

The DESK

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Saturn ETRM: New Platform Alert

For the past several years, we'd not heard much out of Salim Jabbour. We've known Jabbour, a noted ETRM systems adviser/developer, for about a decade. He was one of those forward-thinking guys we used to ping on a regular basis back in the late 1990s and early 2000s about what the next big trend in systems functionality would be. About three years ago he mentioned he had done some extensive user surveys and much research on the future of ETRM systems, and later came up with a huge set of new design concepts. He may have mentioned that he was planning to build the next generation of ETRM system -- fully state of the art. "People deserve better than patched up, hodge-podge systems, considering all the money they've invested..."

We said, have at it.

Earlier this month Jabbour contacted us to announce that he not only had a slick new system he wanted to run by us, but that he also had three rather sizeable customers under contract as well: a big one in the UK, a big one in PJM and a big one out in the middle. He said there were a couple more in the pipeline. Having covered this market -- ETRM systems in particular -- for almost 15 years, we knew it was hard enough to launch something new in this enormously competitive and complex space. But to launch it on the sly and nail three big customers as well? Such hat tricks don't happen too often, if at all. We arranged to have a 90-minute demo of the new Saturn ETRM system earlier this week.

Pretty slick stuff. The Saturn ETRM platform seems to cover a lot of new ground for a strictly Web-based system. Jabbour designed Saturn to cover six main function areas that you might ordinarily find in several stand-alone sys-

tems. He says that Saturn ETRM should be a welcome change for companies that have over the years simply bolted together diverse platforms "and hoped for the best."

Saturn covers 1. Traditional trading/transaction management functionality; 2. Data mining/management; 3. Asset optimization; 4. Risk management; 5. Financial analysis; and finally, 6. Reporting and presentation. As we said, Saturn isn't a slimmed-down version of each discrete function area -- this is no "lite" ETRM system. Ask the early adopters: They've replaced some of the market's most sophisticated trading and risk software with Saturn ETRM.

The demo we saw offered layer upon layer of sophisticated portfolio management functionality we've not yet seen in a platform designed exclusively for the Web. Did we mention it was fast? Jabbour says there's something to be said for new technology and designs generally. His customers now claim speeds *more than 10 times faster* than previous systems for simulations, stress tests and the like. Seems to us you might want to take a look at this platform for that reason alone. He calls the speed aspect of Saturn a true "break-through."

While there are a number of decent Web-based systems out there today, most were originally created for a non-Web environment, and later ported over. (One exception being SunGard's Kiodesx RiskWorkbench.) Here is a fully Webified system, from the bottom up, and also a top seller, particularly among big commercials and hedge funds.

Jabbour says the fact this system was originally designed for the Web adds to the system's overall speed and efficiency. "It's a whole new system, using the most modern language, and state-of-the-art tools. It's faster and more intuitive

than anything else you'll find out there," he says, "because I've had years to analyze what does work among the current offerings and what doesn't work. I've logged thousands of hours talking to users about what they need. And Saturn is what we've come up with. Fast, simple to use, state-of-the-art and entirely flexible. It is the only truly 21st century product available for this marketplace."

He says the system they finally came up with was about three times the size -- in terms of functionality -- than they had forecast four years ago when the platform was first considered. As they pressed ahead, they realized that if they wanted to stay true to the ideal of a fully integrated system, very few features could be left on the cutting room floor. Data mining, front office, middle office, back office, stochastic simulation treasury, scheduling and optimization, mapping and visualization, messaging and notifications and on and on. Jabbour says he logged a couple hundred thousand miles meeting with users, getting different perspectives on their needs. He says the system was "entirely driven by needs. I simply asked, 'Where is the pain?' We focused this system on trying to identify and remove the pain."

Powering up the system, you're first introduced to a fully customizable front end; for example you'll note a few dozen country flags at the lower end of the open screen. By clicking on each flag you're enabling dozens of standards and conversions, currencies, geographic mapping and weather specific data appropriate to each, whether the US, UK, France, Japan or what have you. This hierarchy of geographic and other specifications is pretty straightforward, and going from country to region to zone to local delivery point is very fast and fluid. Set-up, he says, has always been a huge source of pain for new users, so they designed a single place to do everything, all the parameterization and what have you. Simulations can be fully automated; users can set them on a schedule and the system will update market data, develop the necessary simulation parameters (volatilities, correlation factors, etc.), run the simulations and create the reports without any user mess.

One great feature we noted in the parameterization algorithm lets you

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know if data or details are missing for a specific market or zone. Say you received some data from a broker on a specific market. If numbers or any other details are missing, the tool will flag these areas with a unique color block amidst the sea of numbers on your screen.

Full graphical system summary was up in a second or two. Fuel type, age, dispatch, market, on/off cycling, size, technology – all standardized. Another tab brought us to a screen with full load regression capabilities. This was another area they wanted to avoid in the initial design. But since customers would be required to buy and integrate their own software from elsewhere, they decided to build it themselves as well. “Much less pain for the user,” he said. We found it to be very visual and very quick. And all such data can be quickly and easily imported into PowerPoint and Excel.

In the trade area, all the standardized agreements you can imagine are just a click away. For the benefit of trade and risk managers, all contracts can be enabled or disabled on the fly. If you want to know how many deals fall under EEI contracts, click here. GISB? Click here. Need the contacts for each? One click. Export to formatted report? One click. The deal capture area was a snap. Here again, very good use of color to alert you to contract type, including exotics, multi-leg deals, dates, etc. Here again, if you mistakenly input data, whether standard or exotic contract, the system lets you know. Say you enter in the wrong heat rate for a particular plant. The system will read and sync up all parameters and will warn you to any issues, generating automatic exception reports. “One of the key features of the system, one of the main intentions, is to lessen the possibility of making mistakes.”

The Saturn system has a rating agency transition matrix. If you want, you can run a constant counterparty rating simulation, a very nice credit risk feature. Jabbour says they are shoring up additional functionality on potential future exposure (PFE) simulations as well. Adding and refining credit risk management functionality, he says, is an ongoing effort. “Another big area of pain,” he says, one that ties directly into the data mining and analysis and decision support and reporting features of the system.

Saturn was designed to be fully integrated in relation to the five function areas, not partially so. Powerful analytic, simulation and reporting capabilities throughout are a hallmark of the system, he says. All are a click away, from histograms to distributions to price ratios, and hundreds of charting possibilities can be generated on the fly. And you don’t need to be an Excel or PowerPoint genius to figure it out. One click. “Presentations can be painful sometimes,” he says.

Not this time. Saturn ETRM looks to be the real deal. We recommend you make the time to beat this system up yourself. It won’t take long.

In a future issue we will identify the Saturn users and run their comments on various aspects of the system and how it meets market challenges.

We read in a story in *Energy Risk* magazine recently that the current replacement rate of ETRM systems is in the 50 percent range. It’s not that systems are bad, per se, but like every other business cycle, many ETRM systems also have a lifespan. Systems can only be patched together so often before that law of diminishing returns kicks in. To that end, now is about the best time in nearly a decade to consider a new, fully integrated ETRM platform.

Saturn’s developer, Abacus Solutions Inc., is a small, Los Altos-based company that was formed solely to create this platform. Once the company and system are more fully established in the next year or two, Jabbour expects some form of strategic alliance with a large integrated systems shop, one that might be more capable of fully scaling the Saturn solution on a global scale.

For more information or a demo, contact Salim Jabbour at salim.jabbour@abacussolutionsinc.com or call 650/941-1728.