

Allegro Recognized as a Leader in IDC MarketScape 2011 Assessment of ETRM Software Providers

IDC Energy Insights Report Highlights Allegro's Capabilities and Strategies

DALLAS, TX, SEPTEMBER 14, 2011 - Allegro Development Corporation a provider of energy trading and risk management (ETRM) software, announced today that it has been named as a "Leader" by IDC Energy Insights in its report IDC MarketScape: Worldwide Energy Trading and Risk Management 2011 Vendor Assessment. IDC is a premier technology research and advisory firm. The "Leader" category is the report's highest ranking.

Among the report's findings:

- "What sets Allegro ahead of the others is its momentum and focus on the customer for reducing costs, contributing to the product road-map, customer education, and customer satisfaction."
- "There is a commitment to risk management, improving customers' business intelligence, efficient execution, and compliance and control."
- "The company continues to have strong functionality on the physical side of the energy commodity."
- "Allegro has a commitment to advanced architecture and innovation."
- "Modularization, along with component-based pricing, has been attractive to new customers that have the desire to manage costs through a phased implementation."
- "Allegro is well positioned to grow, with a well-developed road map that is framed around themes that are attractive to customers."

"We are especially pleased to be recognized for our agile approach to deployment and our unique product development strategy," said Eldon Klaassen, Allegro CEO. "IDC's research confirms that Allegro's commitment to closely aligning our solutions to meet customer business objectives is resonating in the market place."

IDC Energy Insights, IDC MarketScape: Worldwide Energy Trading and Risk Management 2011 Vendor Assessment, (Doc. #EI229863), August 2011.

About IDC MarketScape

IDC MarketScape vendor analysis model is designed to provide an overview of the competitive fitness of ICT (information and communications technology) suppliers in a given market. The research methodology utilizes a rigorous scoring methodology based on both qualitative and quantitative criteria that results in a single graphical illustration of each vendor's position within a given market. IDC MarketScape provides a clear framework in which the product and service offerings, capabilities and strategies, and current and future market success factors of IT and telecommunications vendors can be meaningfully compared. The framework also provides technology buyers with a 360-degree assessment of the strengths and weaknesses of current and prospective vendors.

For more information go to
www.allegrodev.com
or call us at +1.888.239.6850

North America +1.214.237.8000
Europe +44(0)20.7382.4310
Asia Pacific +65.6236.5730

Allegro is a global leader in energy trading & risk management solutions for power and gas utilities, refiners, producers, traders, and commodity consumers. With more than 27 years of deep industry expertise, Allegro's enterprise platform drives profitability and efficiency across front, middle, and back offices, while managing the complex logistics associated with physical commodities. Allegro provides customers with agile solutions to manage risk across gas, power, coal, crude, petroleum, emissions, and other commodity markets, allowing decision makers to hedge and execute with confidence. Headquartered in Dallas, Texas, Allegro has offices in Calgary, Houston, London, Singapore and Zurich, along with a global network of partners.

E X C E R P T

IDC MarketScape: Worldwide Energy Trading and Risk Management 2011 Vendor Assessment

IDC Energy Insights: Utility IT Strategies

IDC Energy Insights: Oil and Gas IT Strategies

VENDOR ASSESSMENT

#E1229863

Jill Feblowitz

IN THIS EXCERPT

The content for this excerpt was taken directly from the IDC MarketScape: Worldwide Energy Trading and Risk Management 2011 Vendor Assessment (Doc # E1229863). All or parts of the following sections are included in this excerpt: IDC Opinion, In This Study, Situation Overview, Future Outlook, Essential Guidance, and Synopsis.

