

Constellation Energy Commodities Group, Inc. Market Information Reporting Policy

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CCG Risk Management Group**

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1 Overview of the CCG Market Information Reporting Policy

- 1.1 The CCG Market Price Index and Trade Data Reporting Policy is intended to mitigate risks associated with reporting market information by promoting a reliable and accurate reporting process. In addition, it is intended to ensure compliance with legal and regulatory requirements for trade data reporting.

- 1.2 This policy enables CCG personnel to discuss general market conditions with Requesting Organizations, as they do not mention specific terms of transactions CCG has done or CCG developed, price, volatility, correlation or other quotations or parameters (regardless if widely available or not), except specifically as related to those parties to particular transactions.

2 Compliance Process

- 2.1 All Constellation Energy Commodities Group, Inc. (“CCG”) employees are required to acknowledge compliance with the CCG Market Information Reporting Policy upon employment, annually, as well as upon periodic re-issuance resulting from material policy changes during the year. Acknowledgement of this policy is a condition of employment at CCG.

- 2.2 The CCG Human Resources Group (“CCG HR”) will administer initial and annual compliance for this policy. The following steps constitute the CCG Market Information Policy administration process:
 - 2.2.1 The CCG RMG ensures all CCG employees are aware of, and educated about the CCG Market Information Reporting Policy.
 - 2.2.2 The CCG RMG works with CCG IT to ensure that this policy, and a summary training document, is available on the CCG intranet.
 - 2.2.3 The CCG RMG will collect training program sign-up sheets and CCG HR will maintain such sign-up sheets for three years.

3 Scope of the CCG Market Information Reporting Policy

- 3.1 This policy covers CCG employees, as well as those employees of CCG subsidiaries. Other Constellation Energy Group, Inc. (“CEG”) organizations’ market price and trade data reporting, if any, are governed under other policies.

- 3.2 From time to time, CCG receives requests to provide market information to various external organizations (“Requesting Organizations”) or CEG affiliates (“CEG Affiliates”). These requests typically fall in one of the following two categories:
 - 3.2.1 Recurring, standardized market information reporting, such as trade data reporting
 - 3.2.2 Non-recurring, non-standard market information reporting, such as dispute resolution or CEG Affiliate requests

4 Authority for the Policy

- 4.1 The CCG RMC is responsible for developing consistent and complete policies to measure, monitor, and report risk. To this end, the CCG RMC uses the CCG Risk Management Policy to formalize processes and procedures, as well as to assign responsibility, for mitigating various risks. The CCG Risk Management Policy (“CCG RMP”) proposes various processes and procedures to mitigate operational and regulatory risks, including risks resulting from reporting information.
- 4.2 The following FERC regulations, in part, govern reporting market information:
 - 4.2.1 FERC Order, *Amending Market-Based Rate Tariffs and Authorizations*, (Docket Nos. EL01-118-000 and EL01-118-001)
 - 4.2.2 FERC Order No. 644, *Amendment to Blanket Sales Certificate*, (Docket No. RM01-10-000)
 - 4.2.3 FERC issued its *Policy Statement on Electric and Natural Gas Price Indices* (PL03-3-000)
 - 4.2.4 FERC Order on *Clarification of Policy Statement on Natural Gas and Electric Price Indices*, (Docket No. PL03-3-001)
- 4.3 The following documents were used to guide development of this policy, in order to ensure CCG adopts a best practices approach to market information reporting:
 - 4.3.1 The Committee of Chief Risk Officers *Best Practices for Energy Price Indices*
 - 4.3.2 The EPSA *Code of Ethics*
 - 4.3.3 The *Joint Recommendation from Industry Stakeholders to Reform Gas Price Reporting and Index Publication* (the “Joint Recommendation”) (filed 23 June 2003 with the FERC).

