



Capco's Energy Practice post-FIS A Conversation with the Leadership Team

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By Commodity Technology Advisory LLC

FIS announced their intention to spin-off the company's Capco consulting business in May of this year. With the transaction completed in August, we recently visited with leadership team of Capco's Energy Solutions group to gain insights into what a newly independent Capco means for their energy clients, and get their thoughts on a couple of current and pressing industry trends.

ComTech Advisory: *With the recent announcement that FIS has sold a majority interest in Capco to a fund managed by Clayton, Dubilier & Rice (CD&R), Capco is now an independent company. Can you tell us about what impacts this transaction will have on your practice area, Capco Energy Solutions, and what changes, if any, your customers will notice?*

Lance McAnelly: We are excited about this recent milestone in Capco Energy Solutions' journey as we transition into being a growth minded, independent entity exclusively focused on providing consulting services. This enables us to continue our independent, objective, industry leading services to our clients without any confusion as to our focus.

CD&R is committed to investing in our long-term success and shares our vision for Capco to become the premier independent management and technology consultancy focused on financial services and energy. As an independent enterprise with a unique culture, Capco will be more agile and dynamic than ever. We will move quickly to invest in a variety of initiatives, including new talent, and broader digital, business, and technology capabilities. We will continue to develop our deep domain expertise, and also accelerate our efforts to offer the innovation that clients expect in this time of disruptive

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change. Successful delivery is a priority for us and Capco will remain focused on providing excellent service and meeting our commitments to our clients.

ComTech Advisory: *Capco is a global consulting organization, with some 4,400 personnel, and is one of the leading consulting firms in the financial services space. Does that scale and scope offer any advantages to your group's ability to deliver services to your clients?*

Lance McAnelly: Absolutely; we are already beginning to reap the benefits of this increase in scale and scope. We have been able to leverage expertise in many areas and the benefits of a global footprint to bring enhanced solutions and services to our clients. For example, Capco's Regulatory Compliance practice expertise is leverageable into our energy industry clients. Further, Capco is a globally renowned and respected brand, which strengthens our clients' confidence in us, while opening doors for us in many areas where we have long aspired to go.

ComTech Advisory: *Your organization has a long history spanning multiple decades in the Energy and ETRM markets, first as Enform, later as SunGard Consulting, then FIS and now as a part of Capco's global consulting business. Will the acquisition by Capco change that focus?*

Chris McNeely: No. The acquisition sharpens and strengthens our focus which is first and foremost on our clients and their success. The consulting focus and investment now being made in our business will allow for growth in the breadth of services we can now provide our energy clients. The global reach provided by Capco and access to Centers of Excellence focused on various emerging technologies and trends (blockchain, digital transformation, robotic process automation [RPA] to name a few) will also enable us to bring the latest innovations in technology to our existing customers, while still providing world-class service to their existing IT landscape.

ComTech Advisory: *Looking at the market, we've seen ETRM and CTRM spending stagnate since the 2014 commodity price collapse as energy and commodity companies slashed spending in the face of lower revenues. Given these difficult conditions over the last couple of years, what advice are you giving your clients in terms of where they should focus their IT efforts?*



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Mayank Moudgil: These periods of economic downturn, cyclic in nature, can be an opportunity for clients to rationalize their prior people, process, and technology landscape and find ways to make it more efficient. Driving efficiency then promotes improved operational readiness as the cycle shifts to one of growth. We are assisting our clients in this rationalization process, helping them identify how to get the most out of their current investment, and preparing for the next opportunity.

Specific to Trading & Risk systems, we are advising our clients to not let the slowdown impact the health and upkeep of your current ETRM systems. In fact, this may be a good time to execute that long-delayed upgrade to the latest version given that present market conditions could create an opportunity to snag a new module or application at lower than anticipated costs.