IDC ENERGY INSIGHTS OPINION

The energy trading and risk management (ETRM) solution vendor evaluation in this study is based on a comprehensive and rigorous framework that assesses vendors on current capabilities and future strategy. This evaluation includes a quantitative and qualitative assessment supported by exhaustive, practical feedback from energy companies using ETRM solution to assess vendors. For this assessment, IDC Energy Insights evaluated 11 vendors: Allegro, Amphora, Aspect Technology, Navita, OATI, OpenLink Financial, SAS, Solarc, SunGard, Triple Point, and Ventyx. According to our research:

- The ETRM market continues to be a healthy one, largely driven by new trends such as regulations on commodity trading, the identification of new energy resources, and the emergence of new exchanges and energy products, as well as the more traditional consideration of opportunity and risk.
- ETRM vendors fall into commodity coverage (single- or multi-commodity focus), primary buyer (utilities, merchant generators, oil and gas companies), region (primarily North America, Europe,

or global), and delivery model (traditional license maintenance or software as a service [SaaS]).

- There is a great deal of parity among the vendors in this market in the Leaders and Major Players groupings. The industry is willing to pay top dollar for applications in this space and demands the latest in technology because speed and scalability are important and the stakes are high.
- Software-as-a-service offerings are gaining some popularity among the smaller trading desks, especially in emerging economies.

IN THIS STUDY

The evaluation is based on a comprehensive and rigorous framework — the IDC MarketScape model. Vendors are assessed relative to the criteria and one another. The analysis highlights the factors expected to be the most influential for success in the market in both the short and the long term. This assessment discusses both quantitative and qualitative characteristics that explain success in this market.

The focus is on ETRM, rather than commodity trading and risk management (CTRM), which encompasses other commodities such as agricultural products and metals. The physical aspects of energy trading are an important part of trading for those who have or take possession of the commodity, so these are treated in some detail.

This study is composed of two sections: The first part involves a definition of the characteristics that IDC believes lead to success in energy trading and risk management. These characteristics are based on buyer and vendor surveys and key analyst observations of best practices. The second part of this study provides a visual presentation of multiple vendors into a single bubble-chart format. This display concisely exhibits the observed and quantified scores of the reviewed vendors.

The document concludes with IDC's essential guidance to support continued growth and improvement of these vendors' offerings.

Methodology

IDC Energy Insights' IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC Energy Insights judgment about the market and specific vendors. IDC Energy Insights analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are

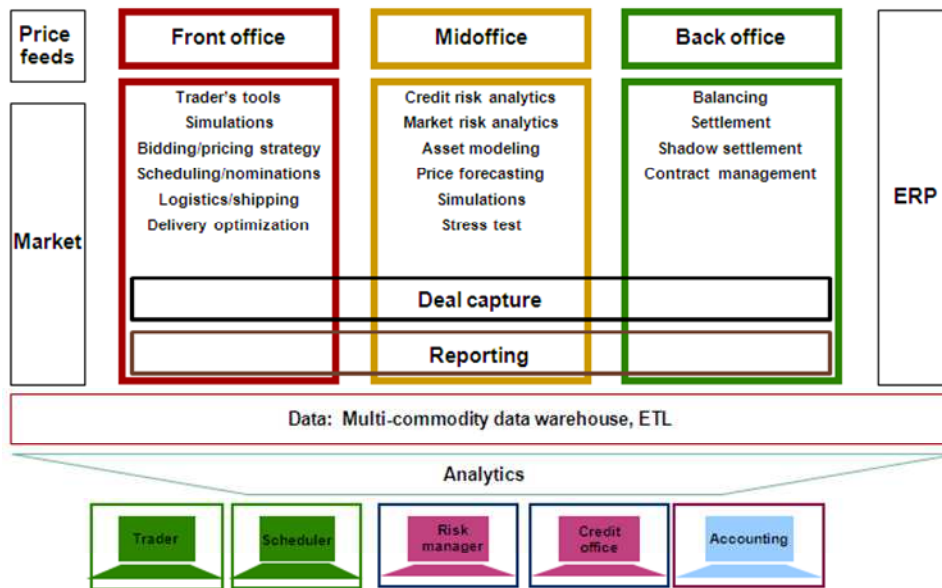
based on user interviews, buyer surveys, and the input of a review board of IDC experts in each market. IDC Energy Insights analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Market Definition

ETRM applications are involved with trading physical and financial energy commodities and include transactional and analytic applications used in the front office, midoffice, and back office. These applications cover business process from deal capture to settlement and include trader tools, risk management, credit risk management, bidding and pricing strategy, forecasting, settlement, and logistics. Logistics depend largely on the commodity and its origination and delivery point and include pipeline nominations, power scheduling, and shipping (see Figure 1).

