



WHITE PAPER

FIS ENERGY TRADING, RISK AND LOGISTICS PLATFORM FOR LOCAL DISTRIBUTION COMPANIES (LDCS)

The Changing Landscape:
How LDCs Can Thrive Under Workforce
and Digital Transformation





Overview

In the next five years, as Baby Boomers reach retirement age, utility companies will see roughly one-quarter of their experienced talent leave the workforce, with Millennials taking their place.¹ The magnitude of this shift isn't in numbers alone; the generational gap that comes with it means the workforce will have different competencies and attitudes, especially around information technology.²

In the case of local distribution companies (LDCs), particularly in the management of natural-gas trading and logistics, the retiring generation leaves behind a cobweb of spreadsheets and offline processes, while newer hires overwhelmingly stress the need for up-to-date applications and technology in the workspace.³

At this crossroads, LDCs have two choices: they can face the challenge of getting the new talent to work with heavily manual, idiosyncratic processes, or they can capitalize on this unique opportunity to embrace digital transformation. This transformation not only helps attract talent and ensures that newer hires enjoy intuitive, easy-to-use processes; it also pays enormous dividends to the company in terms of standardization, versatility, and security — to the tune of an up-to-25-percent overall reduction in operating expenses.³

Best-Practices Standardization

Given the generational workforce shift, best-practices standardization will prove crucial for utilities. Following current practices, LDCs can experience difficulties onboarding new hires; key processes that reside in spreadsheets or legacy systems often grow so unwieldy with time that only a few individuals even understand them — a recipe for knowledge bottlenecks and, worse, lost intellectual capital as these individuals retire.

Modern gas trading and logistics applications, on the other hand, can simplify training with user-friendly interfaces and break down silos of information by controlling data access via user roles. As a result, they allow utilities to standardize practices, speed up onboarding processes, and run fully auditable data streams. The best-of-breed applications offer highly configurable screens and views, giving end users the best of both worlds — the “make-it-your-own” nature of spreadsheets, with the connectivity and industry best practices that come with specialized software.

¹ <https://blog.westmonroepartners.com/utility-workforce-of-the-future>, <https://stateimpact.npr.org/pennsylvania/2019/04/10/as-baby-boomers-retire-power-companies-look-to-build-the-next-generation-of-workers>

² <https://www.bentley.edu/news/nowuknow-millennials-lead-way-digital-future>

³ <https://www.cio.com/article/3082775/millennials-are-shaking-up-workplace-communication.html>

Growing Need for Versatility

Market forces further stress the benefits of digital transformation. As gas supply and demand rise beyond pipeline transmission capacity,⁴ transportation providers are increasingly turning to complicated balancing regimes to keep gas flow close to nominated quantities.

From sophisticated park-and-loan and storage service types to lengthy tariff terms on imbalance resolution, gas shipping is outgrowing the spreadsheet model in its breadth and complexity.

Utilities shipping gas across the country will find economies-of-scale advantages in partnering proven vendors, whose product and industry experts keep up with the latest with most complex business scenarios across the pipeline landscape. The most sophisticated systems can mask these complexities from the users, with real-time calculations that ensure all downstream data always reflect the latest changes in upstream data, no matter the complexity of the underlying calculations.

Information security

A final and instrumental factor in digital transformation is information security, which becomes more pertinent every day as the threat of cyberattacks continues to increase. As operators of critical energy infrastructure, LDCs are particularly ripe targets, with every link in their information-technology chain a potential vulnerability.⁵ It is incumbent on these companies, then, to seek the highest level of security.

Today's gas trading and risk management software is highly secure but here again vendor qualifications are decisive. In its review of cyber-threats to utility companies, the U.S. Department of Energy identified faulty or inadequate cyber-security policies by some third-party software vendors as a key vulnerability, while stressing that most utility companies are ill-equipped to protect their information and operational technologies by themselves.⁶ This only serves to reinforce the importance of finding the right partner, one properly qualified to safeguard the digital assets of firms in the utility sector — an industry that is notoriously cautious about entrusting information to third parties.³

Increasingly, these best-in-class partners are investing more in their cloud offerings, leveraging economies of scale and deep subject-matter expertise to offer the safest harbor for their clients' data. As a result, most cybersecurity professionals now consider cloud services to be as safe or safer than on-premise solutions.⁷

FIS Energy Trading, Risk and Logistics Platform

We are proud to bring you FIS® Energy Trading, Risk and Logistics Platform for energy trading and risk management, gas and pipeline operations, for this digital transformation.

Energy Trading, Risk and Logistics Platform is designed to help both pipeline-operating and gas-shipping companies, like LDCs, standardize and simplify their business processes via an intuitive interface that allows for easier training, while empowering end users to personalize data visualization. Built by industry and product experts to accommodate both service requesters (gas marketers, buyers, and producers) and service providers (midstream operators, transmission pipelines, local distribution companies), Energy Trading, Risk and Logistics Platform is the most flexible platform to model business scenarios from simple to complex, with the ability —unique in the software landscape— to accommodate both off-system and on-system transportation operations for LDC companies.

Energy Trading, Risk and Logistics Platform is also made unique among its peers by the backing of FIS, and its expertise protecting the financial world's sensitive data. As the world's leading provider of financial technology, FIS is uniquely credentialed to protect utilities' digital assets. Its comprehensive offering of hosting and managed services ensures that LDCs can focus on their operations, while enjoying the airtight security that comes with expertly managed cloud.

The ongoing generational shift in the workforce does not need to pose an insurmountable challenge to LDCs; on the contrary, it creates a rare opportunity for them to modernize their digital landscape, simplify business processes, standardize best practices, future-proof their software assets against market trends, and protect their sensitive data against the growing risk of malicious attacks. Energy Trading, Risk and Logistics Platform, FIS offers a uniquely adept platform for LDCs to embrace this digital transformation and adapt to the changing workforce seamlessly.

⁴ <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/accelerating-digital-transformations-a-playbook-for-utilities>

⁵ https://www.energy.gov/sites/prod/files/2015/02/f19/DOE%20Report%20Natural%20Gas%20Infrastructure%20V_02-02.pdf

⁶ <http://news.mit.edu/2019/protecting-our-energy-infrastructure-from-cyberattack-0604>

⁷ <https://www.energy.gov/sites/prod/files/2017/01/f34/Cyber%20Threat%20and%20Vulnerability%20Analysis%20of%20the%20U.S.%20Electric%20Sector.pdf>

About FIS

FIS is a leading provider of technology solutions for merchants, banks and capital markets firms globally. Our employees are dedicated to advancing the way the world pays, banks and invests by applying our scale, deep expertise and data-driven insights. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS is a Fortune 500® company and is a member of Standard & Poor's 500® Index.

 www.fisglobal.com

 getinfo@fisglobal.com

 twitter.com/fisglobal

 linkedin.com/company/fis

©2021 FIS

FIS and the FIS logo are trademarks or registered trademarks of FIS or its subsidiaries in the U.S. and/or other countries. Other parties' marks are the property of their respective owners. 1160101

 | **ADVANCING THE WAY THE WORLD
PAYS, BANKS AND INVESTS™**