

New FEA/HOC Joint Development: ProStorage

Interview with HOC's Vipul Chugh

At the recent Energy Risk Congress in Houston, we noted a new joint display booth between NJ-based House of Code (HOC) and FEA. The pitch involved a new system called ProStorage, a new co-developed application that claims to take FEA's models to a new level. The platform extends FEA's gas storage analytics into a multi-user, integrated enterprise platform. By providing direct links between a client's trade capture systems and FEA analytics, "the ProStorage application in its entirety supports the end-to-end management of the client's gas storage business," according to product materials.

The two companies assembled a sort of 20 Questions about the new application and their new relationship and shot it our way to share with *Risk Desk* readers. Having had a chance to see the demo at the recent Energy Risk event, we'd say ProStorage has some legs. HOC Chief Technology Officer Vipul Chugh offered these comments on the new system.

Why did HOC choose FEA as its development partner? Simple, Chugh says: FEA's analytics are used by over 100 companies "and we think they have become the de facto standard in the gas storage industry. Clients produce realistic values with FEA, and have multiple choices in terms of valuations strategies. You can use one-factor or multifactor models, and tweak the models because they have the flexibility for multiple input factors." But FEA's @ENERGY/Storage was heretofore an Excel-based, single trader tool. "With ProStorage, HOC has taken an individual, single-user concept and extended it to the enterprise. Traders continue to use the full FEA @ENERGY/Storage analytics, while middle and back office (as well as the company's auditors for risk and

compliance) can keep an eye on everything that's going on using the ProStorage application," Chugh says.

Although HOC had developed a number of apps for the broad energy sector, for this particular project, the focus was gas storage. Why gas storage? "FEA's gas storage models are highly sophisticated and are delivering real value to their users in terms of better gas storage management strategies, higher asset profitability and risk-management security. Now with more than 45 companies using the Excel add-in version of FEA @ENERGY/Storage, HOC and FEA recognized that the market needed an enterprise-level solution," he says.

Why will customers go with ProStorage? "Ease of integration. ProStorage allows seamless integration of a customer's existing data warehouses and trade capture systems. For example, SunGard's ZaiNet and Nucleus systems, with the FEA @ENERGY/Storage analytics. ProStorage is the only solution of its kind in the market. Other benefits I think our clients really appreciate are the full security layer and Sarbanes-Oxley audit capabilities."

From an auditor's perspective, the ProStorage application produces a highly reliable, clean audit trail because the program has extremely tight security levels, Chugh says. The rights of each user are strictly password-controlled and access can be restricted down to an application's individual data entry fields. This gives the compliance department a high comfort level with the ProStorage audit trail, he says.

Chugh believes that buy-in for the new system extends well beyond the trading group. "While the front-office team are typically the business owners of a ProStorage implementation, the office of the chief risk officer, the CRO, also has a stake in the project because the reason application is being brought to bear is that

throughout the enterprise information about gas storage risk will be equitably distributed. IT departments appreciate that ProStorage is built on an Oracle 9 database framework, a familiar, widely-used platform in the industry. SunGard's ZaiNet is built on Oracle 9. As such IT trusts us when we say 'implementation time is short, and relatively painless,'" he says. "We have taken the time and effort to ensure that the performance of the application is reasonably fast by embedding the application logic in a middle tier. From a technical point of view, all three tiers of this application – front end, middle tier and the database – are optimized for performance. On the database side, we've written optimized objects and finely tuned stored procedures."

What's the key to the ease of a ProStorage integration? The application is built on an open API that accepts a number of different formats, and its flexible platform allows easy data access into and out of ProStorage in multiple file formats. ProStorage uses the report writing capability of the client's systems and has preconfigured interfaces. "We also have report-writing expertise on the HOC team to configure the trade capture report writers to populate Oracle tables," Chugh says.

ProStorage has already integrated with third-party systems such as SunGard's (Caminus) ZaiNet and Nucleus solutions. It's scheduled to test on other platforms, including Openlink, beginning in July 2005.

"We were careful to design the data layer in flexible architecture. Since the start, we have been able to integrate to industry-leading trade capture systems. Implementation involves three steps: 1) Import of data out of trade capture; 2) Configure to client specifications; and 3) Export data from ProStorage back into the trade capture system and data warehouse."

HOC has five employees dedicated to the ProStorage implementation team. One or two members of the team work on each implementation, which can last from three weeks to three months based on a project's requirements. "A big part of the work is writing reports with

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the trade capture systems to get data out from that side. The complexity of these reports depends on how they have been modeled for a given a client. Some are very complex, others not,” he says. “The client may want the FEA analytic output imported back into the trade capture system. This is typically done by ProStorage using CSV, xml or text formats. A key issue on this side is whether or not the client has licensed the import modules from the trade capture system vendor.”

Chugh says that customer feedback so far has been good. “A client recently commented that the application truly helps to control and manage risk. They can use the FEA analytics engines while ProStorage features, such as the ability to store historical snapshots of strategies, allow them to analyze the history of the firm’s storage asset management to see how risk has changed over the last week, month and year,” he says.

“We have also received very positive feedback on the user-friendliness of the application. Traders are the largest community of FEA users and traders just love Excel spreadsheets. For this reason some were hesitant about ProStorage, but when they see that we have migrated the Excel flexibility in the ProStorage application they are very pleased. ProStorage screens are customizable as to what features a user can see, including standard Excel features. ProStorage also provides ‘sticky defaults’ so that once a user has set the look and feel they like, each user can save this as their individual default.”

One final tidbit that the FEA folks mentioned involves licensing terms. Seems FEA is seeing a new trend developing; lately some customers have opted for five-year terms as opposed to the usual three-year agreements – we wonder if other analytics firms are seeing similar trends...

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