

the DESK

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Transaction Systems Needs and Trends

Or, What Keeps Some Traders Up at Night

We've said it for years: To really know what's keeping trade managers, traders and risk folks up at night, ask their transaction system providers. No, not because the systems are faulty, but because system providers are usually some of the first to know about all the new bits traders need to better play the market. Anytime there are shifts or trends in the market, system providers will know about it and will be pressed into service to make some fancy new apps. We asked Doug Daugherty, director of product management over at Triple Point, what's keeping his customers or prospects up at night. "Sarbox risk management, and the want for some high-test gas storage applications" was the answer.

Daugherty says what all the big forward-thinking companies looked for in a system five years ago, everybody else is now scrambling to attain. "There are several standard ingredients that every systems customer is looking for, that have really become the table stakes in the systems business. Real-time software and real-time processes," he says. "We hear about all the problems with multiple points of entry and double entry, and the multiple points of failure in the reconciliation process. Nowadays, to handle all the multiple entry problems, you need realtime software, simple as that.

"Additionally," he says, "we're seeing a strong push, on the producer side and on the retail side, to really push the window into what I'd consider to be pure trading."

Daugherty tells us there's much less hesitation these days for companies to define or describe themselves as trading shops. "There is much less reluctance to use the 'T' word. The stigma that 'we're not a trading shop' isn't there. Trading isn't the same four-letter word that it was four or five years ago. I think this bodes well for software like ours that supports high volume, structured, multicommodity transactions."

In the physical gas market, he says "it's all about storage, storage, storage, baby. Everybody is making big storage plays, whether physical or virtual."

TPT software's actually regards carrying an imbalance on the pipeline as just another inventory position. This little detail sets TPT apart, Daugherty says. "If you leave gas on the pipe, ad hoc, or go short to the pipe, ad hoc, and the pipeline has tolerance and they allow you to do that, you're actually able to play storage on that pipeline, without actually entering into a parking and lending agreement with the pipeline. The volumes aren't huge, obviously pipeline tolerances don't allow you to make massive 'injections,' but there is a play there. And even more importantly, from a reconciliation standpoint, everybody is very interested in seeing what those positions are.

"Our software has a very strong storage module, unlike many of the other systems out there. The way it works with most of our competitors is that, if you want to enter a storage deal, you create a sale to a counterparty called 'injection.' That's really a poor way to model the business. If you don't have dedicated storage transactions modeled into your software, you're pretty limited. The deal gymnastics we see out there now are really amazing, with storage cycling deals, complex multi-tiered firm and interruptible, on top of each other. Going to negative storage positions in physical domes? Sure, from a trading perspective, it happens. Last time we checked, we're the only platform that can handle that sort of thing... in an end-to-end suite."

News to us. He says TPT's Commodity XL platform ties into all the various FEA models for storage as well.

"Every customer we have in the pipeline right now, storage is a major component of their system. Every one. I couldn't say that a year or two ago," he says. "Everybody is ramping up a storage desk."