

Management of a sales portfolio in gas wholesale market

A story from initial ideas to operational
excellence

Barcelona – August, 2015



THE ADVISORY HOUSE



Aim of today's session is to give a high level overview on¹ ...

1

Business rational for integrated portfolio management (wholesale sales activities and portfoliomangement)

2

System independent approach on methods, processes and IT-architecture

3

Practical solution with Allegro

¹ Client specific informations were eliminated

Agenda

1. Business rational for integrated portfolio management
2. System independent approach
3. Practical solution with Allegro

Situation and objectives for ...

As margins in German energy wholesale market were/ are shrinking, a more accurate risk-return steering of our sales portfolio was required

Initial situation for ...

Methods

- No consistent view on energy positions
- Weak basis for integrated risk and financial reporting
- Difficulties to fulfill new regulatory requirements (EMIR, REMIT)

Processes and organization

- Lots of manual, time consuming workarounds and reconciliation work
- Know-How focused on few resources
- No integrated logistic and portfolio mgt. processes

Infrastructure

- Heterogeneous, decoupled landscape
- Mainly self-developed applications

Overall objective of ...

Methods

- One integrated view on all energy relevant positions¹, flexibilities, constraints
- Transparency on risk-return as basis for steering

Process and organization

- Streamlined Front-to-End processes from trade capture to valuation, logistic and invoicing
- Reduction of operational effort

Infrastructure

- Integrated application landscape
- Use of scalable standard software

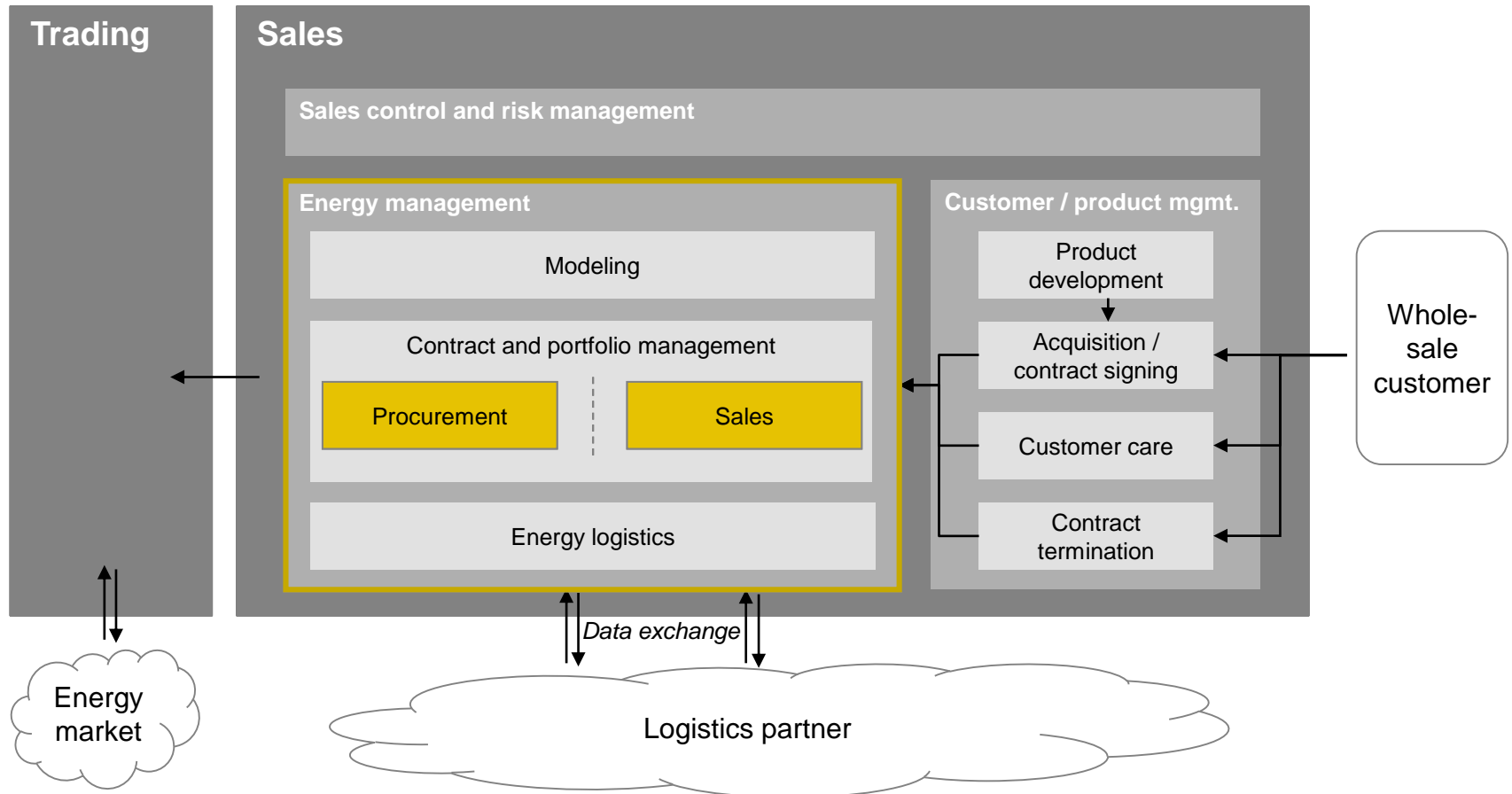
Transformation program to install integrated portfolio management

