

## The *Right* Consulting Firm - ASN-Corp's View

Selecting a consulting firm is a logical choice for many companies when implementing an ETRM system. While ETRM project experience is a requirement, ASN-Corp believes it is more than just experience of the consultants that should be considered.

As a consultancy and system integrator in the ETRM space over the past ten years, ASN-Corp believes it is important to select a firm with applicable energy industry experience and consultants that have the ability to efficiently and effectively deliver the overall capability of the firm as part of the project and throughout the lifecycle of the solution. There are several key attributes to consider when evaluating a consulting service provider:

- **What is your company's industry focus?** The energy industry is unique and rapidly changing. ASN-Corp is singularly focused on the energy industry. From the CEO to every analyst – our firm makes a commitment to our client's success, and we approach every engagement as part of a long-term partnership.
- **What is your firm's applicable experience with the target ETRM system?** Although valuable to have experience with a variety of ETRM systems, we believe nothing can replace detail familiarity with specific vendor products for providing lessons learned and reducing delivery risk. At ASN-Corp, we are actively engaged on implementations of the Allegro v8.0 product (this is also true of OLF, TriplePoint and Sungard products). Our firm has the requisite Allegro experience to provide the upfront assessment of risks and best practices applicable to the project.
- **What is your firm's implementation methodology?** ASN-Corp has developed a proven system selection and implementation methodology that has been successfully applied to the ETRM space on a number of engagements. We believe that this methodology is very applicable to Your Company's business. A summary is provided at the end of this memo.
- **What is your firm's Perspective on the state and direction of vendor software?** The ETRM software space is expanding in scope and consolidating in number of players. New and more robust capabilities are being created for functions such as credit risk management and asset optimization – increasing the functional footprint of ETRM solutions. At the same time, the established providers are consolidating through acquisition and R&D. A provider with an understanding of this environment will provide a valuable perspective in the project and program delivery.
- **Describe your firm's consulting Delivery Style?** The way the selected firm operates and interacts with YOUR COMPANY will have a significant impact on the near and long-term success of the relationship. At ASN-Corp, we believe in providing valuable services that meet our client's needs. We further believe the best marketing for new work is the successful delivery of previous commitments. ASN-Corp's approach is to share our knowledge and capabilities with our clients for the mutual benefit of the long-term partnership.

## ASN-Corp Consulting Practice Areas

ASN-Corp has developed Practice Areas within its consulting business. The Practice Areas are groups chartered to maintain deep skills in specific energy industry knowledge domains and apply that information to clients and client engagements. ASN-Corp creates these practice areas in response to our business strategy and our clients' needs. The current practice areas are ETRM, Asset Operations and Optimization, Market Solutions, Asset Management, and Smart Grid. A summary of each is provided below.

## Energy Trading & Risk Management (ETRM)

The stricter, more demanding controls of today's energy markets are causing organizations to struggle with common issues across their energy trading and risk management activities. This can be attributed to various factors, including: an abundance of manual processes and workarounds; heavy reliance on spreadsheets; lack of integration across disparate systems and processes; underutilization of ETRM system functionality; and a lack of process transparency and standardization. These issues can all have detrimental business impacts that translate to the bottom line. ASN-Corp believes that a better understanding of these issues and a comprehensive plan to mitigate their negative effects can help reduce risk exposure and increase profitability.

Our service offerings are organized into two groups – Solution Delivery which focuses on the design and implementation of systems that support the operations of the business and Business Capability Delivery which addresses the business processes and operations.

### Solution Delivery

1. IT Strategy and Definition – Our deep understanding of the IT solution landscape in energy markets ideally positions ASN-Corp to help clients define their future IT strategy – ultimately resulting in a comprehensive, targeted IT vision, architecture and roadmap.
2. ETRM System Implementation and Integration – ASN-Corp has performed numerous projects of varying size and complexity to define requirements, evaluate and select software, and implement/integrate packaged solutions that support energy trading and risk management capabilities. We have extensive experience implementing the leading commercially available trading and risk management products. We offer a completely impartial viewpoint and continue to maintain the independence that our clients value.
3. Post Implementation Remediation – Energy organizations make significant investments in ETRM systems only to be left with incomplete implementations and underutilized capabilities. ASN-Corp is experienced in resolving this dilemma by defining and closing the gap between operational business needs and existing system/process capabilities.
4. Project Management – One of ASN-Corp's key strengths is our group of highly competent and seasoned project managers who focus on achieving high quality, timely delivery, and operate with a degree of pragmatism that sets us apart. Given our deep industry and solution knowledge, we take a hands-on project management approach and avoid the pitfalls of content-free project management.