5 Attributes for Trade Data Gathering and the Trade Data Reporting Process, as well as Index Construction and Methodology

5.1 Though a voluntary process, CCG recognizes the importance and legal obligation of submitting reliable, accurate price data to Requesting Organizations. To this end, CCG adopts the following attributes of a trade data reporting process:¹

- Representative and Complete—the index should be reflective of actual prices obtained during the index reporting/coverage period and have the widest possible coverage of market activity
- Confidential—the Requesting Organization should treat trading data as confidential
- Independent and Objective—trade data reporting duties are the sole responsibility of the CCG RMG
- Accountable—the CCG RMG is accountable for producing reliable, accurate, and timely trading data reports to Requesting Organizations
- Data Integrity—internal process should enhance security and accuracy
- Auditable—documentation and transparency of internal process should enable external auditors to verify and repeat results
- Consistent—process enables a repeatable result to be observed
- Accurate—CCG RMG should make reasonable efforts to ensure data is accurate.

5.2 Additionally, this Policy requires that the CCG only will report to Requesting Organizations that publish price indices that comply with the following attributes of a reasonable price index adopted from the CCRO white paper titled *Best Practices for Energy Price Indices*:

- Representative and Complete—the index should be reflective of actual prices obtained during the index reporting/coverage period and have the widest possible coverage of market activity
- Robust and Reliable—the methodology should provide representative prices
- Confidential—to protect CCG as well as Requesting Organizations, Requesting Organizations should treat data submitted by CCG as commercially sensitive and confidential and should not violate any contractual obligations of the data providers or CCG
- Independent and Objective—Employees and/or departments within a Requesting Organization should not have any economic interest in the information provided by CCG beyond the pure commercialization of the finished index itself.
- Maintain Integrity—internal safeguards against manipulation of the data gathering process, as well as index construction process need to be in place

¹ Committee of Chief Risk Officers, *Best Practices for Energy Price Indices*, (Committee of Chief Risk Officers, February 17, 2003), pp. 4-5.

to ensure that the data is accurate and complete, resulting in an index that is representative of market activity

- Auditable—all transaction data provided by CCG needs to be traceable and verifiable throughout the process. Furthermore, the methodology used by the Requesting Organization should be audited to verify that it satisfies the properties of a robust index and coincides with the methodology published by the Requesting Organization
- Consistent—there should be a well defined data submission process, including timelines, applicable for CCG submitting data for a given index. The methodology a Requesting Organization uses for a given type of index should be logically similar for all indices of that type. Both the methodology and the index specifications for each index should be changed only to reflect significant changes to the underlying markets and only after notifying CCG.
- Transparent—auditable and repeatable process and methodology
- Clear—unambiguous definitions of trading locations and products, and unambiguous data reporting requirements
- Accurate—the index methodology should be economically and statistically logical and sound. The index needs to be an unbiased and efficient estimator of the market price.
- Documented and accepted—methodology should be well-documented and available to data providers
- Timely and Regular—data should be requested and provided on a well-defined schedule.

6 Process for Initiating Reporting Market Information to External Requesting Organizations

- 6.1 Market information requests may come from a variety of Requesting Organizations, including:
- 6.1.1 CEG Affiliates
 - 6.1.2 Unaffiliated trading and marketing organizations
 - 6.1.3 Unaffiliated publishers and consultants
 - 6.1.4 Governmental entities.
- 6.2 Providing market information to Requesting Organizations should not be undertaken without a robust review process to ensure CCG RMG is capable of providing accurate and timely information and complying with contractual obligations.
- 6.3 A series of reviews must take place prior to:
- Initiating reporting to a new Requesting Organization (such as index developer or trade counterpart for dispute resolution)
 - Initiating market information reporting for a new purpose (such as to complement data already being provided)
 - Initiating reporting of a type of information not previously reported to any other External Organizations
- 6.4 All market information requests will be submitted to the head of risk management of CCG, who will ensure the market information request process is carried out.
- 6.5 The CCG RMC will determine if the particular Requesting Organization should receive CCG market information. If the decision is made to provide market price and/or trade data to the Requesting Organization, the remaining process is completed.
- 6.6 The CCG Legal Group will review all existing master agreements, as well as one off agreements to determine if they prohibit reporting such market information. If such agreements prohibit reporting pertinent data to Requesting Organizations or CEG Affiliates, the CCG Legal Group will work to amend those contracts or deny the request.
- 6.7 The CCG Legal Group will ensure contractual arrangements between CCG and the Requesting Organization are memorialized in a Data Submission, Usage, and Confidentiality Agreement (“DSUCA”) which, at a minimum, contains the following components:²

