



Unlocking Trader Productivity in the Power Markets

With an integrated CTRM solution, traders get better information, have greater ability to manage their P&L and unburden themselves from administrative tasks.



TABLE OF CONTENTS

[Unlocking Trader Productivity](#)

[The Value of Time for Power Traders](#)

[Increasing Trader Productivity With Allegro](#)

[The Burden of Outdated Trading Systems](#)

[About Allegro](#)

For years, utility companies were content to rely on spreadsheets or in-house systems to oversee their trading and risk management. Often, one of those approaches might have been not merely acceptable, but in fact the only available option.

However, today it may be time to ask a few key questions that might lead you in a new direction: Could you be doing more? Could you get more profitability from your power trading desk or unlock more productivity from your schedulers?

The answer to at least some of these questions, if not all of them, may be yes. Of course, that then requires another line of inquiry: What's the better way? A commodity trading and risk management system, or CTRM, might be the exact decision your company needs to make, especially if you're using ad-hoc, bespoke legacy systems that are difficult to keep current, unnecessarily sprawling enterprise resource planning software or, even worse, spreadsheets that aren't set up to increase efficiency, uncover mistakes or provide a comprehensive operational view.

When these platforms are properly employed, CTRMs, such as the solution developed by Allegro, provide a significant competitive advantage. This white paper explores the difference that an advanced platform, one that's built with the power trading customer in mind, can make.



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The Value of Time for Power Traders

Clearly, the power markets involve a level of complexity seldom matched elsewhere. For traders, every minute of the day is critical, and the manner in which they're spent can have an enormous impact on individual and corporate-wide profitability.

With that being the case, it makes sense that anything that can be done to automate work provides traders with more time to create superior trades. Indeed, it almost goes without saying that the most successful traders are focused on markets, not on clerical tasks. Although traders need to have a clear view into scheduling across multiple time zones, matching supply and demand and striving for the best price possible, the reality is that, too many times, trading organizations are mired in paperwork or frustrated by time-consuming spreadsheet management. With a commodity trading and risk management system, it doesn't have to be that way.

Allegro has been helping producers, buyers, sellers and consumers of commodities manage their operations for more than three decades, and utilities are some of our oldest customers. That's why, when it comes to understanding the needs of these companies and the needs of power traders, we're confident our solution is the ideal fit.



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We've been working with Allegro since 2008, using its platform to manage our hedging program to mitigate our fuel price risk. When the time came to upgrade our legacy fuel management system, it made sense for us to evaluate Allegro's capabilities to manage our physical jet fuel business on an integrated platform. Choosing Allegro more closely aligns our initiatives to minimize business costs and maximize profits.

- Bill Tiffany, Vice President of
Supply Chain, Southwest Airlines

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Increasing Trader Productivity With Allegro

A great deal of the trading in power is done on exchanges, such as ICE and NYMEX, with these trades often requiring communication with ISOs and power pools. That necessitates the transfer of data between the exchange or the ISO and the trading desk's in-house system. By using Allegro instead, traders gain a direct interface to the exchanges and ISOs. For example, every time a trade is sent through ICE, that trade is fed directly back into the Allegro system, which improves accuracy and efficiency.

Many trades may be simple, but traders still need the ability to log them in to their system quickly. If there's an especially large number of individual trades, productivity can suffer substantially. That's why it's important to limit the number of data elements that are required during trade entry. An effective CTRM system, such as Allegro, provides templates for entering routine trades and automatically populates mandatory fields with known information.

What about for more complex trades? Here again, CTRM software can offer templates to ease trade entry and give traders more time to actually look for opportunities in the market. Consider a trade that might have a heat rate spread option or be shaped based around generation. When traders are asked to enter more complicated information, a template makes it easier to capture all the relevant data, thoroughly and accurately, with automated functionality that won't slow down the desk. Allegro also includes trader defaults and constraints, making it easier for traders to have their own list of available drop-downs, while placing restrictions, as needed, on products, counterparties or other specific items.