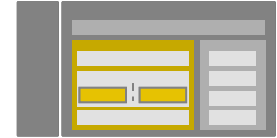
¹ Long term contracts, storage, standard trading product and wholesale contracts; capacity trades

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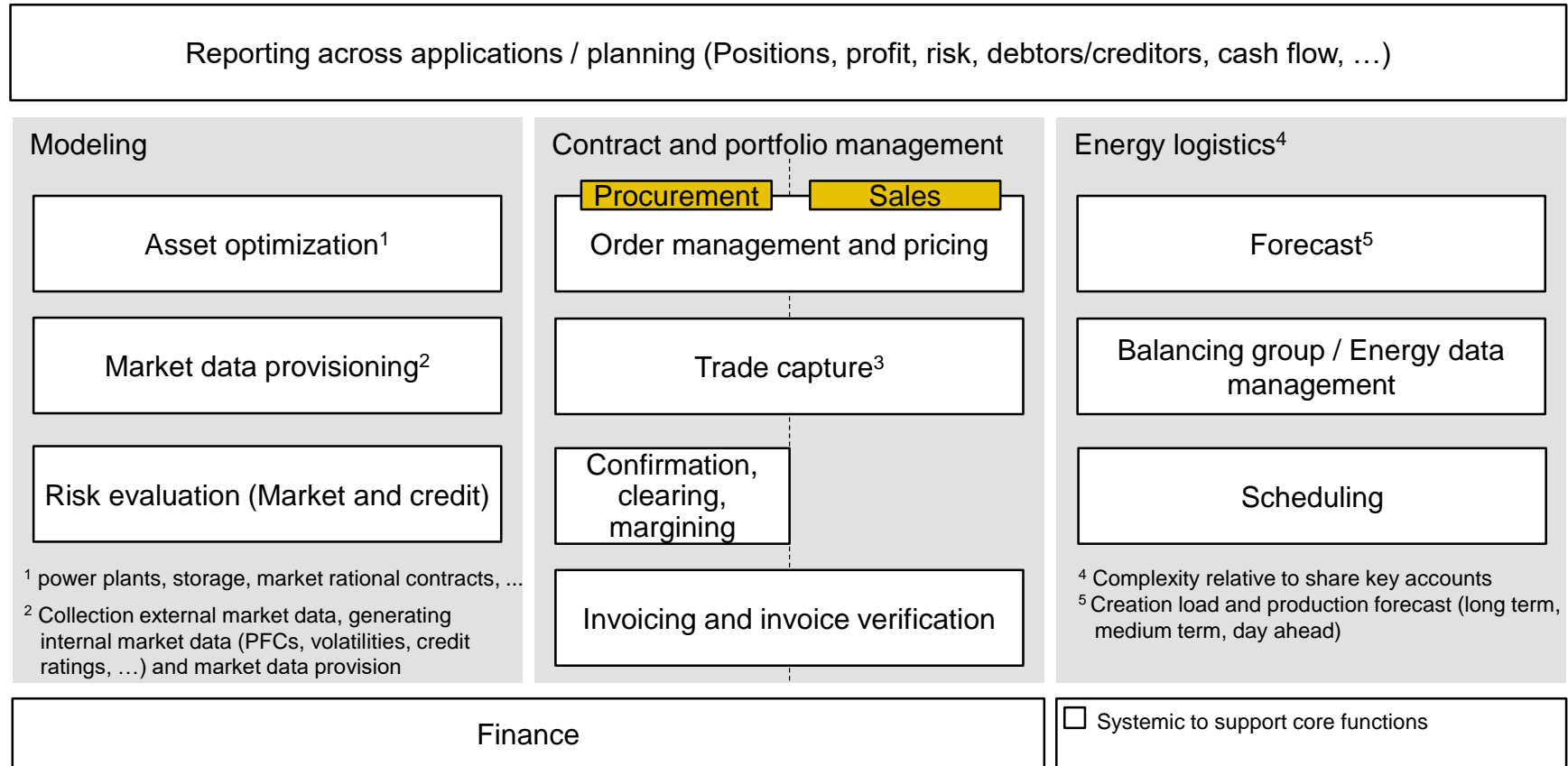
1. Business rational for integrated portfolio management
2. System independent approach
 - Overview
 - Margin per sales product
 - Integration of wholesale logistic
 - Application architecture and consequences for reporting
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Today's presentation focuses on integrated portfolio management of procurement and sales trades as one wholesale sale key function



