



An Interview with Mr. Arnt Sollie, VP, Smart Energy with Powel AS

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By Commodity Technology Advisory LLC

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In 2013, Swiss vendor, Delta Energy, was acquired by Powel AS. Powel wasn't widely known in traditional trading and/or logistics software markets at that time, but had a track record of delivering optimisation and other solutions to the utilities sector in Scandinavia and elsewhere. Since then, Powel has worked hard to integrate the Delta offerings into its portfolio of products and position itself in the broader European power and gas markets with what promises to be a rather interesting value proposition. We recently issued a white paper ([European Power Markets in Transition](#)) discussing its value proposition and took the opportunity to also interview Mr. Arnt Sollie, VP of Powel Smart Energy at the same time.

Commodity Technology Advisory: *Can you tell our readers a little about Powel? What does Powel offer?*

Mr. Sollie: Powel is an innovative company that originated from the university R&D cluster in Trondheim, Norway. Our aim is to help our customers deliver world-class decision support related to energy production planning, trading and settlement; but also logistics and scheduling, which is much more important to power markets in continental Europe.

Founded in 1996, Powel AS is a privately held company with 380 employees. Our academic heritage and in-depth knowledge of open, deregulated and highly competitive markets has enabled us to create world-class software and services that enable our customers to optimise workflows and maximise returns from available resources. The deregulation of the Nordic power market created the need for commercial software and required working in a more effective way to stand out as a competitive supplier to the market. This was the reason why Powel was formed. Today, we continue to help our customers in the energy sector maintain their agility in the market and optimise their resources, resulting in reduced costs and higher profits.

Commodity Technology Advisory: *Powel acquired Delta a while ago, what was the thinking behind that acquisition and how has it gone so far?*

Mr. Sollie: The motivations behind acquiring Delta Energy were twofold;

In the Nordics you manage your risk in the financial market whereas in continental Europe risk is also managed in the physical market and through bilateral contracts. As a result there was a need for a solution that could help manage the physical market and all the logistics and scheduling associated with it that was well developed in Europe, but not to the same extent in the Nordics. So while Powel had a platform for trading we needed advanced physical trading capabilities including the functionality for nomination, scheduling, and market communications, which Delta Energy could provide.

The second reason was to establish a local presence in the central European market with which to better serve our customers there. To be a good partner to these customers, we have to be present locally and offer good support. We bring knowledge of production planning and energy management from the Nordics to

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these customers in Europe. While there were numerous smaller local suppliers or university-developed solutions in these markets, Powel could offer more advanced commercial software for operational use, designed to take out the last margin opportunities via optimal production planning for assets. We experienced that customers in these markets were more forward-thinking than in the Nordics when it came to renewable energy and market changes. This provided Powel important feedback and knowledge to bring back to our customers in the Nordics. For example the intraday market is much better developed in Europe than in the Nordics. This creates a gain for both sides: Powel can bring its leading edge solutions and knowledge to the European customers and they can bring their knowledge and their needs related to intraday trading and the consequences of managing renewable assets to the Nordic trading customers. One of the main consequences of renewables is the lack of flexibility when it comes to managing renewable production. You can regulate them down, but less so up, as storage is still an issue. Trading in a very volatile market creates a need for good intraday solutions and, as a result, has also moved volumes and potential profit gains from the day-ahead market to intraday markets.

So the big question is what will happen down the road when new storage solutions become widespread for renewable power generation by small commercially and consumer produced photovoltaic (PV), and wind energy. With the introduction of improved battery technology combined with PV/wind generation, you get the flexibility back. Today, and in the next 10 years, the Intraday market will be even more important I think, but this might all change as a result of technology.

The acquisition from a strategic perspective has been a success. The location and knowledge sharing were exactly what we needed to be a good vendor in the market. In addition we now have the scheduling and cross-border logistics platform, which we needed in our portfolio.

Commodity Technology Advisory: *How does European power and gas logistics fit in with the Powel product portfolio?*

Mr. Sollie: The gas part of our solution portfolio is as important as the power solutions we offer, especially when we look to our customers in Turkey and Italy. The trend we see is that our customers want to look across various types of assets like hydropower, photovoltaic, wind and thermal, as well as different commodities like electricity and gas. Historically, there has been a tendency to treat the different commodities and assets separately. But now, in order to make money in the power market you have to look at all the different assets together. The gas position we have been able to achieve through the acquisition of Delta Energy is of strategic importance, driven by the need in the market.

Commodity Technology Advisory: *What challenges does Powel see its customers and prospects facing?*

Mr. Sollie: As previously stated, there are a number of issues our customers are facing. As energy prices come down, the pressure on margins increases. There are market changes and policy changes happening that our customers have to react to. But even more so are the changes in technology that are impacting our customers, like what is happening in PV and wind power and the combination of the two. One of the greatest challenges will be to utilise them most effectively, factoring in and optimising all their other assets working together in synergy. This is something that Powel has been working on, aiming to utilise different assets across different power markets (primary, secondary and reserve, balancing markets and day-ahead markets). Customers have to utilise all the different markets in order to make money. This has created a new situation and challenge for them. Customers like Statkraft Markets have been very good at changing their strategy according to changes in the market. They changed their entire business model from operating gas-fired power plants to focusing on renewable energy as an energy service provider. It says something about how agile customers have to be to be able to survive and thrive under these new market conditions.