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We are satisfied with Allegro's highly flexible, integrated and technically efficient solution and recognize its high potential for further development. It has enabled us to optimize existing business processes - and introduce new ones - within the commodity trading and financial risk management area. Allegro's solution provides us with a strong foundation to grow our expertise in different commodity classes and to deepen our system's functional coverage with the scalability required for future growth.

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- Lukasz Kwiatkowski, Head of Financial Risk Management, Grupa LOTOS SA

Along with its templates, Allegro helps trading organizations gain the visibility they need into a range of key performance indicators. A sample of some of the capabilities include:

DAILY VOLUME BY TRADER - MEGAWATT-HOUR:

Managers want to see the volume each trader is handling and on which day. With Allegro, they can measure trader efficiency and determine if they're getting what they expect from each individual power trader.

HOURLY POWER BALANCE BY TRADEBOOK:

Organizations will get access to the real-time book, day-ahead book, mid-term book, balance by ISO market and more. For example, this particular tool outlines, on an hourly basis, the net balance of generation that a company has available to sell.

NET VALUE OF TRADER POSITIONS:

With this functionality, the firm can see which positions their power traders are carrying, their net quantity position and net value. Allegro offers a method for quickly determining who's running a positive book or a negative book.

MARK-TO-MARKET COMPARISON WITH VALUE AT RISK:

Traders need to decide whether the value they can produce exceeds the risk they'll have to take. By quickly comparing mark-to-market and value at risk with Allegro, it becomes more efficient to find potential trades that will work.

DAILY PROFIT AND LOSS BY TRADER:

Managers always want to see how productive their power traders are - understanding what the profitable traders are doing, and perhaps more importantly, what the less successful traders need to do in order to improve.



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The Burden of Outdated Trading Systems

In a recent market research survey not so long ago, Allegro gathered responses from more than 250 commodity risk managers, traders, finance managers, logistics professionals and marketers. Most respondents said their organization still relied on spreadsheets or systems built in-house for managing trading and risk.

For power trading desks who are continuing to count on legacy systems, the impact to productivity can be serious. Data entry is cumbersome, error-checking is difficult and trade templates either don't exist or require an unacceptable number of steps. With spreadsheets, if a mistake is made during the trade entry, all the processes that follow are affected.

Power traders need a platform that allows better management of their trades - they don't need redundant entries and unnecessary complexity. With a comprehensive CTRM platform like Allegro, traders can concentrate on finding potential profits and limiting their losses. Consider a scenario in which you have 10 traders and an average yearly profit of \$1 million per trader. Even a 1% increase in each trader's profitability - just 1% - results in a combined gain of \$100,000 a year.

Beyond the numbers, a world-class system also could be the difference in your ability to recruit and retain the best power traders. If you have an intelligent, efficient system, you'll greatly improve your business case when you're trying to hire strong employees. When they have the right software, they're more equipped to succeed. It makes sense for them, and for your entire organization.

An integrated CTRM solution, one that's built for the unique needs of the power market, provides traders with better information, greater ability to manage their P&L and fewer administrative tasks. The Allegro CTRM could be the solution your organization needs. So contact us today to learn about how we can help improve your trading team's profits.



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COMMODITY MANAGEMENT INNOVATION

Allegro is a leading provider of commodity trading and risk management software, serving companies who buy, sell, produce or consume commodities. With more than 30 years of deep industry expertise, Allegro provides intelligence and decision-making capabilities, from the source of the commodity, through transportation, to the commodity consumer.

The Allegro software platform enables customers to handle their physical and financial positions and to optimize their assets and portfolios using tools that quantify and manage commodity risk.

Allegro is headquartered in Dallas and has offices in London, Singapore, Houston, Jakarta, Calgary, Dubai and Zurich, along with a global network of partners.



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