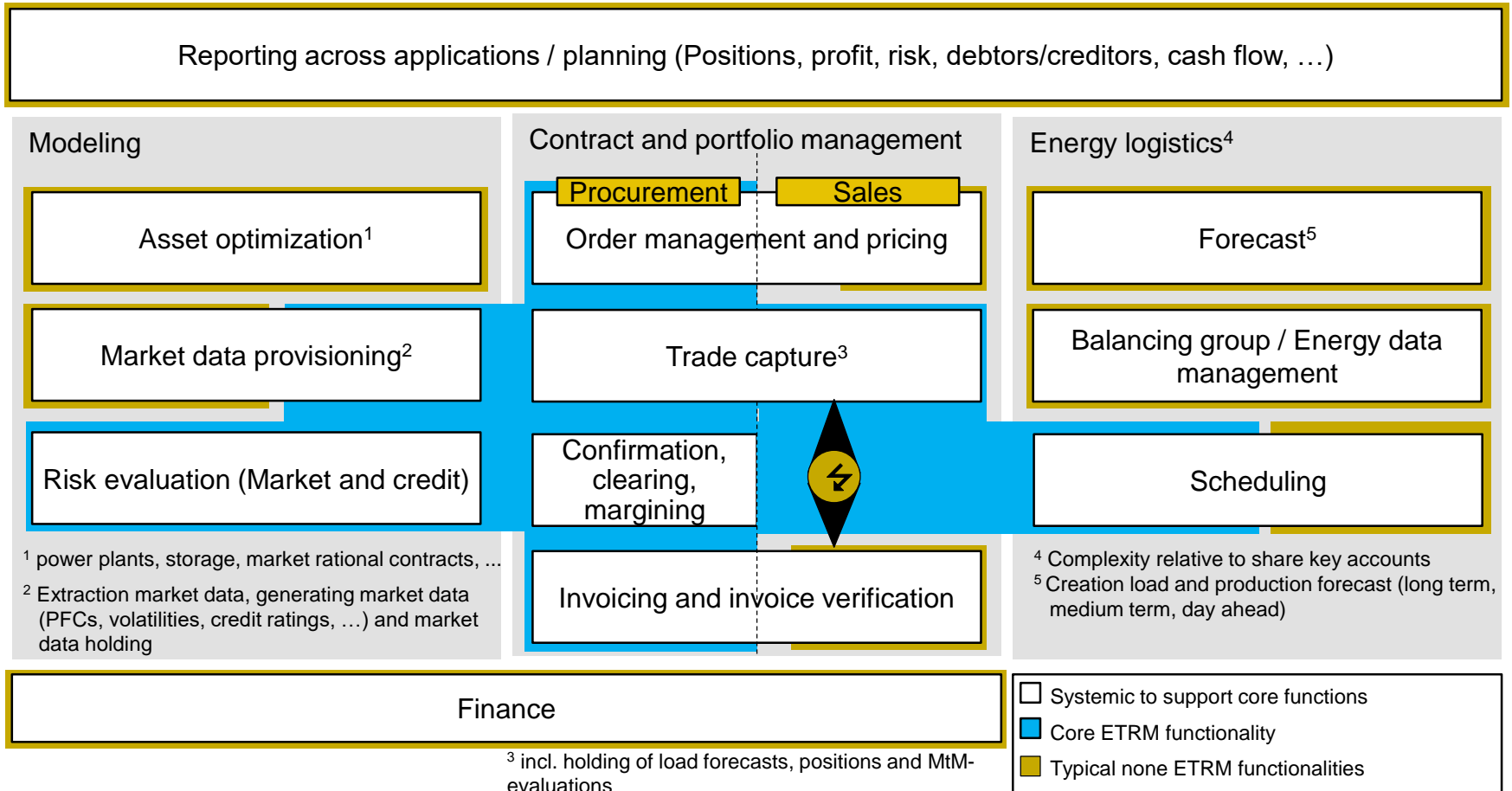


Before design application architecture a full understanding of wholes sale functions is required