² Committee of Chief Risk Officers, *Best Practices for Energy Price Indices*, (Committee of Chief Risk Officers, February 17, 2003), p. 16.

- 6.7.1 Confidentiality agreement clause
 - 6.7.2 Sole purpose and data ownership clauses
 - 6.7.3 Disclaimer, noting the limitation of liability with respect to the possibility of errors and omissions—a similar disclaimer should be made with each data reporting.

- 6.8 The RMC and CCG RMG will understand the Requesting Organization’s information requirements and timelines. The CCG RMC and CCG RMG will ensure that CCG RMG can reliably meet the requested timeline. In cases where resources limit CCG’ ability to meet Requesting Organization timelines, the RMG will either:
 - 6.8.1 Work with the Requesting Organization to alter the timeline;
 - 6.8.2 Improve internal processes and systems to ease constraints;
 - 6.8.3 Request increased resources to meet trading data reporting requirements
 - 6.8.4 Deny the request.

- 6.9 The CCG RMG, Strategies, and IT Groups will ensure that CCG record keeping systems, processes, automation, and internal processes can correctly represent market information to the Requesting Organization’s standards.

- 6.10 The CCG RMG will ensure appropriate changes are made to this policy to reflect changes in reporting status and requirements. Current procedures exist for the following marketing information reporting activities:
 - 6.10.1 Daily and bidweek natural gas trade data reporting to Platt’s and NGI
 - 6.10.2 Coal supply data reporting to EVA
 - 6.10.3 Market information reporting to CEG Affiliates.

7 CCG Policy on Reporting Trade Data to Index Developers

- 7.1 CCG will adhere to FERC Market Behavior Rules, FERC Policy Statement, and Index Publisher official methodologies as they pertain to trade data reporting. In particular, the Policy Statement practices must be followed by any reporting party subject to the FERC market behavior rules, and are necessary to obtaining the benefit of the safe harbor presumption of accurate, good faith reporting.
- 7.2 CCG has adopted the EPSA Code of Conduct that employees will adhere to in the buying or selling of natural gas or electricity and that the CCG RMG will adhere to in reporting data from such transactions to index developers. This code of conduct has been made public through posting on the CCG website and is also attached to this policy.^{3,4}
- 7.3 CCG will voluntarily report all pertinent natural gas transactions to at least one significant index publisher. CCG will not report electricity trade data at this time.
- 7.4 If CCG provides trade data to a limited Requesting Organization, CCG RMG will ensure that CCG trades for other products or regions outside of the limited or regional Requesting Organization's requirements will be reported to one or more other Requesting Organizations.
- 7.5 The CCG Legal Group will report all changes to CCG reporting status to FERC within 15 days of that change in status.
- 7.6 Trade data reporting operations will be conducted solely by the CCG RMG.^{5,6} The CCG RMG is not responsible for trading and is independent from the commercial organization.
- 7.7 The head of CCG RMG will appoint in writing CCG RMG personnel authorized to report trade data to Requesting Organizations. Documentation of such appointments will be maintained by the CCG RMG.
- 7.8 CCG RMG will report Pertinent Transactions with the following attributes:^{7,8,9}

³ Committee of Chief Risk Officers, *Best Practices for Energy Price Indices*, (Committee of Chief Risk Officers, February 17, 2003), p. 9.

⁴ Federal Energy Regulatory Commission, *Policy Statement on Natural Gas and Electric Price Indices*, (PL03-3-000, July 24, 2003), p.11.

