

Energy & Commodities – Trading and Risk Management Case Study U.S. NATURAL GAS AND ELECTRICITY COMPANY

A Natural Gas and Power Provider Streamlines its Power Pricing Data, Positions, Risk and P&L Calculations with FIS' Aligne

The company

A wholesale and retail marketer of power and natural gas products in North America holds large, long positions for supplying power to residential and commercial customers, including large industrial plants. Faced with pricing complexities and a fragmented process for managing settlements, supply deals, forward curves, accounting, and data in the middle office, the company needed to gain faster and more accurate insights across its businesses and functions. With the understanding that real-time market and pricing data would help enhance its retail trading, forecasting, and operational analysis, this energy marketer sought greater alignment between its trading, risk, operations, and finance functions in order to view overall power positions and determine hedging strategies.

The challenge

Confronted with complex models and scenarios for pricing power, the company was also dealing with pricing complexity in the retail sales process – which worsened due to a variety of data management challenges. Relying on multiple spreadsheets and solutions across the business, manual data entry, and a lack of real-time data resulted in different figures and prices for the same assets, making it difficult to calculate positions and produce profit and loss (P&L) on a daily basis. The middle office also spent a significant amount of time cleansing data and re-entering nominations and requests for system purposes. The company needed to streamline these numerous processes into a single, efficient business process.

THE OBJECTIVES

- Simplify complex pricing models and scenarios for residential and commercial retail power supply
- Monitor positions in real time, improve decision making, and quickly determine and take action on hedging strategies
- Reduce manual processes and increase accuracy and real-time availability of all data across multiple business processes
- Manage credit and portfolio risk across the entire business

THE SOLUTION

- Replaces spreadsheets and multiple systems with one consolidated trading and risk management (TRM) solution that manages all transactions, forecasts, volumes, and pricing data
- Streamlines business processes including trading, forecasting, position and risk management, and P&L
- Provides automated scheduling capabilities for known, repetitive gas movements allowing schedulers to focus on more strategic and economic planning
- Ensures real-time, consistent price data for trading, MtM valuation, and accounting and settlements

The solution

By integrating data across the front, middle and back offices, FIS' Aligne enabled the company to efficiently and confidently monitor positions, calculate P&L, and extract real-time insights with powerful analytics, reporting and forecasting tools. Consistent pricing data and models return a variety of Greeks to help the company determine how much to hedge its portfolio and measure option sensitivities, while also measuring and assessing both performance and accuracy of value at risk (VaR). Aligne also helps the company perform load forecasting, which is then fed back into various processes within the solution, as well as track and report on all scheduled and unscheduled volumes.

The results

With FIS' Aligne trading and risk management solution, the company was able to integrate, streamline and optimize its business processes within a single platform. With all users accessing the same data available at the same time, the company was able to gain an accurate view of its overall portfolio risk and power positions, and fully automate settlements including bilateral settlements for supply deals. The consolidation of data within Aligne helped transform highly-manual daily calculations of P&L and positions into a fully automated process, improving the management of positions and risk reporting to drive better trading, sales and hedging decisions.

About FIS Solutions for Energy & Commodities

FIS solutions for energy and commodities help utilities and retailers, pipeline and storage operators, marketers and traders as well as integrated energy companies compete efficiently in global markets by streamlining and integrating the trading, risk management and operations of physical commodities and their associated financial instruments. Through real-time data, connectivity and analysis, FIS solutions help you achieve transparency and regulatory compliance, optimize end-to-end transaction and operational lifecycles, and meet time-to-market needs with flexible deployment options. As your technology partner, we can help take advantage of the latest innovation and explore new opportunities.

About FIS

FIS is a global leader in financial services technology, with a focus on retail and institutional banking, payments, asset and wealth management, risk and compliance, consulting and outsourcing solutions. Through the depth and breadth of our solutions portfolio, global capabilities and domain expertise, FIS serves more than 20,000 clients in over 130 countries. Headquartered in Jacksonville, Florida, FIS employs more than 55,000 people worldwide and holds leadership positions in payment processing, financial software and banking solutions. Providing software, services and outsourcing of the technology that empowers the financial world, FIS is a Fortune 500 company and is a member of Standard & Poor's 500® Index. For more information about FIS, visit www.fisglobal.com.