ComTech Advisory: *The transition to cloud deployed solutions is accelerating rapidly, with SaaS and hosted in the cloud ETRM and CTRM software sales beginning to outpace traditional “on-premises” deployments. From a consultant’s standpoint, what do customers that are buying (or are contemplating buying) cloud deployed solutions need to consider outside of the typical “feature/functionality” issues?*

Mayank Moudgil: This is an exciting time for the E/CTRM world, as it finally begins to move into the cloud, where a lot of “new technology” companies have already been established for some time. While a move to the cloud can be very beneficial on many fronts, including cost, system upkeep and upgrades, availability and performance among others, there are a few things which companies considering a “move to the cloud” for their E/CTRM systems need to consider:

- Integration: While the E/CTRM system might move to the cloud, chances are that a lot of the other IT applications and decision making tools (e.g., proprietary models) will still stay “on premise” for some time to come. Hence, the integration needs between “on premise” and the cloud needs to be thoroughly analyzed, scoped and designed in advance, to avoid issues during implementation and post cut-over. Another area to think of is integration with external parties such as exchanges and broker systems.

- Performance: Often discussed but seldom planned for, this is a major selling point for cloud based solutions, as they have the capability to harness “just in time” computing power to deal with peak loads. However, another important aspect of a cloud based setup is the ability to co-locate or distribute and deploy the workload to various areas of the globe based on user presence and load demands. Organizations with a wide spread geographical footprint should plan the location of their cloud assets accordingly, to ensure that there are no pockets of users in remote locations/countries, which might be adversely impacted. That said, it is worth noting that this factor is also relevant (maybe more so) for “on premise” or data center based setups. In fact, most major cloud providers have a global footprint and can provide coverage in a variety of scenarios.

- Upgrades: One of the touted benefits of a cloud based E/CTRM system is hassle free upgrades. Some vendors even claim “transparent upgrades”, where the system will be upgraded automatically with bug fixes and new features, as soon as they are released. Organizations need to carefully consider the benefits of this feature, in the light of integration, system stability and also required “system freezes” especially in peak trading periods or during M&A activity. A system which provides the ability to opt-in and opt-out of these upgrades and/or schedule them at a client’s convenience could provide the flexibility which energy and trading organizations often need.

- Modularity: A good cloud based E/CTRM system should be configurable to a client’s needs, and provide them the flexibility to use certain optional modules/features of the system, based on business footprint. A “one size fits all” solution might leave organizations with smaller or larger than average footprints wanting.

- Compliance: Regardless of the actual system location, an E/CTRM system is still the system of record for an organization and should be able to provide for adequate access and scrutiny by compliance and audit (internal and external) teams. It should also be able to support a flexible segregation of duties matrix, with detailed audit and user activity reports as needed.

- Budget/Finances: A cloud setup also impacts how these systems have been accounted for in corporate budgets

traditionally. Usually, it involves a move from large, initial Capital Expenditure (“CapEx”) outlays to a smaller but recurring Operational Expense (“OpEx”). This necessitates a shift in thinking when it comes to IT budgets and roadmap planning. It can also provide much needed flexibility, enabling organizations to wind down or walk away from solutions which do not turn out as intended. Of course, the ancillary costs for such moves and their impact to the larger enterprise architecture also need to be thoroughly reviewed

- Human Capital: A move to the cloud can also be an opportunity to redeploy IT and business analysts to be more “customer focused”, rather than “system focused”. In other words, they can now spend most their time on helping the business grow and take advantage of the analytical and decision tools at their disposal, and not be bogged down by “run & maintain” duties. This can also provide organizations the ability to enhance and upgrade their talent pool by retraining their IT teams to be more “results oriented” and not “issue driven”.

For more information about Capco Energy Solutions, please visit www.capco.com/energy



Lance McAnelly

Lance McAnelly is the Managing Partner for the Capco Energy Solutions business. An established business leader with significant energy industry experience, Lance provides team leadership to deliver and promote client-focused, value-added solutions that result in organizational growth and improved efficiencies. With both national and international experience, he has successfully managed and delivered more than 200 person-years of service to his clients.



Chris McNeely

Chris McNeely is a Partner in Capco Energy Solution’s Houston office. He is focused on driving value for his customers through the successful delivery

of programs, projects and services. Chris is passionate about building high-functioning teams and partnering with his clients to provide solutions that transform their organizations and industries.



Mayank Moudgil

An Associate Partner and industry thought leader, Mayank leads the Trading & Risk Management (TRM) practice for Capco, Energy Solutions. Mayank has worked for a wide variety of energy, commodities and financial services clients across the globe, acting as a trusted advisor by helping to drive organizational efficiencies through a blend of transformative programs and innovative strategies. He is also regarded as a subject matter expert on multiple technologies and TRM platforms, and has proven experience in developing and supporting large scale software and services projects.

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