ENERGY AND COMMODITIES

POOR ERGONOMICS – CRITICAL SHORTCOMINGS OF THE TRADER DESKTOP

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Driven in large part by new regulations designed to discourage bi-lateral or over-the-counter (OTC) trading, the share of deals consummated on physical energy commodity exchanges has been increasing. Nonetheless, exchanges, with a limited number of trading locations, cannot reflect the entirety of the physical energy marketplace. As such, OTC or non-exchange deals continue to be an important component of maintaining an efficient and liquid energy trading market. In fact, anecdotal evidence, based upon conversations with industry participants, indicates that the vast majority of physical trades in the U.S. market are still conducted bi-laterally, either via phone or instant messaging (IM) applications.

Unlike trades done on most exchanges (which usually offer an API for downloading deal data), these bi-lateral deals cannot be automatically captured in an energy trading and risk management (ETRM) system. Traders must first exchange relevant deal details such as terms, points, and contracts with their counterparties over the phone or IM. Only then, using the ETRM system's deal capture user-interface (UI) can these deals be input into the system and included in that day's positions.

Given the legacy of most of the currently available ETRM solutions, these deal capture screens are usually densely populated with dropdown data entry blocks and multiple screen tabs, reflecting almost every potential variable associated with physical energy commodity deals, including counterparty, commodity type, deal type, book/strategy, volume, locational information, up and downstream contracts, and complex price entry... to mention a few. And given the multi-commodity capabilities of most of the popular ETRM systems, these screens usually have dozens of data fields that apply only to a single commodity or particular business requirement, whether they're needed by any particular user or not. Though the complexity of these screens is a reflection of the nature of the markets they serve, they are inflexible, difficult to navigate and slow the process of trade negotiation, deal capture and position/risk management, creating frustration.

Technology vendors have attempted to address some of this complexity by including the ability to default individual data fields, allowing templating of screens by deal type or role or via the creation of blotters that can capture partial deal data prior to commitment. Unfortunately, these methods are imperfect and do not address the primary usability issues and concerns of traders, namely that capturing deal data in almost all ETRM systems is slower than in spreadsheets, hindering the pace of trading activities and providing little or nothing in the way of realtime feedback on changing positions and market information.

Given these persistent shortcomings, its little wonder that most traders view real-time ETRM deal capture as a burden and will, if given the option, continue to use spreadsheets, undermining the ability of the business to view their positions and exposures (including credit) in real time. In today's markets, with increased regulatory scrutiny and increasing price volatility that can move a book from a gain to a loss in minutes, spreadsheets really shouldn't be a viable alternative for energy trading companies. Yet they still persist. In a recent survey conducted by Commodity Advisory Technology LLC, more than 30 percent of trading companies indicated that spreadsheets, or a combination of spreadsheets and commercially-supplied ETRM/CTRM products, were still in use as a trade capture solutions within their businesses.[1]

It has proven difficult to entice traders to abandon spreadsheets. The majority of the popular ETRM systems began as two-tier client-server applications more than a decade ago, and most maintain the same or similar look and feel they had when originally deployed. Though most vendors have sought to web-enable their systems by using Java or HTML, these changes have been made primarily to address the underlying technology constraints encountered when deploying those applications via a web interface. Unfortunately, these technology changes provided little improvement to the poor usability and ergonomics of their front-office screens.

However, with the latest web technology HTML5, developers now have the technical capabilities to create a new breed of user interface – a visually rich and configurable space in which the data entry fields reflect a trader's specific needs. HTML5 applications also allow key metrics – prices, open positions, trend analysis, etc. – to be embeddable directly into the deal capture screen, providing detailed market intelligence and position management/monitoring, improvements that provide real value to the trader beyond simply facilitating quicker deal capture.

Though HTML5 is a relatively new technology, it has been rapidly and widely adopted in the financial trading markets. Using HTML5, application providers have equipped financial traders with quickly deployable, web-based solutions that overcome many of the legacy issues associated with previous generation technologies. Beyond a simple technology update, these new solutions provide traders with real-time access to data, graphics and market information that can actually improve trading performance, whether they are sitting on the trading floor or using a mobile device.

And now, with the adoption of HTML5 in ETRM applications, physical energy traders have access to vastly improved system ergonomics, helping to ensure faster and more accurate trade capture, improved market insights, faster notification of position changes, and better identification of potential trading exceptions or issues – all leading to a positive impact on the bottom line of their users.

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