FIGURE 1

ETRM Applications



Source: IDC Energy Insights, 2011

SITUATION OVERVIEW

Introduction

Evolution of ETRM Software

Although companies have been trading commodities for decades, it was not until the advent of Enron online that electronic trading in energy commodities gained momentum. Since that time, energy trading has become more automated, catching up with highly automated financial trading. However, it is the physical delivery aspect of energy trading and risk management that makes ETRM applications unique.

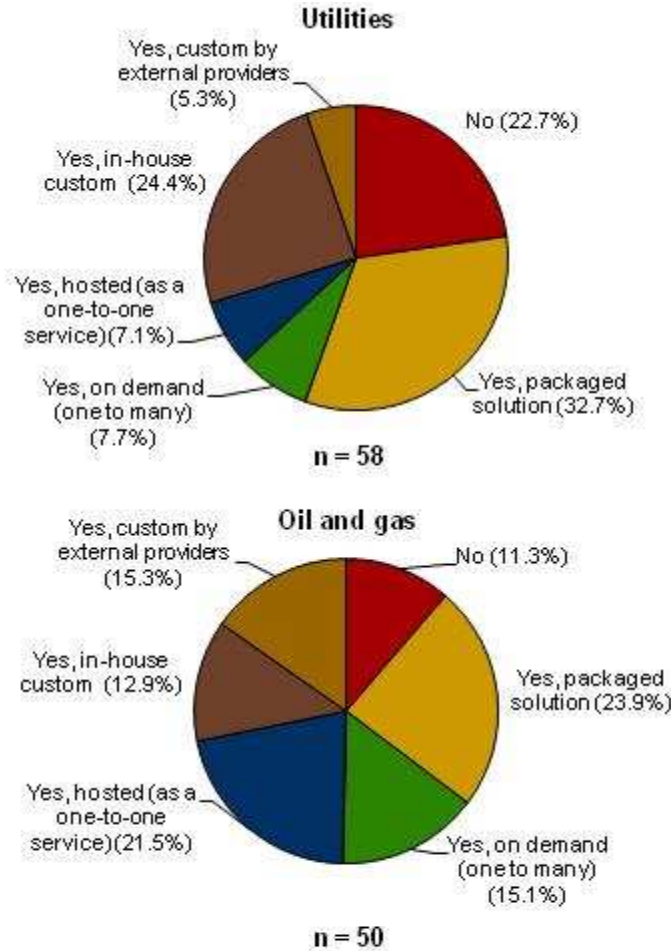
Just as the rest of the software industry has evolved, so has the ETRM software market. Many energy companies started out building in-house solutions for deal capture and risk analysis, putting these together with credit risk applications used across many industries. Those companies that did purchase packaged applications did a lot of customization, with many purchasing the source code, believing that these customizations helped create competitive edge

More recently, faced with the costs of supporting highly customized applications and the need for audit ability and standardization driven by regulation, energy companies are embracing packaged applications. At the same time, IT has taken on a greater role in selecting the software which, because of its complexity, had been largely the responsibility of the trading and risk business units. Now almost two-thirds of North American energy companies are using packaged applications to support their energy trading and risk management activities (see Figure 2).

FIGURE 2

Implementation of ETRM Solutions at North American Energy Companies

Q. Has your organization implemented an ETRM solution?



Base: energy companies with over 500 employees

Source: IDC's Vertical IT and Communications Survey, January 2011

FUTURE OUTLOOK

IDC MarketScape ETRM Market Vendor Assessment

The IDC MarketScape vendor assessment for the ETRM market represents IDC Energy Insights' opinion on which vendors are well positioned today through current capabilities and which are best positioned to gain market share over the next three to five years.