### Business Capability Delivery

1. Business Process Design – ASN-Corp has a deep understanding of the end-to-end business capabilities required by today's energy companies. We have worked on many business design projects, defining end-to-end business processes across the front, mid, and back offices, as well as on more focused engagements developing internal policies and detailed procedures.
2. Organizational Design – Through our broad experience of working with a wide range of energy companies, we have gained an excellent understanding of today's operating models and the strategic drivers that give rise to them. We regularly work with our clients to define new organizational units covering all business aspects, from pure resource allocation and segregation of duties, to more complex areas such as overall governance, culture and transfer pricing.
3. Change Management – Our clients are constantly adapting to change, whether as a result of introducing new technologies; implementing new strategic direction; adapting to a new regulatory environment; introducing process improvements; adopting cultural change; or facing fundamental business transformation through an acquisition or divestiture. We provide value by assessing the changing landscape; providing coordinated direction and clarity to the change process; anticipating impacts; and promoting acceptance within the organization.
4. Business Operations Support – As our clients face new or evolving organizational requirements, ASN-Corp can supplement various mid-office operational capabilities to reduce business-continuity risk. Our highly qualified resources can perform the operational-support

tasks, document detailed procedures, and train/transition to permanent full-time client employees.

## ETRM Methodology and Lessons Learned

ASN-Corp has developed and refined a methodology for ETRM system implementation over the past ten years. The following diagram, discussion of the methodology and lessons learned provides further development of the key considerations ASN-Corp believes YOUR COMPANY should make when identifying the right consulting service provider.

## ETRM System Implementation Methodology

### Vendor Selection

Choosing the right vendor product can be difficult. There is no “silver bullet.” Once business requirements have been defined, the next logical step is to evaluate vendor applications. When assessing ETRM applications, key drivers influencing an organization’s selection criteria include: best functional fit, ease of implementation, flexible integration architecture, a proven track record of support, reference able clients and overall cost of ownership.

Although not always performed, we believe it is important to formally submit a Request for Proposal (RFP). This will help ensure competitive pricing and allows vendors to address how their system meets (or does not meet) your specific business requirements. To get the most out of vendor demonstrations, it is important to translate your business requirements into detailed business scenarios, allowing vendors the ability to model these specific scenarios into their product to better showcase their product’s capabilities during product demonstrations. During these demonstrations, it is important to be cognizant of overselling and vaporware and request to see everything demonstrated in the application. If vendors claim that certain functionality is in the next version, we recommend writing that into the contract.

Furthermore, a comprehensive scoring system should be formalized and clearly articulated. This will ensure a high level of understanding of the selection criteria across all users groups. It is also critical to understand not only the capabilities of the selected product, but also its limitations. A useful exercise is to conduct a gap assessment between your detailed requirements and the selected product functionality to provide insight into the amount of work required to supplement the vendor implementation.

### Implementation

**Data Configuration:** Many ETRM solutions come with pre-packaged components that need to be heavily configured by the vendor to fit the specific needs of the client. The vendor typically leads this configuration effort to ensure the base package components are configured properly. This phase will include the gathering and loading of initial master data information – such as contract details, book ASN-Corp, locations, price reference data, counterparty and broker data, limits, etc. The configuration effort also includes establishing user groups, the security schema and the workflow management process. In most cases, the design of the vendor’s system will not exactly match how the client wants to see their business modeled. Some interpretation is required here and it is important to spend the time to understand the implications for any design decisions.

**Reporting:** Many organizations incorrectly assume that they can leverage the “canned” suite of reports provided as part of the vendor package. The reality is that these base product components often require additional customization and do not typically meet the needs of our clients. It is important to develop detailed requirements and specifications at project inception and allow adequate development time.

**Testing:** Once the ETRM system configuration has been completed, the product is ready for testing. As with any new application development or product implementation, testing is an integral part of the project. Throughout each phase of testing, any discrepancies or problems should be documented and analyzed by the testing team, in conjunction with the product vendor. Problems and issues should be logged, prioritized and communicated to the product vendor.

#### Parallel Testing

Perhaps the most difficult component of any ETRM implementation is running both the new and legacy systems in parallel. The objective is to operate these systems in a production-like environment to be able to compare data inputs, processing, and outputs between the applications. The effort will also provide an environment for users to learn and become

comfortable with new system functionality prior to deployment. This effort will be time intensive for both the project team and user groups.