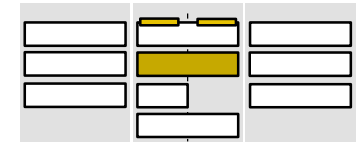
³ incl. holding of load forecasts, positions and MtM-evaluations

ETRM application is the energy management backbone. As wholesale invoicing is historically well established an integration is challenging



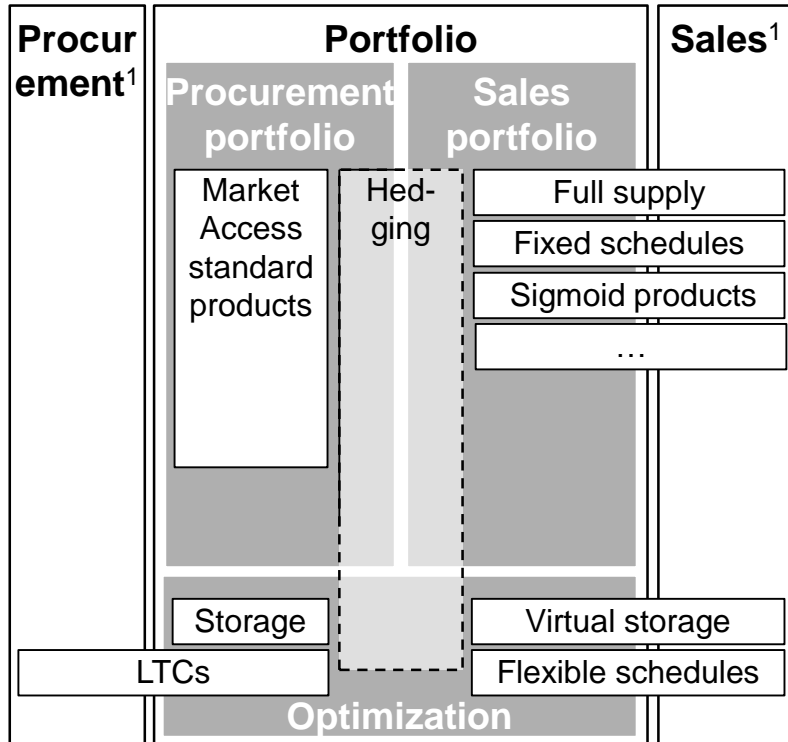
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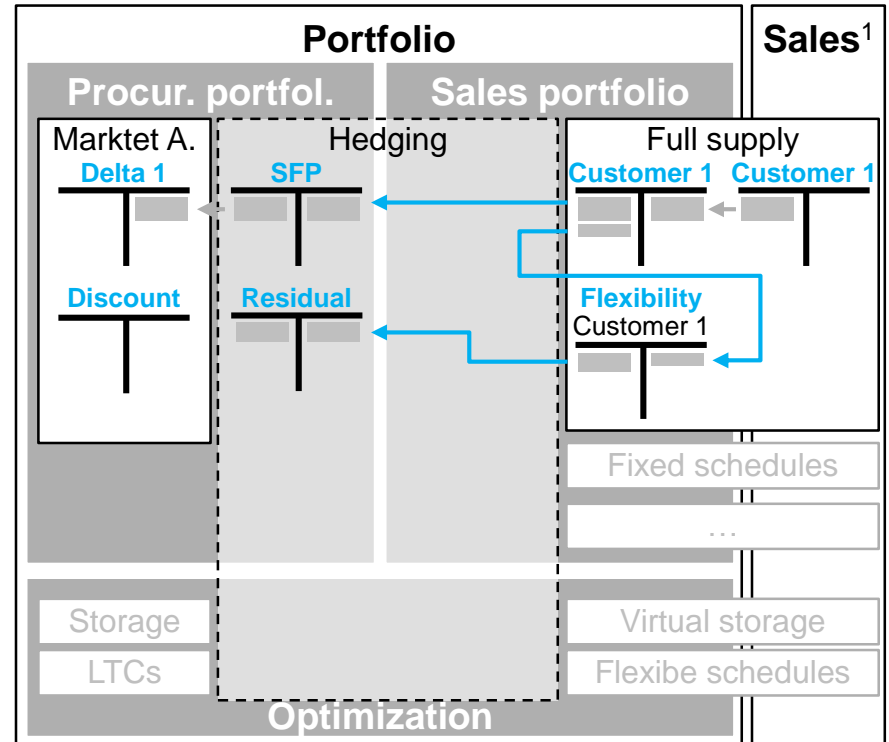


