

Agile ETRM from Allegro

Allegro energy trading and risk management software delivers the fastest realization of business objectives and greatest flexibility with minimal risk and disruption to our customers' business. The key to the Allegro approach is agile ETRM, where every effort centers around a specific customer business objective. In an agile deployment, the technology to achieve the objectives is deployed as a series of incremental projects where each project focuses on a distinct objective. This focus minimizes the number of specific business processes involved in achieving each customer objective. It also minimizes the number of technology changes required and the number of personnel affected. The result of all these steps is a faster realization of business objectives for Allegro customers, better cost/benefit alignment, and higher total benefits over time.



The Benefits of Agile ETRM

The key to the agile approach is that every effort centers on a specific customer business objective. The technology to achieve the objectives is deployed as a series of incremental projects where each project focuses on a distinct objective. This means that each focused project is implemented rapidly and with a limited scope. With agile software solutions, customers realize business benefits much earlier in a project and see significantly better alignment of costs and benefits.

Compared to traditional software approaches, agile methods also enable greater flexibility to adapt to changing priorities. When an organization's requirements shift, adjustments can easily be made to the order of these smaller projects and implementations can be executed sequentially or simultaneously.

Smaller, more targeted implementations minimize the number of business processes involved in achieving each objective. It also minimizes the number of required technology changes and the number of personnel affected. As a result, agile methods limit the risk and disruption that customers experience during implementation.

Agile methods also dramatically increase the likelihood that every project will be successful. Projects based on isolating and achieving key business priorities are more likely to stay on time and on budget.

- Faster realization of business objectives
- Clear alignment of costs and benefits
- Greater flexibility to change priorities
- Minimal risk and disruption of business operations



Example Project Timeline

Business Objective	January	February	March	April	May	June
Improving Position Analysis	Orange	Orange				
Increasing Trader Productivity			Light Blue	Light Blue		
Managing Market Price Exposure					Dark Blue	Dark Blue
Managing Counter Party Exposure			Grey			
Managing Liquidity Exposure		Green				
Achieving Hedge Accounting Compliance				Green	Green	

Disadvantages of Traditional Methods

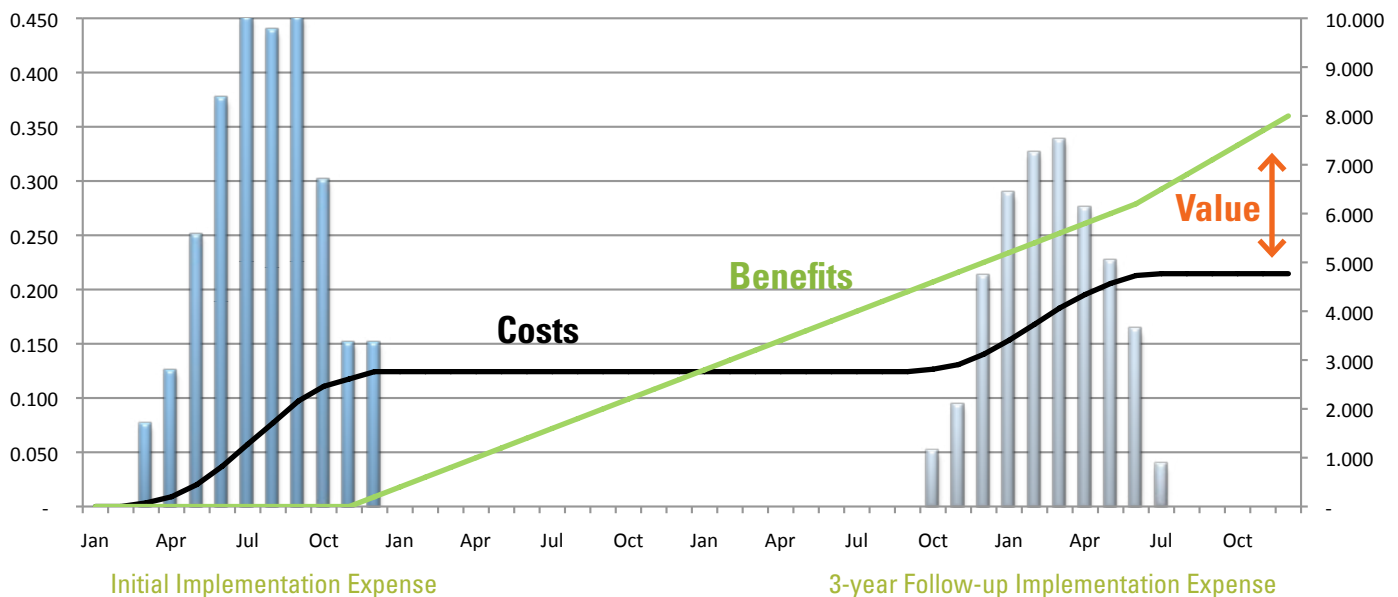
Traditional methods of deploying ETRM solutions tend to have a number of disadvantages. These methods are sometimes referred to as a “boil the ocean” approach, and tend to yield long, expensive projects with a high possibility of overruns. They may run over budget, miss delivery deadlines, and fail to deliver exactly what the organization needs. Additionally, the realization of business benefits is often delayed.

