

CAPCO

OPPORTUNITY KNOCKS

SHIFTING ETRM LANDSCAPE BRINGS
NEW ATTENTION TO SECOND-TIER VENDORS



a wipro company

INTRO

Several notable top-tier vendors have dominated the ETRM vendor landscape for the last two decades, including Openlink, RightAngle, Allegro, TriplePoint, and FIS (which acquired SunGard in 2015). ION's acquisition of TriplePoint in 2015, Openlink and Aspect in 2018, and Allegro in 2019 completely changed that landscape. Now, with the three most prominent and widely deployed solutions owned by ION, the vendor landscape is radically different, bringing increased attention to, and potentially more opportunities for, the smaller second-tier vendors.

Although ION's products continue to compete and sell well, some technology buyers believe there is a level of concentration risk associated with a single firm controlling a large segment of the market (estimated to be anywhere from 40 to 60%, depending on how one measures that market). And though the ION products continue to be leading contenders for consideration by companies seeking a new ETRM solution, it is increasingly common for buyers to actively seek out other vendors for inclusion in their system selection processes.

Unfortunately, it can be challenging to identify qualified contenders as most of those vendors' products will not match the large ION products in terms of the breadth of their geographic, market, or multi-commodity coverage. Additionally, depending on the markets or commodities the product is intended to address, the strength of capabilities, from the front- to back-office, can vary significantly among the other vendors.

Another important consideration when evaluating potential ION alternatives is the availability of knowledgeable and experienced consulting resources. With ION, a large pool of consulting resources has developed around their product portfolio, a capability that may not exist for many of the other vendors, particularly outside of their core industry or geographic markets.

IDENTIFYING OTHER CONTENDERS

Though the FIS' flagship product, Aligne, is considered by most to be a top-tier solution based on its large customer base, it primarily addresses North American and some European gas and power markets. Eka has also developed a substantial customer base and could be considered a top-tier vendor in some non-energy markets, particularly metals and some agricultural commodities. However, given their smaller customer base in energy commodities, many believe Eka falls within the second tier of the ETRM markets. Beyond FIS Aligne and ION Openlink, Allegro, RightAngle, and TriplePoint, the other ETRM solutions could be considered second-tier products given their smaller install base and fewer vendor resources dedicated to the development and support of those products.

Depending on how one interprets their advertised capabilities, a dozen or more vendors might qualify for initial consideration for buyers wanting to ensure non-ION products are included in the mix as they consider acquiring a new ETRM solution. Further, the vendors will change depending on the commodities, markets, and geographies in which a buyer operates, as only a few vendors have the knowledge, experience, and depth of functionality to address all the potential permutations of those factors.

For example, if you operate generation assets in the US power markets, the second-tier ETRM vendors to consider might include Enuit, OATI, PCI, MCG, Hitachi, and several others. U.S. physical natural gas systems might consist of many of those same vendors and Ignite, Molecule, Trilogy, W Energy, and nGenuie. European gas and power markets could include a list comprised of Brady, Contigo, EnergyOne, Previs Systems, and many other local market solutions depending on which regions of Europe one conducts business. If you operate in the global oil trading markets, the shortlist of products might include Enuit, Amphora, Inatech, Ignite, and others.

Though all the companies noted above have enjoyed success in specific markets, as previously mentioned, few will have the breadth of capabilities to address the range of markets and commodities found within the top-tier products. That is not to say that within those markets they service, they will not match specific capabilities found in those top-tier solutions. However, experience has shown that having deep capabilities in one commodity, such as natural gas, does not guarantee equivalent capabilities in another, such as power, as the underlying logistic and business processes have little in common. Additionally, some products may have advanced analytics or risk management capabilities, while others have stronger logistics functionality. So, choosing which to include as a contender system will be driven by the buyer's mix of assets, trading strategies, and internal processes.

It is prudent to look at an array of vendors of all sizes when seeking out a new system, particularly if you view the concentration of the largest systems under a single vendor as a significant risk. Unfortunately, there is no guarantee that any of the rapidly growing second-tier vendors won't eventually be acquired by another company, either by ION or another company that decides to pursue a similar acquisition strategy. Additionally, buyers must recognize that some of the smaller (privately held and sometimes bootstrapped) vendors may carry with them a higher level of commercial and operational risk. For example, a rapid increase in their client base might outstrip their ability to grow their internal development, support, and delivery staff, leading to declining service levels and delayed investments in product development.

Of course, there are alternatives to the traditional ETRM solutions, such as platforms or disaggregated technical architectures that allow for the use of "best of breed" solutions and tools. These alternatives can help ameliorate many associated risks of relying on any single vendor. However, these types of solutions/ architectures carry additional technical complexities that may limit their appeal outside of technically progressive companies.

THE RIGHT APPROACH

Suppose you seek a new “traditional” ETRM solution and want to ensure that your potential choices include one or more non-ION products. In that case, it will be important to accurately parse the broad pool of second-tier vendors to identify those whose commodity coverage, capabilities, and support infrastructures can meet your general requirements. This activity should be done as early as possible in the selection process to reduce cost, time, and overhead.

Unfortunately, as noted by Commodity Technology Advisory, the leading CTRM market analyst firm, more than 100 different vendors address some or all of the commodity trading market, with many of those serving at least some aspects of the energy markets. For companies looking for a new system, identifying potential solutions from this pool will likely be challenging, as most companies don't have the time and resources to keep abreast of the changing landscape of ETRM vendors.

As a result, it can benefit companies seeking a new solution to engage early with an experienced consulting firm that can provide up-to-date knowledge of the vendors and their available solutions, capabilities, strategies, and reputations.

Once identified, the right consultant firm can match and score the vendors and products against a comprehensive list of system requirements. This scoring provides a clear ranking of the competing systems and vendors, which can accelerate the RFI (or demo) process by quickly limiting the number of vendors under consideration to only those that best address your requirements.

You will also need an audit trail of the process that informs management, internal audit, or future users as to how and why the system was selected and underlying due diligence within that process. Leveraging these tools helps deliver a fair, open, and unbiased selection process and ensures the chosen system, whether from a top tier or second tier vendor, is the best possible choice for your business.



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ABOUT CAPCO

Capco, a Wipro company, is a global technology and management consultancy specializing in driving digital transformation in the financial services industry. With a growing client portfolio comprising of over 100 global organizations, Capco operates at the intersection of business and technology by combining innovative thinking with unrivalled industry knowledge to deliver end-to-end data-driven solutions and fast-track digital initiatives for banking and payments, capital markets, wealth and asset management, insurance, and the energy sector. Capco's cutting-edge ingenuity is brought to life through its Innovation Labs and award-winning Be Yourself At Work culture and diverse talent.

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