ASN-Corp has found that it is very helpful to implement a parallel test to mirror all operations throughout the monthly cycle. Typically, it makes sense to start with the critical daily processes during the initial weeks (trade entry, price entry, confirmations, risk management, credit, contract administration, scheduling) while staging in the month processes during the later weeks (settlements, actualization, invoicing, cash application, accruals, AR/AP aging, etc.).

It is also very important to prepare automated daily reconciliation reports to compare trade and price entry between systems to ensure that the key inputs into both systems are an “apples to apples” comparison. In addition, a separate set of reports should be developed that compares key system outputs such as positions, trade/market value, mark-to-market at the trade level. Having these tools readily available on a daily basis makes this very difficult process much more manageable.

## Training and Rollout

All users should be trained based on the modules of the system that map directly to their role. Training should cover both application and business process training. At a high level, the following training should be delivered:

- System Administration Training – training delivered for the key technical owner of the application. This user typically has full and unrestricted access to all functionality in the application, and should be trained accordingly.
- Super User Training – training delivered for the key business owner of the application. This user is typically responsible for the configuration and maintenance of the system in the production mode.
- Role-based User Training – training for each user role defined in the system.
- Technical Training – training for IT technical resources to independently support the application.

After acceptance and training, the system should be deployed to all users. It is important that there is support staff available from the vendor for several weeks to help users through issues and questions as the business users get acclimated to using the new product and processes on a daily basis.

## Lessons Learned

Through ASN-Corp’s experience performing vendor package implementations, we have learned a number of practical and valuable lessons.

- Aligning business processes with the underlying workflows embedded in the application design requires more planning, although the pay off is significant. ASN-Corp has found that companies who have modified business processes to fit vendor functionality have: (a) required little or no base code changes, (b) attained significant amounts of functionality from vendor applications, and (c) avoided post-implementation remediation initiatives. ASN-Corp has found that it is critical for the implementing company to allow the vendor to explain the “as designed” workflows and adopt these to the fullest extent possible. Fortunately, the top ETRM vendors generally follow basic processes that are well defined, understood, and will fit most business requirements. Nonetheless, it is imperative to communicate and agree to any business process changes the product may introduce as early as possible.

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- Active user participation and management commitment is critical throughout the project. Many successful projects appoint an executive sponsor and project steering committee to champion the effort and attain management and user commitment. In addition, the project sponsor and steering committee should provide executive guidance and project direction.
- These types of projects require experienced and dedicated implementation resources that have “done this before” to mitigate project delays, budget overruns and scope creep. In addition, it is crucial to ensure management supports and communicates resource allocation (i.e. establish project charter and org chart). Furthermore, internal project resources need to be able to balance current everyday workload responsibilities with the additional project responsibilities.
- The project should implement a project management discipline to meet milestones, deliverables and budget. This includes clear communication across all levels of the project team along with a well understood project plan, status reports, milestones and deliverables – while implementing change control procedures to manage additional scope requirements. ASN-Corp believes that experienced project managers can bridge the functional and communication gap between IT and business as well as the client and the vendor. In addition, it is important to supplement the project team with resources who have product, business and implementation expertise.
- When implementing a new system, delivery pressure can result in a system delivered at an unacceptable level of quality and functionality. It is important to conduct thorough due diligence with the vendor during procurement and contracting. Consider including payment/penalty milestones in vendor contracts. Develop realistic budget estimates, resource allocations and project timelines. For complex implementations, consider a phased implementation approach that allows urgent and critical functionality to be delivered as part of an initial release.
- Knowledge transfer from the project implementation team to the operational team should not be overlooked. ASN-Corp recommends staffing the initial project team with the operational personnel who will be maintaining the system to ensure a smooth transition and mitigate any go-live risks.
- Reporting is typically more complex and difficult to develop than initially anticipated. It is important to understand that in some products, data is easily assessable through a relational database ASN-Corp, while others require translating data from a normalized (“BLOB”) into a de-normalized format via a reporting database tool. It is important to determine what you are up against to staff resources with the appropriate requisite experience.
- Much like reporting, it is important to note that some products utilize proprietary development languages for scripting, reporting and customization. This can often make the product more difficult to implement and maintain long term as those specialized skills are difficult to find.

While ETRM system implementations are a difficult undertaking, they are surmountable with the appropriate level of resources, commitment, knowledge and management. At ASN-Corp, it is our objective to provide clients with the skills and knowledge to reduce delivery risk, increase efficiency and ensure success.