With a traditional ETRM deployment, a business initially experiences a period of very high activity and then very little project activity once implementation is complete. If the company decides to upgrade every few years, it will see high activity again at that time.

The costs associated with this approach generally match the level of activity, with companies spending a large sum of money all at once in the early part of the project and then again every few years for upgrades. This can cause challenges when assigning capital, resources, and personnel.

Traditional methods of deployment often lead to projects that span a year or more. While a business does realize tangible benefits over time, that usually occurs sometime after implementation is complete. In a traditional deployment, the point at which the company sees a return on investment will typically be long after the project began and a financial investment was made: sometimes years later!

Traditional ETRM Deployment



- Long, expensive projects with high possibility of overruns
- Business benefits deferred for 12-24 months
- Substantial expansion of scope during project
- High risk that objectives will change during effort
- Extremely high level of business disruption during deployment

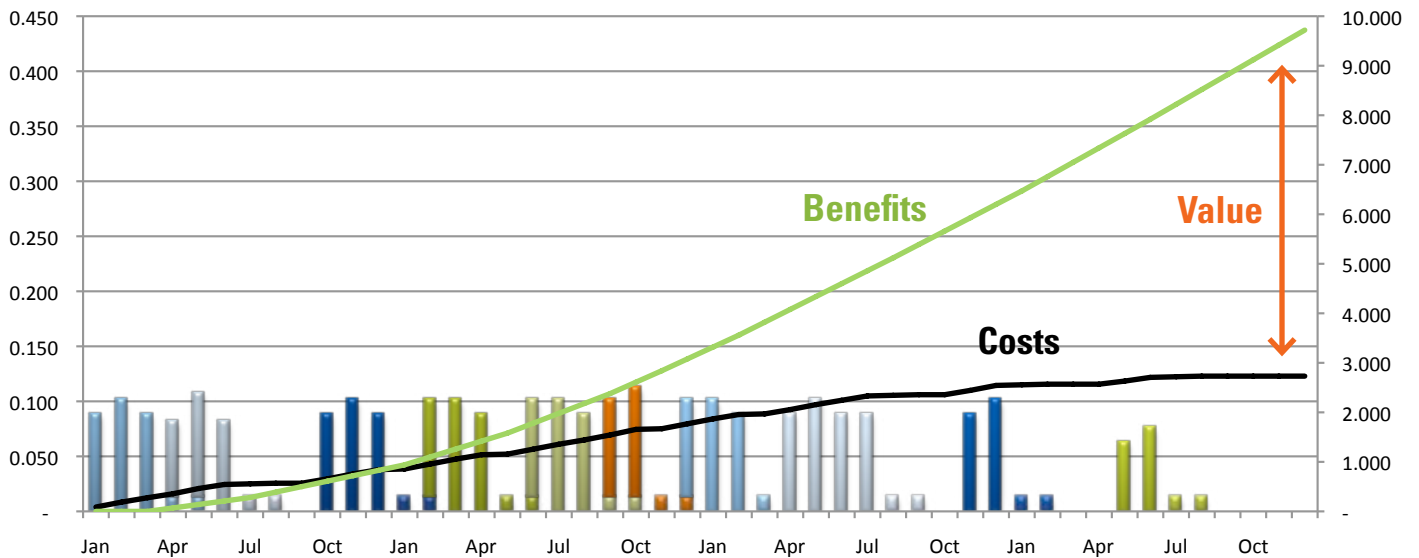
Traditional methods can also yield a substantial expansion of scope during the project – sometimes referred to as scope creep. This occurs when users request additional functions during the implementation project. Naturally, a longer project will lead to more user requests and as these unplanned functions are added to the scope, a project’s timeline and costs will expand. Also, in a very long project there is a high possibility that the objectives of users and of the overall business will change.