⁵ Committee of Chief Risk Officers, *Best Practices for Energy Price Indices*, (Committee of Chief Risk Officers, February 17, 2003), p. 9.

⁶ Federal Energy Regulatory Commission, *Policy Statement on Natural Gas and Electric Price Indices*, (PL03-3-000, July 24, 2003), p.11.

⁷ Committee of Chief Risk Officers, *Best Practices for Energy Price Indices*, (Committee of Chief Risk Officers, February 17, 2003), p. 7.

⁸ Federal Energy Regulatory Commission, *Policy Statement on Natural Gas and Electric Price Indices*, (PL03-3-000, July 24, 2003), p.12.

- 7.8.1 Bilateral fixed price, physical transactions in the at all trading locations
 - 7.8.2 Transactions that otherwise meet index publisher requirements
 - 7.8.3 Transactions that otherwise comply with the characteristics defined by any Requesting Organization that publishes a limited (e.g. one region only) index
- 7.9 The CCG RMG will not report transactions with the following attributes:
10,11,12
- 7.9.1 Transactions not between CCG and *another* CEG subsidiary
 - 7.9.2 Transactions not between CCG trading desks
 - 7.9.3 Financial transactions, swaps or exchanges of gas or electricity
 - 7.9.4 Non-standard or structured transactions.
- 7.10 For each transaction the following information should be provided:
- 7.10.1 Price
 - 7.10.2 Volume
 - 7.10.3 Delivery/receipt location
 - 7.10.4 Transaction date
 - 7.10.5 Term
 - 7.10.6 Buy/Sell indicator
 - 7.10.7 Firm/Non-Firm
 - 7.10.8 And no other information.
- 7.11 Only trade data recorded in the system of record will be provided to Requesting Organizations by CCG RMG. Since the CCG system of record cannot be made to produce a perfect query, additional verification steps may be required to ensure accurate market information is reported to Requesting Organizations. As such, if a trade entry error is detected in the trade data, the CCG RMG will require the commercial organization to correct the transaction details in the CCG system of record. Upon completion of such correction, the CCG RMG will re-query the system of record to produce the report provided by the Requesting Organization.
- 7.12 No CCG or CCG RMG employee will alter or conduct mathematical calculations using CCG' trade data. Instead, the Requesting Organization should perform all calculations (e.g., weighted averages, total counts, etc).^{13,14}

⁹ Platt's, *Methodology and Specification Guide: North American Natural Gas*, (McGraw Hill Companies, January 2004), pp. 2-4.

¹⁰ Committee of Chief Risk Officers, *Best Practices for Energy Price Indices*, (Committee of Chief Risk Officers, February 17, 2003), p. 7.

¹¹ Federal Energy Regulatory Commission, *Policy Statement on Natural Gas and Electric Price Indices*, (PL03-3-000, July 24, 2003), p.12.

¹² Platt's, *Methodology and Specification Guide: North American Natural Gas*, (McGraw Hill Companies, January 2004), pp. 2-4.

- 7.13 CCG will provide required information for each pertinent trade on a by-trade basis.
- 7.14 The CCG RMG will strive to submit trade data of the highest quality. In the rare event of errors, CCG RMG will contact the Requesting Organization as soon as possible, and regardless of materiality, and engage in error resolution and revision in cooperation with the error resolution process adopted by the Requesting Organization.^{15,16}
- 7.15 The CCG RMG will retain all data relevant to reported trades for a minimum period of three years.^{17,18}
- 7.16 If, for any reason, the CCG RMG cannot submit the pertinent report to the Requesting Organization, the RMG will notify the Requesting Organization by voice or email.
- 7.17 In the event no pertinent transactions were done during a particular reporting period, the CCG RMG will submit a report to the Requesting Organization noting such.¹⁹
- 7.18 The CCG RMG will institute a plan to ensure that vacations, family emergencies, etc., will not hinder the trade data reporting process.
- 7.19 The CCG RMG will ensure adequate resources are available to answer questions raised by Requesting Organizations.²⁰
- 7.20 The CCG RMG and IT groups will implement sufficient policies, procedures, and processes to ensure security of data.²¹
- 7.21 The following disclaimer will be used on all data transmissions between CCG RMG and any Requesting Organization²² (amending, as required for new

¹³ Committee of Chief Risk Officers, *Best Practices for Energy Price Indices*, (Committee of Chief Risk Officers, February 17, 2003), p. 7.