To manage margin and hedging strategy per wholesale product a respective book structure is required

Steering structure



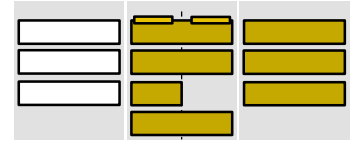
Booking logic Schematic



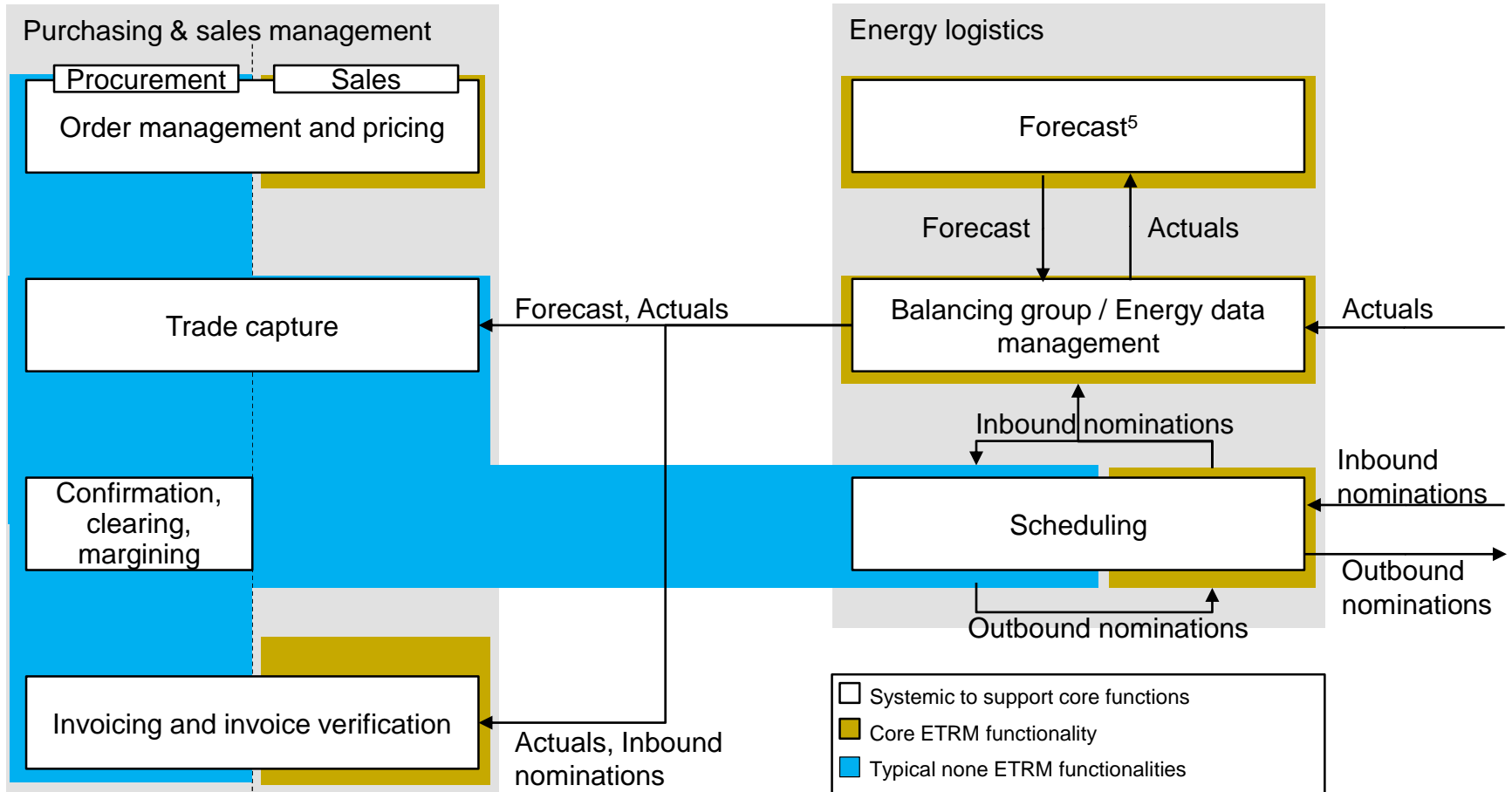
¹ No energy positions but just cash postings

