

# A MANAGED SERVICES APPROACH TO TRADING IT EXCELLENCE

How Delta Energy Supports Its Best-in-Class Trading Operations



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# INTRODUCTION

Companies that trade, or buy and sell, commodities face a myriad of complex business and technical challenges these days. One typical conundrum is often around Information Technology (IT). A trading firm is, after all, a trading firm and not an IT shop and yet, it needs to have an IT infrastructure, usually a very complex IT infrastructure, in order to conduct its business efficiently. That infrastructure will consist of hardware, networks, mission-critical applications, security, back up, recovery and much, much more. It requires a special set of expertise, both from a technical and a business standpoint, in order to maintain and continually improve it. Such staff is hard to come by and even harder to retain. Meanwhile, regulations and rapidly shifting market conditions mean that infrastructure is getting more and more complex and more and more critical. How is this problem to be tackled and at what cost?

# HOW DELTA ENERGY SOLVED THE PROBLEM

**Delta Energy is one company that has solved this problem and gained enormous benefits from its approach in doing so. When Michel Koornstra became head of Energy Trading at Delta, he inherited a very familiar problem to many in the industry. The company was using an ETRM solution that was already 6-years old. “We had workarounds on our workarounds,” he says, and that was only a part of the issue. The support requirements on Internal IT were so high and cumbersome that they didn’t have the luxury of following the ETRM software market. Day-to-day firefighting activities prevented them from utilizing their time around its ETRM software to properly support the best in class trading operation that he wanted to build.**

With trading volumes rising and the need to meet new regulations in the offing, it was extremely costly and inefficient to continually hire ETRM system vendor consultants to address any problems or needed enhancements, while innovation in line with business strategy was simply impossible. At the heart of many of their issues was the IT infrastructure with its poor integration between systems like Zainet, Datagenic for data management, Trayport, forward curves, as well as the many exchanges where they executed their trades. Reports were unreliable, both in terms of accuracy and timeliness, and traders were more or less forced to maintain personal spreadsheets, as they didn’t trust either the forward curve or other data. Internal IT lacked the time and on occasion, the very specific ETRM skills required to tackle this issue.

In fact, this is an all too common problem in the world of commodity trading that few companies have resolved effectively;

- / Lack of confidence in their data,
- / Heavy use of personal spreadsheets that are neither auditable nor secure,
- / Late and unreliable business critical reports around position, PnL and other time critical management information, and
- / A lack of integration between systems, meaning that usage is inconsistent and outputs unreliable.

The speed of change and pace of the business, along with outside influencers of change like regulations and market evolution, simply add to this complexity.

What Delta Energy did was to seek a partner in the market that could offer a ‘managed services’ approach to its IT issues; in essence outsourcing certain aspects of its IT and the business processes – or perhaps as importantly, that critical confluence of business and IT, to an outside service provider for a defined set of services for a specified cost. That partner was ETRMServices and the net result was that Delta was able to create a collaborative approach between the business, ETRM-Services, and its internal IT team in a manner that allowed it to not only regain control over its IT and processes, but to become a best in class trading unit.

The first steps in the process were to get some fundamental improvements in the trading landscape in place. The vast majority of the trades originating in Trayport, ICE, EPEX and other exchanges have been fully automated via a STP process that has improved the quality of deal capture significantly. They have stabilized the market data management processes and increased the reliability and the timeliness of data. This has allowed trading reports to be more accurate and on time. Furthermore, ETRMServices have also redesigned the key trading reports resulting in major performance improvements and accuracy. This required not only deep technical knowledge of the trading applications, but also a very good

understanding of Delta's trading business. More recently, ETRMServices performed a major upgrade of their ETRM system - Aligné. This upgrade was performed with the Managed Services team and only took 3-months of teamwork at almost no additional cost and with minimal business involvement.

However, much more than this was achieved. Together Delta and ETRMServices were able to navigate the complexities and uncertainties of the regulatory requirements for both EMIR and REMIT, delivering a homegrown add on solution to report relevant trades from Aligné and Trayport that is now the envy of Delta's competitors. ETRMServices and Delta staff worked together to understand what was required against a background of regulatory uncertainty to deliver this solution on time and to budget.

Even more critically, ETRMServices was able to work effectively with an external bank and Delta to develop and deliver what Michel Koornstra believes is a significant innovation in the industry in the form of a real-time, high frequency trading platform for energy CFDs. Relying on a third party to deliver a critical system for a banking partner shows a true level of trust and commitment to the relationship and the first phase of this

project has now been delivered successfully and on time. A second phase of the project is underway to add more energy CFDs to the platform.

