwell Settlement Data from the original National Meteorological Service (NCDC, DWD, BoM, UKMO...) data?

When everything goes well, there is no difference. Speedwell is there as a “safety net” and independent “referee”. In general, for *most* major NMS weather stations *most* data is reported timely and accurately. Settlement Data is designed to guard against the problems that may occur.

Q: Are there other benefits for using Speedwell Settlement Data?

In addition to correcting erroneous observations and filling missing observations, Speedwell Settlement Data may help guard against the problem of potential “moral hazard” (this is the term used to describe the risk of observation tampering). Its most insidious form is one in which a meteorological observer has a financial incentive to report inaccurate observations for the purpose of benefiting one counterparty over the other. While the likelihood of this occurring is low at major observing stations, it may be an issue at local weather stations in certain countries.

Q: Why shouldn't I use a prescriptive settlement methodology in my term sheet?

A prescriptive settlement methodology such as a fallback method can never anticipate all possible problems. For example, a regional network failure may mean that no data is available for the fallback sites either. In more remote parts of the world there is also a possible issue relating to moral hazard: to the extent that moral hazard is an issue, a prescriptive fallback method can be “gamed”. If needed, Speedwell can implement a prescribed methodology for unique situations per client request.

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Q Without a prescriptive settlement methodology how can users understand changes made to the data?

The Speedwell settlement methodology is designed to provide transparency to the process. All data processing is carefully tracked and subject to audits. In the event that a raw observation is declared erroneous, we carefully document the rationale behind this decision. Parties to the transaction will receive (upon request) a detailed report describing (1) the raw observation, (2) the corrected value, and (3) a brief description of the logic behind our decision and the sources used to support that decision. All data changes are confirmed by Speedwell senior staff with all reports undergoing review before publication.

Q: What are Speedwell Settlement Certificates?

Settlement Certificates are published with the release of Final Settlement Data. These certificates are formal documents that state the details of the transaction (begin date, end date, variable, and data source, etc.) along with the meteorological observations as published by Speedwell. Each certificate is approved and signed by Speedwell senior staff. Copies of each certificate are accessible to transaction counterparties.

Q: Does Speedwell produce Settlement Data for gridded datasets?

Yes, many of the same concerns that apply to surface based observations apply to gridded datasets. Considerations must be given to (1) continued access to the dataset, (2) continuity homogeneity of the gridded dataset between model releases, (3) contingency and method for missing data and gross errors. The Speedwell Settlement Methodology accounts for these concerns in order to produce Settlement Data and Settlement Certificates for any transaction.

Q: What does Speedwell Settlement Data cost?

For a large number of normally high quality NMS sites, the cost of Settlement Data is formula based on the period and the size of the transaction involved. Pricing can be determined using the “Settlement Data Pricing Matrix.xls” which can be provided to clients upon request. The following transaction variables are considered for pricing:

Settlement Data Methodology

Is settlement based upon the standard Speedwell Settlement Methodology or a user defined, prescriptive methodology?

Type of Data

Is the transaction based upon surface data (daily data / hourly data), gridded data, or indices?

Client Subscription Status

Subscribers to the Speedwell SuperPack® Premium product are eligible for discounts.

Transaction duration

In general longer time periods will be more expensive than shorter periods.

The size of the transaction

Pricing is dependent upon the size of the transaction (maximum pay-out or premium). For swaps, only the maximum pay-out is considered.

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Q: What is the Speedwell Settlement Specification?

This document contains the details associated with a specific Settlement Job.

Definitions

Reference Site ID, Reference Site Name, Weather Element definition, Raw Data Source, Units, Time definition, Rounding procedure, Deliverable

Settlement Data Mythology

Description of the process (Data Error Checks, Missing Data, and Synthetic Data Points)

Data Publication Schedule

Data type used for delivery, timing of deliveries, description of each delivered product

Speedwell Settlement Specifications *will often be directly referenced in the transaction term sheet* prepared by a Protection Seller. Documents are produced on demand for no charge. Please contact us for important additional details.

Q: Can Speedwell act as a Calculation Agent?

Yes, Speedwell has acted in this capacity for some of the largest weather transactions on record. As Calculation Agent Speedwell is responsible for incorporating the Speedwell Settlement Data into the transaction index. The index is then reviewed to determine if a financial payout has been triggered and the size of that payoff. Speedwell is responsible for the notification and paperwork required for this process.

Q: Can Speedwell act as a Valuation Agent providing in-period valuations?

Yes. We are able to produce valuations integrating the latest reported weather and forecasts using our industry-standard weather derivative software, the Speedwell Weather System (SWS). These may be relevant for internal valuation or margining purposes. These can be provided on a daily, weekly or monthly basis as required.

Q: How do I request Speedwell Settlement Data for my next transaction?

The first step is to contact Speedwell to confirm the availability of Settlement Data for your selected weather station and variable. You will need to provide details concerning the weather station (name, identification numbers...), weather variable (e.g. daily maximum temperature, hourly precipitation...), the start date of your hedge, the end date of your hedge and the size of the hedge. The "[Settlement Data Request Form](#)" on the [Speedwell Settlement Services web site](#) will guide you through the request process. Once we confirm that it is possible to produce data of the quality required for Settlement Data we will provide a quote for this service.

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About Speedwell Weather Limited

Speedwell Weather provides quality weather data, weather forecasts, software, and weather-risk consultancy. With offices in the UK and the USA we serve clients in sectors including weather-risk, energy and agriculture world-wide. We are the dominant provider of settlement data for parametric weather risk contracts. Speedwell Weather is the parent company of Speedwell Settlement Services Limited.

About Speedwell Settlement Services Limited

Settlement Data is provided through Speedwell Settlement Services Limited ("SSS"), a subsidiary of Speedwell Weather Limited.

Regulatory matters

SSS is regulated as a Benchmark Administrator under EU Benchmark regulations.

Contacts

For more information about Settlement Services or other data, forecast or consultancy services please see www.SpeedwellWeather.com or contact:

E-mail ClientOnBoarding@SpeedwellSettlementServices.com

Telephone

Europe: +44 (0) 1582 465 551

USA: +1 843 737 4843

Address

Europe: Mardall House, Vaughan Rd, Harpenden, Herts, AL5 4HU

USA: 418 King Street, Charleston, SC 29403

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