Finally, the process of actually deploying one of these large projects often leads to a very high level of business disruption during deployment. There are a large number of users whose productivity will be highly disrupted and attention to daily business tasks often suffers.

Agile ETRM Deployment

In contrast, applying agile methods to ETRM software deployment yields a more predictable implementation where business objectives are realized rapidly and costs align with benefits. We see this reflected in the accompanying diagram that represents a sample agile deployment. There are no high upfront costs. Instead, companies make steady investments over the course of the implementation, achieving business objective after business objective in a series of planned projects.

AGILE ETRM Deployment



High Frequency Projects
 Focused Objectives and Limited Expense
 Continuous Improvement Based on Business Priorities



Most importantly, companies achieve results soon after the launch of the project and soon after initial investment begins. Each vertical bar represents investment that occurs as a company achieves distinct business objectives. Benefits continue to accumulate, while costs remain relatively predictable. As projects are smaller and occur rapidly and predictably, costs are spread out more evenly over time.

The value derived from an agile deployment is greater than the traditional approach and leads to a larger net benefit overall. The reason is that organizations begin realizing value sooner and therefore benefits are realized for a longer period of time. Also, the cumulative cost associated with agile methods can be lower than in traditional deployments because inefficiencies and redundancies of larger projects are eliminated and only essential systems, personnel, and workflows are impacted in achieving each business objective.

The Principles of Agility

Business Objective Focus

The fundamental unit of agile principles is the business objective. Allegro customers have a number of different business objectives, and some examples include:

- Often organizations want better **position analysis**, to see their business according to their long and short positions. Which tradebook, trader, or commodity is performing best and which are performing poorly?
- Other companies want to see better **trader productivity** – so that more time is spent on efficiently creating new trades and creating profitability from trades, rather than time spent on clerical tasks.
- For many firms **exposure management** is a priority - understanding how the company is exposed to movements in volatility of market prices, how they are exposed to counterparty default, and how they are exposed to liquidity issues.
- Still others may be interested in managing **hedge accounting compliance** or other regulatory matters.

These are only a few of the common business objectives that organizations want to achieve.

The key to agile principles is to ensure that every effort centers around a business objective. Every business objective needs to create real value which can be measured as increased revenue, decreased expense, or the mitigation of risk. Isolating business objectives facilitates smaller projects which enables rapid realization of business value.

Agile methods center around five principles of agility:

- Technology investment focuses on achieving business objectives
- Each objective targets a specific and limited scope
- Each objective stands independent of other objectives
- Each objective encourages rapid and enthusiastic adoption
- Each objective establishes a stable, robust environment

Limited Scope

Every business objective should have a very specific and limited scope. This minimizes the number of specific business processes involved in achieving the objective and ensures that only those business processes that are necessary are included in the project. Agile methods minimize the number of technology changes required, minimize the number of different sets of data required, and minimize the number of personnel affected. The result of all these steps is a faster realization of the objective.

Objective Independence

Each business objective should stand relatively independent of every other objective. The reason for this is that scope and priority of objectives often change. At the onset of a project, the plan may be to address objectives in particular order, but that sequence of projects may change as business priorities change. The flexibility to change the order of the objectives is a key advantage of the agile approach.