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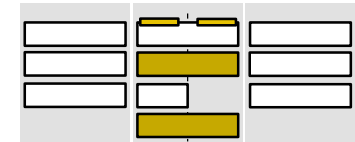


For a consistent wholesale portfolio management a full integration with energy logistics is necessary

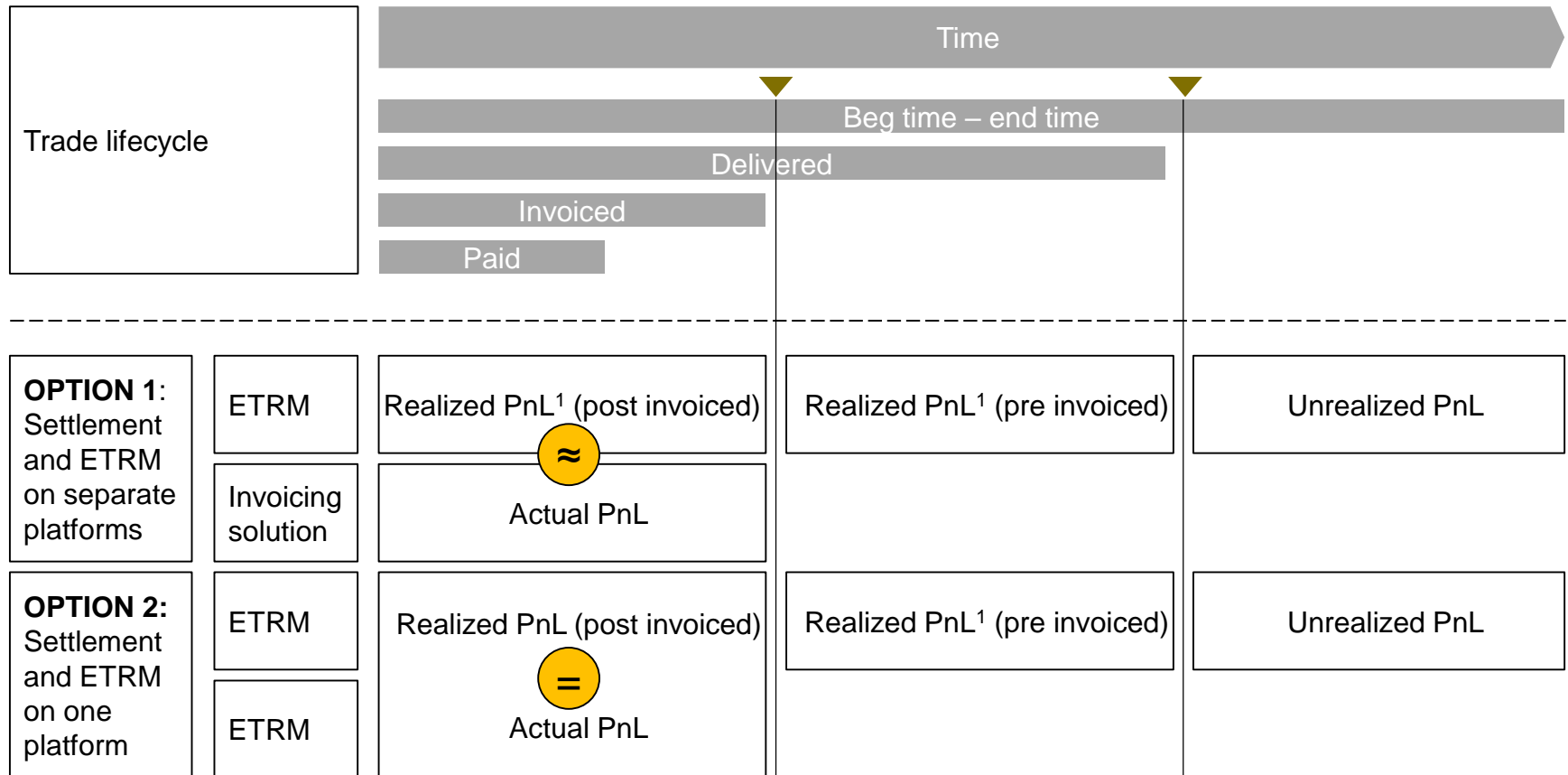


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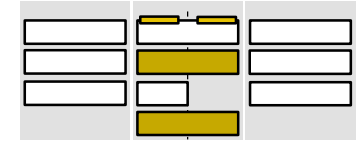