Michel Koornstra highlights the benefits of this partnership with ETRMServices as being very significant for Delta including,

- / A significantly improved capability to evaluate and act on the market,
- / Significantly increased confidence in curve, and other, data,
- / Delivery of all business critical reports on time,
- / A reduction in overall costs,
- / Improved accuracy, and
- / Much greater business flexibility.

*"We could have achieved all of this ourselves, but not at this speed and with this efficiency," he says, speaking of Delta's trusted service partner, ETRMServices, who are now "an integral part of the operation."*

## HOW DOES THE RELATIONSHIP WORK?

**When Delta went into the market to find a partner, it looked at several firms who might be able to deliver a managed services approach finally selecting ETRMServices in a competitive process. ETRMServices provides a team of 6-7 experts that are on site at all times as well as additional 24 by 7 support from its professionals located around the world in North America, Europe and India. In particular, ETRMServices was strongly differentiated in having a thorough knowledge of energy trading generally and the specific systems that Delta used, including Aligné. Importantly, it was able to offer its services via a comprehensive, readily understandable and competitive service level agreement.**

Michel Koornstra points to ETRM Services staff's abilities to easily communicate with both business and IT staff alike and says that they are now an integral part of the team. ETRM-Services people are all very experienced and knowledgeable as well as "very open minded and eager to learn". He is very

happy with both the results and perhaps more importantly, the costs of the approach that they took.

One important aspect of the relationship is the reliance on ETRMServices expertise in the ETRM software product,

Aligne, and other solutions employed by Delta. ETRM software is notoriously complex, as it needs to be highly configurable in order to cater for a wide variety of trading businesses and their business requirements. Often the implementation goes smoothly enough, but when the vendor leaves and the users are on their own, often, irreversible mistakes can be made due to a lack of detailed product knowledge. ETRM Services understands trading ecosystems and landscapes extremely well and can help optimize these solutions for the users and the business as a result. By looking at both the data management and systems holistically, ETRMServices is able to effectively meld business and technical process to gain efficiencies for their customers; as they have done at Delta Energy.

The other aspect is the managed services approach, which is service level agreement based. It's not about providing peo-

ple so much as it is about helping optimize and manage processes using pragmatic service targets such as, for example, a certain agreed upon percentage of all broker prices to be in the system by a certain critical time each day. By utilizing senior experienced staffs with deep product and domain expertise, ETRM Services can offer flexi staff that can take on IT and business process work against clearly specified objectives as set out in an SLA. In Delta's case, ETRMServices were able to break down internal silos of responsibility by creating a centralized team to achieve daily-specified objectives and gain efficiencies. ETRMServices approach is to analyze a business problem, draw up a design and take it all the way to the solution in coordination with its customers staff managing, facilitating and supporting the process through the delivery. By partnering effectively, delivery is significantly faster and more cost effective.

## SUMMARY

Delta Energy found itself hindered by its own legacy infrastructure and inability to streamline and optimize its business processes as a result. It selected ETRMServices as its partner through a service level agreement to provide customized, comprehensive and business-focused services to help it become a best in class trading organization. With its in-depth knowledge of the Aligné ETRM system, interfaces and peripheral systems, ETRMServices was able to rapidly get Delta Energy onto a more up to date version of the ETRM software, design and deploy regulatory solutions, design and deploy in conjunction with a major bank a real-time, high frequency trading platform for energy CFDs, while also increasing trust and confidence in data and the deployed solutions. In turn, this helped Delta to cope with increased trading volumes, be more proactive about market opportunity and have access to critical business data and reports on a timely and reliable basis while saving money in the process. "An energy company is not an IT company and we needed a professional partner. ETRMServices works very well for us in that regard," says Michel Koornstra.

# ABOUT ETRMSERVICES

ETRMServices is a trusted IT partner for the ETRM Community (Energy Trading and Risk Management) in North America, Europe, the United Kingdom and Asia.

Its exclusive focus on the trading / risk management cluster, including ancillary applications connecting to the core trading systems, enable it to provide customized, comprehensive and business-focused services. Through an easy to engage managed services model, the appropriate technical experts proactively deliver resolutions for both large-scale program / project initiatives or smaller-scale incident and change management needs.

Its differentiators include competitive pricing, highly experienced staffs and deep domain and product expertise.

Its professionals are located in North America, Europe, the United Kingdom and India, ensuring 24/7 coverage for its clients worldwide. An India-based team monitors overnight operations for multiple customers.

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Patrick Reames and Gary Vasey head our team, whose combined 60-plus years in the energy and commodities markets, provides depth of understanding of the market and its issues that is unmatched and unrivaled by any analyst group.

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