¹⁴ Federal Energy Regulatory Commission, *Policy Statement on Natural Gas and Electric Price Indices*, (PL03-3-000, July 24, 2003), p.12.

¹⁵ Committee of Chief Risk Officers, *Best Practices for Energy Price Indices*, (Committee of Chief Risk Officers, February 17, 2003), p. 9.

¹⁶ Federal Energy Regulatory Commission, *Policy Statement on Natural Gas and Electric Price Indices*, (PL03-3-000, July 24, 2003), p.12.

¹⁷ Federal Energy Regulatory Commission, *Order Amending Market-Based Rate Tariffs and Authorizations*, (Docket Nos. EL01-118-000 and EL01-118-001), (November 17, 2003), pp. 39-40.

¹⁸ Federal Energy Regulatory Commission, *Policy Statement on Natural Gas and Electric Price Indices*, (PL03-3-000, July 24, 2003), p.12.

¹⁹ Platt's, *Methodology and Specification Guide: North American Natural Gas*, (McGraw Hill Companies, January 2004), p. 3.

²⁰ Platt's, *Methodology and Specification Guide: North American Natural Gas*, (McGraw Hill Companies, January 2004), p. 3.

²¹ Committee of Chief Risk Officers, *Best Practices for Energy Price Indices*, (Committee of Chief Risk Officers, February 17, 2003), p. 9.

Requesting Organizations). This disclaimer will accompany each email from CCG to each Requesting Organization:

The rights and obligations of both _____ and Constellation Energy Commodities Group ("CCG") concerning the submission of this transaction data shall be governed by the Data Submission, Usage and Confidentiality Agreement between _____ and CCG dated _____. CCG makes no representations or warranties as to the accuracy of the transaction data submitted in this email and reserves the right to provide corrected data to _____ if errors are detected after initial report transmission. CCG will attempt to provide any such corrections within a reasonable period of time after submission in accordance with _____'s error resolution process. This submission conforms with the price reporting requirements established by the Federal Energy Regulatory Commission.

- 7.22 CCG RMG will submit data in industry standard format of Excel spreadsheets, and, by exception, via facsimile transmission.²³
- 7.23 CCG RMG will ensure that an independent audit of market price and trade data reporting operations is conducted by internal or external auditors at least once annually.^{24,25} Upon request by a Requesting Organization, and if contractual agreements between the Requesting Organization and CCG allow for such disclosure, CCG will provide its latest audit pass/fail conclusion to a Requesting Organization. The CCG RMG will permit Requesting Organizations to provide suggestions or areas for improvement to CCG trade data reporting practices. Internal audit personnel will be independent from the trading and reporting departments and personnel, and the audit will follow internal auditing standards such as those prescribed by the Institute of Internal Auditors or other similar generally accepted auditing standards.^{26,27}
- 7.24 To this end, CCG RMG will retain documents pertaining to market price and trade data reporting for a period of three years.²⁸ Separate files denoting direct downloads from system, files containing subsequent corrections, and files expunged of confidential data and subsequently sent to Requesting

²² Committee of Chief Risk Officers, *Best Practices for Energy Price Indices*, (Committee of Chief Risk Officers, February 17, 2003), p. 17.

²³ Committee of Chief Risk Officers, *Best Practices for Energy Price Indices*, (Committee of Chief Risk Officers, February 17, 2003), p. 9.

²⁴ Committee of Chief Risk Officers, *Best Practices for Energy Price Indices*, (Committee of Chief Risk Officers, February 17, 2003), p. 9.