Positioning in the upper right of the grid indicates that vendors are well positioned to gain market share. For the purposes of discussion, IDC Energy Insights divided potential key strategy measures for success into two primary categories: capabilities and strategies.

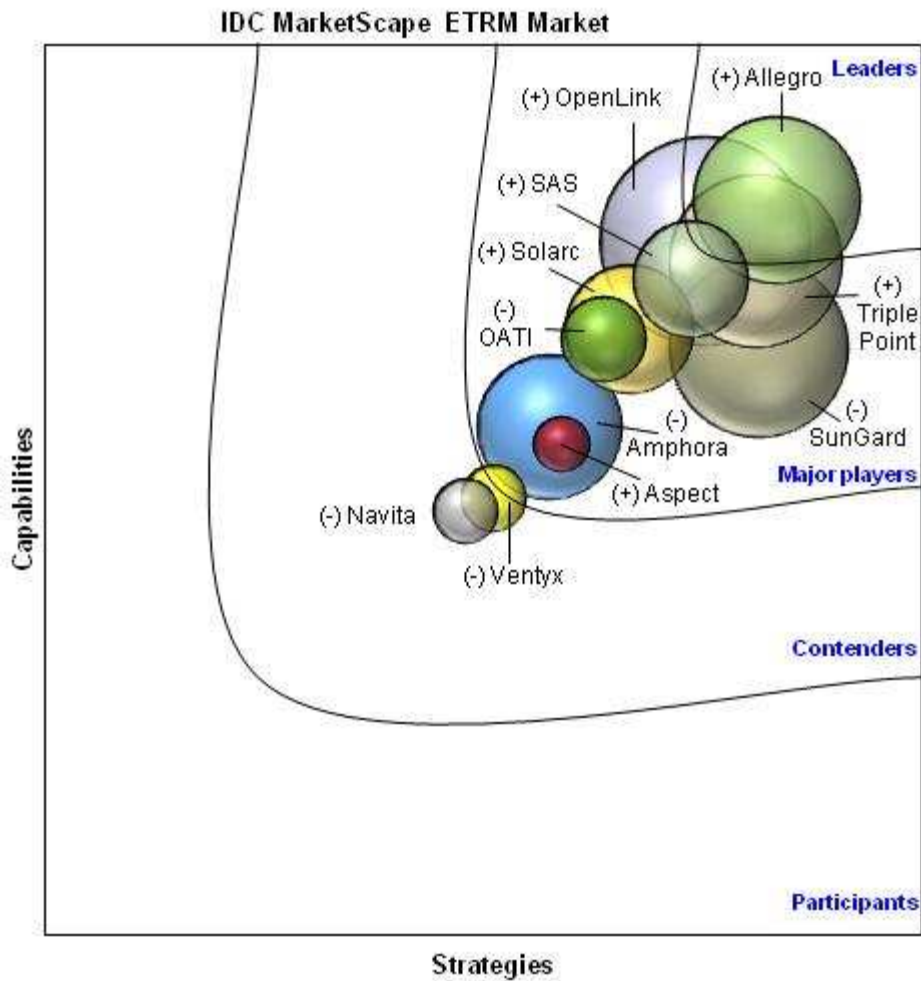
Positioning on the y-axis reflects the provider's current capabilities and how well aligned the provider is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. In this category, IDC Energy Insights looks at how well a provider is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the provider's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level strategic decisions and underlying assumptions about offerings, customer segments, business, and go-to-market plans for the future, in this case defined as the next three to five years. In this category, analysts look at whether or not a supplier's strategies in various areas are aligned with customer requirements (and spending) over a defined future time period.

Figure 3 shows each provider's position in the vendor assessment chart. A provider's market share is indicated by the size of the bubble, and a (+), (-), or () icon, respectively, indicates whether or not the provider is growing faster, slower, or even with overall market growth.