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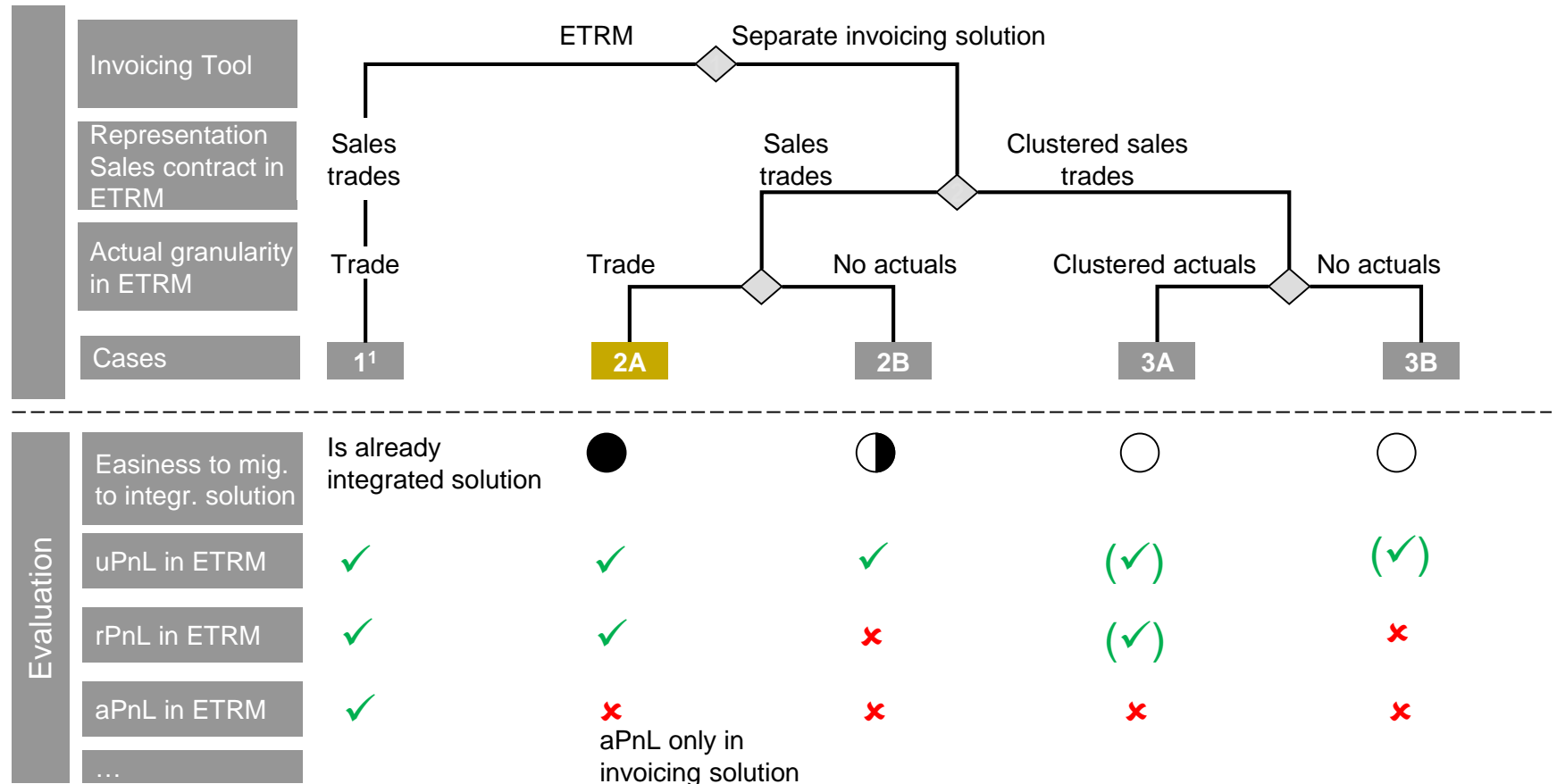
Core application design decisions “wholesale billing integrated vs. separated” has major impact on reporting



¹ Only meaningful in case actuals meter data loaded into ETRM



As ... decided to disintegrate ETRM and invoicing, the full PnL reporting need to take place in an energy DWH