When it comes to trading volume, power production becomes much more distributed. There is an increasing amount of distributed generation needing to be managed, compared to the traditional large centralised production assets. This means that the number of trades, especially intraday trading volumes increases



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significantly. Trading opportunities are presented in a very short timeframe and require very quick actions, creating additional time pressure, but also as the volume of trade increases the challenge is to reduce the cost per trade. This is why we are focused on helping our customers to create a much more efficient trading process through advanced decision support and giving traders suggestions based on their position in the market or cost implications for example. Automation of knowledge work, I think, is rather crucial when it comes to competing under these new and future market conditions.

Commodity Technology Advisory: *How has the rapid increase in renewable generation impacted your business?*

Mr. Sollie: The impact of renewables we see is in the increased volume and speed of trades shifting from the day-ahead to intraday market and that the assets are more utilised in an intraday setting vs. the traditional day-ahead market. This means that we have to look more closely at the decision making process because there is less time to utilise the asset before you have to make a decision. It is important to have more close to real-time decision support than you have needed historically when demand was easier to predict.

Powel, with its solutions portfolio, is always looking for what parts of the decision making process can be automated and how we can make the utilisation and data handling of fundamentals, like market data, inflow and weather forecasts, in the most efficient way to add value to the management of these assets. Powel's Big Data Manager was designed for not only handling large amounts of time series data, but also for handling aggregated information in an efficient way to make it available as business intelligence.

Commodity Technology Advisory: *Looking to the future, where will Powel focus and why?*

Mr. Sollie: Powel is focused and will continue to focus on the automation of knowledge work and making advanced decision support easier and more available to decision makers. Historically we have assisted our customers to utilise their own assets, but today we also help them act as service providers operating assets of others, similar to what Statkraft Markets is doing.

When it comes to our solutions for power production we have been very traditional in our approach to the market, which has been to a large extent driven by market resistance to new types of technologies like cloud-based solutions. We see a need for new cloud services to be offered in the market that will allow us to reduce our customer IT costs which are under increasing pressure and by having solutions in the cloud, provide new efficiencies when it comes to upgrades and also to provide new process support in a much shorter timeframe. In this new, highly agile market, the need to change business processes will happen much more frequently and this can be achieved through cloud-based solutions that offer a much shorter time to market. Examples include mobility and the ability to implement new markets quickly as changes or opportunities in the market arise.

From a market perspective our focus will still be the Nordics and west-central Europe. We see that our system knowledge and expertise is also highly valued in new and rapidly developing markets like Turkey and South America. We have established offices in these markets and bring added value to our customers there. It is a key reason why we were able to support customers like Endesa Chile where we will locally analyse seven hydropower plants, help develop automated workflows and optimise production even further to maximise the value from each production asset.

For Powel it is important to be present in the market where our customers are operating to be able to be a good vendor and support their needs in the different markets they are operating in. Why did we choose to start operations in South America? Following the challenging times in Spain, Portugal and the financial crisis, we saw that the power companies that were present in South America, like Endesa and Enel, focused on these markets during these challenging times. Our strategy was to offer them our competence and provide them extremely high customer value. Traditionally these large companies built their own solutions using their own IT staff. There used to be a culture to build in-house systems, but now they have to

provide invaluable insights, backed by primary research and years of experience, into the issues and trends affecting both the users and providers of the applications and services that are crucial for success in markets constantly roiled by globalization, regulation and innovation.

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do things differently with a high focus on savings and achieving maximum margins from their assets. As a result of squeezed margins you have to cut costs. Powel systems and expertise allow them to make more money but also cut costs and as a result we see that many of our customers are developing fewer systems themselves in preference for commercial software.

Similarly in the ETRM/CTRM market there has been a tradition of large system purchases like risk management solutions specifically designed for the financial sector but implemented and used in the energy sector. For many of our customers these systems provided a lot of functionality that they actually did not need. In fact many of our clients challenged us; can you give us what we actually need at a much lower price point because we do not need these huge solutions and the costs of implementing them and bringing them into operational use are very high. This is one of the main changes we have seen in a market driven by a need to provide more efficient solutions, in some cases cloud-based, which are not generic platforms but tailor-made to what the client actually needs.



About Mr. Arnt Sollie

Arnt Sollie is Vice President for Powel Smart Energy with expertise in renewable power generation planning and optimisation. In his twelve years at Powel, Sollie has helped drive growth through developing close working relationships with the top power producers in the Nordics and European client network and currently holds a position on Powel's management team. He also sits on the board at INTPOW - Norwegian Renewable Energy Partners and at Markedskraft ASA.

You may also be interested in [European Power Markets in Transition](#)

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