FIGURE 3

IDC MarketScape: ETRM Vendor Assessment



Source: IDC Energy Insights, 2011

Vendors

Summary Analysis

Allegro

Allegro Development has its roots in ETRM in the oil and gas industry, but has since successfully expanded into the trading of multiple energy commodities by utilities, oil and gas companies, and financial services companies. The company continues to have strong functionality on the physical side of the energy commodity, especially in scheduling, nominations, logistics, planning, and optimization. In addition to providing ETRM, the company also offers an accounting

package for those companies that prefer to keep some accounting functionality in their ETRM or as a substitute for an enterprise resource planning system. Allegro was rated as a Leader in this assessment.

Allegro has a commitment to advanced architecture and innovation. The ETRM offering is fully architected using service-oriented architecture, and a visual model helps the company's developers enhance the product while facilitating customer input. When Allegro released Allegro 8.0 in 2007, it was with the view that modularization would make enhancements easier to implement for existing customers. That modularization, along with component-based pricing, has been attractive to new customers that have a desire to manage costs through a phased implementation. Grid computing and the potential for increased performance and lower hardware costs also came with version 8. Now, over half of Allegro's customers are on the latest version.

Allegro is well positioned to grow, with a well-developed road map that is framed around themes that are attractive to customers. There is a commitment to risk management (credit and counterparty risk, liquidity risk, market price risk, and commodity cost control and for utilities, fuel costs, and the price of power), improving customers' business intelligence (trader productivity, position analysis, and scalability), efficient execution (contract management, accurate settlement, logistics optimization), and compliance and control (emissions, Dodd Frank, hedge accounting).

Customers have an opportunity to contribute to product development. In addition to the traditional advisory groups, Allegro has taken a unique approach by creating "collaborative product development" that brings customers together to participate in all phases of the development process for specific components or modules. A visual model of data and workflow, a knowledge sharing platform (currently new), and Allegro University are ways Allegro seeks to provide useful information to users and enhance customer participation in the development process.

ESSENTIAL GUIDANCE

With the prospect of new energy trading regulations, as a result of Dodd-Frank and European efforts such as Market Abuse Directive and Markets in Financial Instruments, energy companies will need to reexamine their trading systems to determine whether these will be up for new requirements such as over-the-counter electronic confirmations, trade surveillance, and "real time" regulatory reporting.

In doing this review, it makes sense to look beyond compliance to readiness for the faster paced and higher volume markets of the future.

Actions to Consider

- When considering a major upgrade of an existing application, take time to look into alternatives. There may be some situations where a major upgrade is equivalent in time and effort to a change to a new application provided by a different vendor.
- Use this IDC MarketScape to develop a short list of vendors for consideration. However, note that the weightings used in this study may not apply to your companies' priorities and requirements, as they were developed with a range of buyers in mind. For example, you may be interested in the cost savings and convenience of a SaaS approach, which will influence your decision to put vendors such as OATI for power and Aspect Technologies for oil and gas at the top of the list.
- Do not assume that because a vendor is part of a larger company offering multiple products that the company will automatically have the same level of research and development commitment to its ETRM products. That said, there are vendors that have been able to leverage advances in technology developed for other products and successfully incorporate these into the ETRM product.

Synopsis

This IDC Energy Insights report is intended to help the buyers of energy trading and risk management (ETRM) software applications in their selection of ETRM applications. The evaluation is based on a comprehensive and rigorous framework — the IDC MarketScape model. Vendors are assessed relative to the criteria and one another. The analysis highlights the factors expected to be the most influential for success in the market in both the short and the long term. This assessment discusses both quantitative and qualitative characteristics that explain success in this market.

According to Jill Feblowitz, IDC Energy Insights vice president, "With the introduction of new resources, the increase in trading volumes and volatility, along with new regulations, the most sought after capabilities are the ability to provide role-based access to position in near real time, flexibility for changing compliance requirements, and analytics to gain intelligence for risk mitigation and opportunity."

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