²⁵ Federal Energy Regulatory Commission, *Policy Statement on Natural Gas and Electric Price Indices*, (PL03-3-000, July 24, 2003), p.12.

²⁶ Federal Energy Regulatory Commission, *Policy Statement on Natural Gas and Electric Price Indices*, (PL03-3-000, July 24, 2003), p.12.

²⁷ Federal Energy Regulatory Commission, *Order on Clarification of Policy Statement on Natural Gas and Electric Price Indices*, (PL03-3-001, December 12, 2003), p.6.

²⁸ Committee of Chief Risk Officers, *Best Practices for Energy Price Indices*, (Committee of Chief Risk Officers, February 17, 2003), p. 9.

Organizations will be maintained. This storage mechanism is secure since only CCG RMG employees have access to this file location.

8 CCG Policy on Reporting Market Information to CEG Affiliates

- 8.1 New market information requests by CEG Affiliates, regardless of the CCG group or person receiving this request, will be forwarded to the CCG RMG.
- 8.2 Upon receiving such a CEG Affiliate market information request, the CCG RMG coordinate with CCG Legal, Strategies and FOIT (if large scale data extraction might be required), as well as the pertinent CCG Commercial Head.
- 8.3 CCG Legal will ensure that:
 - CCG is legally allowed to send requested information to the CEG Affiliate, including both Federal and various state laws and regulations
 - The CEG Affiliate understands the purposes for which the data can and cannot be used
 - The CEG Affiliate agrees to any confidentiality requirements
- 8.4 If the CCG Legal determines that CCG is able to send the information to the CEG Affiliate, the CCG RMG will determine the best medium through which to provide this information. Periodic requests should be handled through the CCG RMG. Bulk and frequent requests should be handled through an agreed upon, automated mechanism that meets pertinent requirements.

9 CCG Policy on Reporting Dispute Resolution Quotes to Unaffiliated Organizations

- 9.1 Periodically, unaffiliated, third-party organizations may ask CCG to provide market price quotes in order to resolve credit and/or valuation disputes. If CCG agrees to provide such quotes, they shall be provided by CCG RMG, regardless of which CCG employee originally received the request.
- 9.2 At times, brokers will call CCG traders for market quotations when the broker might or might not be aware of the nature of the request *but* the CCG trader is not aware of the nature of the request. If the CCG trader is unaware of the nature of the market pricing request and it is not differentiable from other requests for markets, then this process does not apply. Rather, this process only applies when the request and the nature of the request is explicit and known to the CCG trader.
- 9.3 Prior to release, the following organizations must sign off on the pricing information request:
 - 9.3.1 Risk Management Group;
 - 9.3.2 The appropriate trading organization;
 - 9.3.3 Legal;
 - 9.3.4 Credit; and
 - 9.3.5 Controllers.
- 9.4 The requested market price information will be released only in an approved format (attached to every email) with approved disclaimers attached to every pricing page.
- 9.5 Only approved CCG RMG group personnel may transmit this information to the Requesting Organization. Such information shall be retained in accordance with the record retention policies set forth herein.

➤ **Exhibit 1: Publications Cited**

Committee of Chief Risk Officers, *Best Practices for Energy Price Indices*, February 27, 2003.

Electric Power Supply Association, *Code of Ethics and Sound Trading Practices for Electric Power Suppliers*, <http://www.epsa.org/positions/ethics.cfm>

Federal Energy Regulatory Commission, *Order No. 644 Final Rule*, (Docket Number RM03-10-000), November 17, 2003.

Federal Energy Regulatory Commission, *Policy Statement on Natural Gas and Electricity Price Indices*, (Docket Number PL03-3-000), July 24, 2003.

Federal Energy Regulatory Commission, *Order on Clarification on Policy Statement on Natural Gas and Electric Price Indices*, (Docket Number PL03-3-001), December 12, 2003.

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Platt's, *Methodology and Specifications Guide*, (McGraw Hill Companies, January 2004).