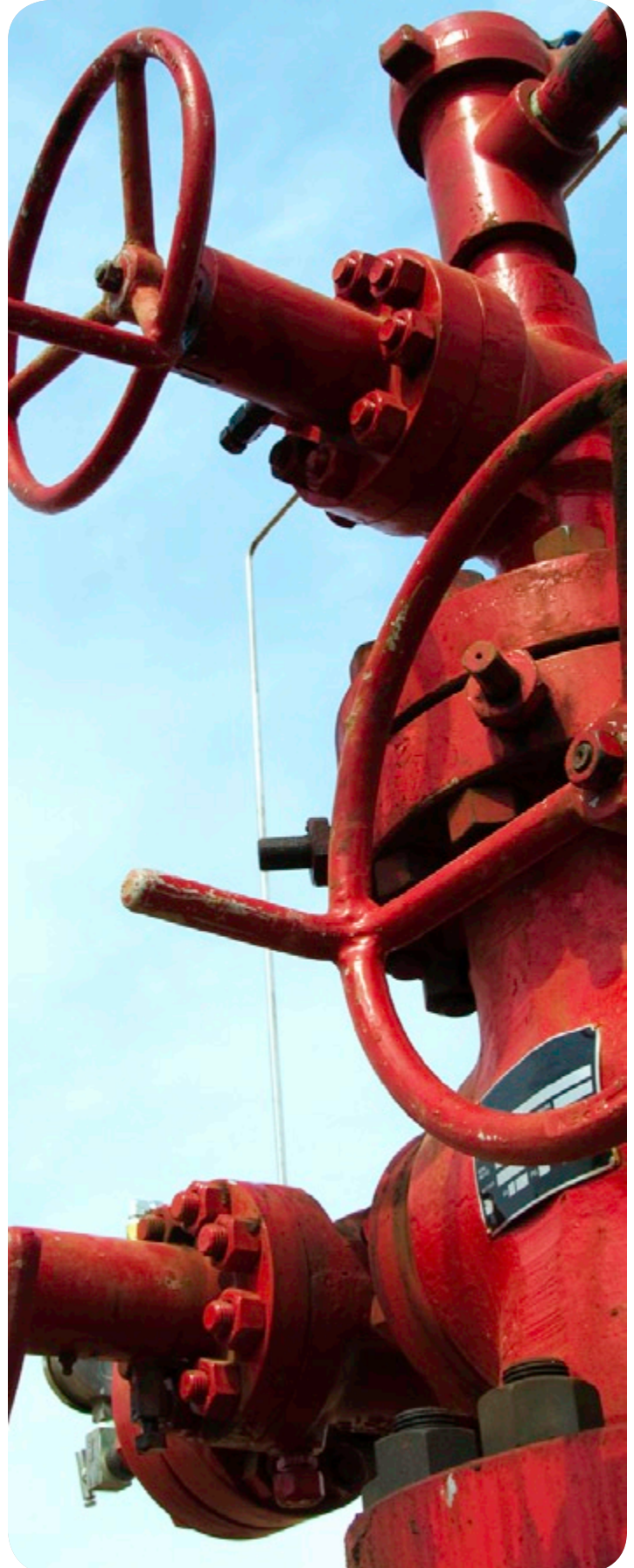
It is also important that a change to one objective does not significantly impact other objectives. Some objectives change over time because scope is modified, there is a business acquisition, or there is a change in business process. The result of this independence is greater flexibility to change the order of achieving business objectives which minimizes the risk and business disruption in achieving multiple objectives.

Rapid Adoption

Every objective must encourage rapid and enthusiastic adoption. The ultimate success in achieving a business objective is adoption by users to maximize the value of the solution. To accomplish this, every user has limited time to learn to use the software, so ease of use and ease of learning accelerate adoption and benefits. Simplicity of use and the ability to be implemented quickly by users are major factors in project success. Allegro's unique software architecture provides both the ease of use and extensibility to ensure that Allegro solutions closely match our customers' business processes.

A Stable Environment

Once implemented, the solution for each business objective must establish a stable and robust environment. After deployment, users should be self-sufficient. They should be able to use the software successfully on a day to day basis without constant support and intervention. The technology must not require frequent adjustment or correction. And of course it must be adaptable to changing business environments. If a new view is configured, a trade is executed, or a price changes, the technology must be adaptable to the new situation. With more than 26 years of experience in ETRM systems, and a state-of-the-art architecture, Allegro solutions provide the stable business process environment that companies require.



Enabling Agile ETRM

Unique Technology

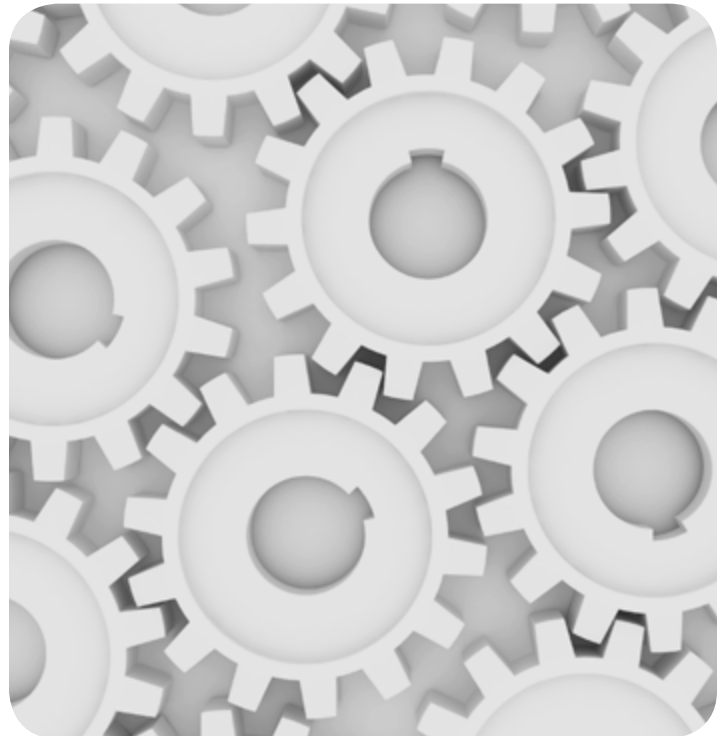
Allegro's industry leading software architecture is unique and enables agile deployment like no other. Allegro's platform architecture is fully component based, truly integrated, and uniquely extensible to match your enterprise business requirements.

