

This year's User Choice Awards demonstrate that quality counts. In a fast-changing market, the top vendors and packages have managed to stay ahead of the pack. But the winners cannot rest easy. With IT budgets deflated, it's a competitive market, and already new faces are moving in...

Hanging on at the top

★ Snapshots and trends both have their place, and with our second User Choice Awards we can see the results in context: who has moved up the list, who has moved down, and the trends that have driven them.

Three of the top five vendors were the same as last time, as were two of last year's top packages. But the winners cannot rest easy. This is a fast-changing market: among our respondents there was no system that had been in place more than three years, and for over half it was only a matter of months.

The top data vendors remain Bloomberg, Reuters and Platts. The top trading platforms too, were all winners last year. But is this stability or stagnation?

Last year's inaugural awards picked up the move to Application Service Providers (ASPs). Openlink was already moving in that direction, and this time – highly commended in both the vendor and the software categories – was SunGard Kiodex – whose offerings are solely web-based. Indeed, 20% of respondents said they preferred an ASP offering.

It is a competitive market. Three quarters of the respondents said that they looked at between two and five vendors when choosing

their current systems, with nearly all the rest looking at six or more.

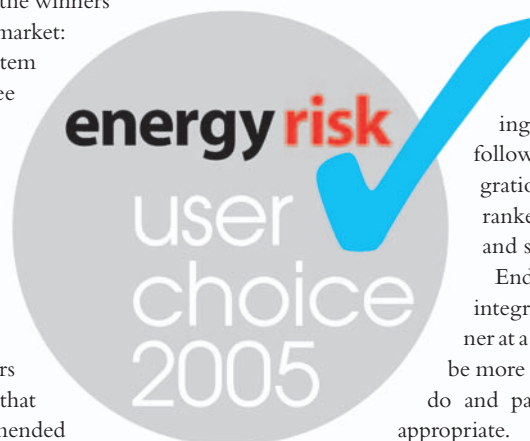
Pricing is also competitive, although one respondent did report a difference of 800% between highest and lowest quoted prices. But there are big budgets out there. Around one-fifth of respondents to

the question reported annual energy risk budgets of over \$1 million, although most budgets have been flat over the past year.

With these budgets, people are looking primarily for system reliability, closely followed by breadth of data coverage and integration with existing systems. These all ranked above speed of implementation, cost and support.

End users still want more honesty and integrity in the bidding process. An IT planner at a Canadian utility said that vendors should be more upfront about what they can and cannot do and partner with third-party experts where appropriate.

There are a lot of users of energy risk systems. One in four of our respondents had more than 100 users in the organisation, while 3% had over 1,000. And IT staff supporting these systems? "Too many", said an analyst from the trading floor of a power generator – but this reply was a statistical outlier. **FR**



“Software costs too much; most risk people can code what they need in Visual Basic and Excel. Coded black boxes are for financial idiots”

Chief risk officer at a US consultancy

“[We need] less marketing hype and more ‘What can the system really do today?’.”

Director at an US energy company

“Vendors need to stop losing people who understand the industry”

Functional architect at a major UK energy company

“There should be more realism about implementation costs and time”

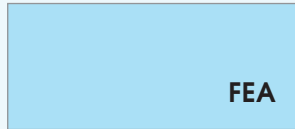
Trader at a major Canadian bank

“Vendors are not using the latest technologies”

Vice-president at a major US bank

Best vendors

Highly commended



Above: **Frank Cummings, president, FEA**



FINANCIAL

Engineering Associates (FEA) develops derivatives valuation and risk analytics software for the energy and commodity markets. Gerald Wilson, business manager at FEA, says that his firm has further developed its leadership by consistently ensuring that the most robust best-of-breed energy risk modelling techniques are implemented and by making use of its highly experienced support and financial engineering staff who interact with key players

in the energy industry on a daily basis. Nine of the top ten US energy companies are FEA clients, as are many major non-US energy companies.

Top packages

Highly commended



Above: **Pascal Hoffmann, operations manager, FEA**



FEA'S

@ENERGY software supplies tools to price intricate energy transactions, to engineer protective hedging strategies and to manage the risks inherent in complex energy portfolios. Pascal Hoffmann, operations manager at FEA, says his company's clients are well placed to meet new regulatory requirements (for example, IAS 39) since all major US auditing firms using @ENERGY's model as a benchmark for independent valuations.

METHODOLOGY

For its second User Choice Awards, *Energy Risk* polled all its print and online subscribers, as well as inviting technology companies to pass the survey to their clients.

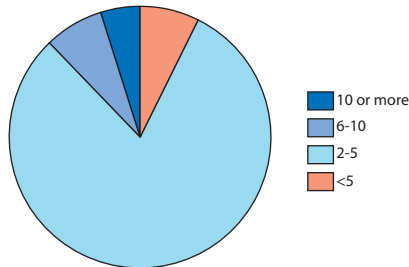
Voters chose their top two vendors, top package, top data provider and top trading platform, as well as answering questions on energy technology.

Energy Risk validated the votes. Submissions without full contact details were excluded, as were those with non-company email addresses.

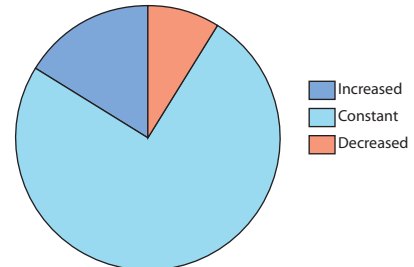
Votes were simply totalled for each category (with two points for first place and one point for second in the top vendor category).

For best vendor, favourite software package and best data source - we selected three winners and two "highly commendeds". For data source and trading platform, markets where there are fewer vendors - we selected two medal winners and one highly commended.

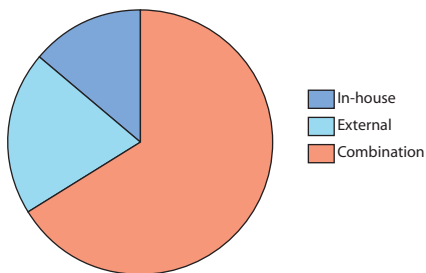
How many vendors did you consider for your last technology implementation (excluding in-house)?



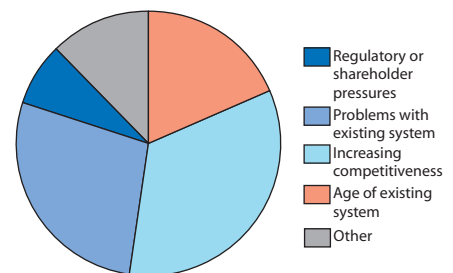
How does your budget for 2005 compare with that for 2004?



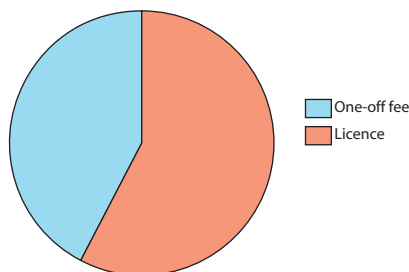
Do you have in-house or external trading and risk management systems?



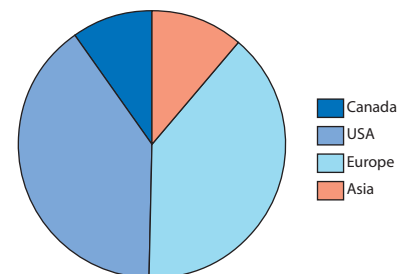
What are the main factors in deciding to implement a new system?



Which do you prefer?



Proportion of respondents by location



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