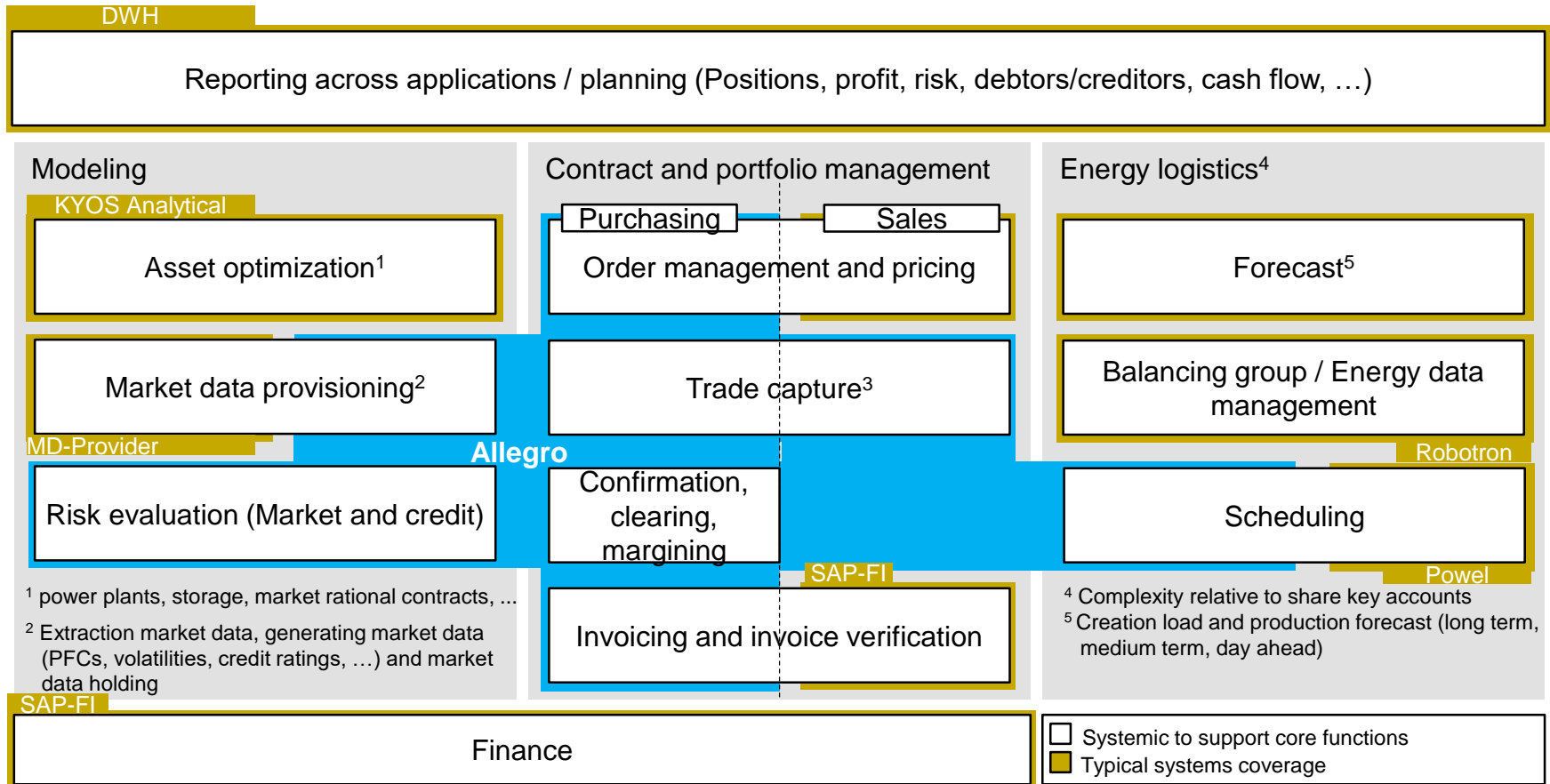
¹ assumed as strategic solution ³ MA = Market Area

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... strategic application landscape

... will establish their strategic landscape until end of this year



¹ power plants, storage, market rational contracts, ...

² Extraction market data, generating market data (PFCs, volatilities, credit ratings, ...) and market data holding

³ incl. holding of load forecasts, positions and MtM-evaluations

⁴ Complexity relative to share key accounts
⁵ Creation load and production forecast (long term, medium term, day ahead)