Allegro enables agile ETRM with a state-of-the-art software architecture using Microsoft .NET technology. The Allegro 8 component architecture offers more than 40 distinct software components that support incremental deployment, and allows incremental development. It enables connectivity between components so that individual components can share information and connectivity to integrate with other software and data sources. This global technology architecture provides a framework for a comprehensive and flexible solution that allows adaptation to changing business needs. In addition, Allegro software conforms to industry standards and offers high connectivity to external data sources.

Also essential to enabling agile ETRM is the intuitive usability of the software. Because ETRM is a complex domain, ETRM software must be easy to learn and easy to use. To accelerate learning, Allegro's user interface is designed to look and function much like Microsoft Office tools. This familiarity ensures simplicity and consistency from one application to another and helps users begin to realize business benefits rapidly.

Business Capability to Match Your Needs Exactly

Allegro capabilities closely match your business needs, enabling you to fully achieve your highest priority business objectives. Allegro 8 offers a good fit for your business with the industry's most comprehensive and capable set of components to support your focused business objectives in trading, risk management, logistics, or regulatory compliance. In addition, the frequent release of new and updated components means that new business features get into the hands of Allegro customers faster – without the need for major system upgrades. This results in a competitive advantage and greater ROI for your business.



New business capabilities are developed through the Allegro Collaborative Development Program (CDP), which is Allegro's development approach. This is based on Agile Software Development principles where each software component represents a separate development project. At Allegro, small software development projects occur over a short time period, typically two to four months, and rely on iterative collaboration between development experts and actual software users. This approach allows components to be released and deployed individually by Allegro customers, getting new business capabilities into the hands of Allegro users sooner.

Allegro also enables individual and incremental change with customization features that allow users to create their own extensions in order to be more productive. Without time consuming software code changes or programming, individuals have the ability to create new views, charts, and panes, to change data elements, create customized reports and alerts, and build web services to extend their Allegro platform quickly and easily. These changes can be made in a matter of hours and help to enhance the overall user experience to match each user's specific business needs exactly.

On-Time, On-Budget Implementation

Allegro enables implementation and deployment of business objectives through the Foundation Implementation Methodology. This is the process of rapidly implementing focused projects to achieve specific customer business objectives. The methodology is a seven stage process that enables accelerated, streamlined deployment through:

- Confirmation of business processes with actual data rather than hypothetical models
- Use of system extensions instead of the need to change core software code to meet a company's special requirements
- Ability to quickly integrate other applications and data sources with Allegro 8

A key to successful agile deployment is the effective use of customer personnel. Customers are active participants in the implementation process from the onset. Allegro service personnel work closely with customer users from scope definition, to data conversion and through deployment. Properly planning and managing a project scope with our Foundation Implementation Methodology ensures that business requirements are met and that each project stays on time and on budget. With a number of small projects, problems are more rapidly realized and resolved, users can get up-to-speed more quickly, and disruption of the business is kept at a minimum.



Conclusion

Today, organizations don't have to endure the disruption of a "boil the ocean" approach to energy trading and risk management systems – and the delayed return on investment. There is no need to replace every other system used by the company, train the entire staff on a new application, or disrupt important business.

Allegro provides the agile ETRM solutions that achieve business objectives quickly in a series of successful, value-creating projects. Allegro's unique component based architecture, ease of use, and extensibility make it possible. We encourage you to contact us to learn more about Agile ETRM from Allegro.

About Allegro

Allegro is a global leader in commodity trading and risk management solutions for power and gas utilities, refiners, producers, commodity traders, and commodity consumers. With more than 26 years of deep industry expertise, our 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, agricultural, emissions, and other commodity markets, allowing decision makers to hedge and execute with confidence. Allegro has recently been recognized as the Energy Risk Software House of the Year and received The Energy Business Awards Gold Award for Excellence. Headquartered in Dallas, Texas, Allegro has offices in Calgary, Houston, London, Singapore and Zurich, along with a global network of partners.

For more information go to www.allegrodev.com or contact our corporate office at +1 214-237-8000.