

*Putting Knowledge Into Action*



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## **ETRM Software Demand in Europe**

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Energy Trading, Transaction and Risk Management (ETRM) software demand has surged in response to a variety of factors on both sides of the Atlantic, not least of which is the entry of new financial players and the increasing attractiveness of energy and commodities in general. UtiliPoint International recently sized the European market for ETRM software and observed growth rates of around 15 percent per annum<sup>1</sup>. Additionally, we benchmarked and characterized European ETRM markets earlier in 2007 using a comprehensive survey of the industry and observed that some 23 percent of respondents expected to procure new ETRM software over a 12-month period<sup>2</sup>. So what exactly is driving this surge in demand for ETRM software in Europe?

**▲ Dr. Gary M. Vasey: How do you see the demand for new ETRM software solutions in Europe today and in what part of Europe do you see the most activity?**

**Michael Schwartz:** Demand in Europe has increased dramatically over the last 12 months. The interest is across almost all commodities and based for the most part in Western Europe. Specifically, we've seen the strongest demand in the Nordic countries, UK and Germany. Interestingly, in addition to the traditional energy companies approaching us, we are getting interest from new market participants including financial institutions that haven't traded commodities in Europe before and from companies going after new markets like biofuels and emissions trading.

**▲ Dr. Vasey: What is driving the activity levels in Europe? Why are companies seeking to procure ETRM software today?**

**Mr. Schwartz:** Price volatility, the opening of markets and a need for an improved compliance and control posture are key forces in propelling organizations to look at enterprise trading and risk systems. Price volatility is causing organizations to focus on risk management and the need to implement sophisticated risk modeling. In addition, volatility offers new opportunity for some organizations and we've seen financial services firms looking for ETRM systems to support European trading. There has also been growing interest in pan-European trading of gas and power and the need for a multi-commodity platform that can handle the complexities of several commodities for trading, risk and scheduling across regions. In addition, compliance and control have become important issues for organizations, driven both by regulations such as IAS 39 and corporate governance initiatives. Companies require enterprise systems that provide complete transparency into exposure across trading desks, geographies and organizational silos in addition to providing functions such as counter-party credit monitoring and detailed audit trails.

**▲ Dr. Vasey: Do you see any business requirements that are unique to Europe and that vendors need to address in their software to provide a viable solution offering?**

**Mr. Schwartz:** Although we can discuss European requirements at a high level, there are specific functional requirements that are unique to regions and countries. For example, power trading is regional with each market having specific trading and scheduling requirements. Examples of specific functionality that are unique to Europe are the EFA calendar in the UK, specific EU regulations on biofuels and emissions trading, and VAT calculations.

In addition to the unique European functionality that a solution must contain, the core reasons that Triple Point is performing extremely well in Europe are the same across all geographies – it is the only solution that is a multi-commodity platform operating in real-time from front to back office, providing dynamic reporting and instantaneous visibility into positions and exposure.

**▲ Dr. Vasey: What segment of the industry do you see most activity coming from in Europe (e.g. end users, hedge funds, utilities, banks, producers, etc.)**

**Mr. Schwartz:** It's been interesting and exciting to see interest from all commodity sectors including oil, metals, biofuels, CPG, softs, power, coal, natural gas, emissions, financial institutions and trading shops. Financial institutions in particular have been very active in Europe due to high volatility and have been looking for systems to trade power, gas, crude and refined products. Also we see many utilities across Europe looking for bulk commodity solutions to manage the complex scenario decision making process around fuel management. They require a solution to run what-if cases for types of fuel such as coal, biodiesel, fuel oil and natural gas while also factoring the emissions costs in order to make optimal decisions. In addition, we have softs and biofuel companies contacting us to help them manage their commodity processes from trading through

logistics. Taking a look at our pipeline, I expect demand across Europe and across commodities to be strong for at least the next 18 months.

**Michael Schwartz, Chief Marketing Officer, Triple Point Technology**

Mr. Michael Schwartz serves as chief marketing officer for Triple Point Technology. He directs the planning and execution of Triple Point's marketing and communications initiatives in all global markets. He regularly speaks at various conferences and webinars, discussing such topics as commodity trading, risk management and current market conditions. Before joining Triple Point, Mr. Schwartz founded New York-based Celcius Marketing, a marketing consultancy focused on go-to-market strategies for early stage technology companies. Prior to leading Celcius, Mr. Schwartz served as the top marketing executive for Information Builders, eXcelon Corporation and C-bridge Solutions. He began his career with IBM Corporation. Mr. Schwartz holds an M.B.A. from New York University's Graduate School of Business Administration.



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<sup>1</sup> European Markets for Energy Trading, Transaction and Risk Management, UtiliPoint report, 2007

<sup>2</sup> Benchmarking of European ETRM Software Markets, UtiliPoint report, 2007



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