

# A Visit with Eldon Klaassen, CEO of Allegro Development

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Eldon Klaassen, CEO of Allegro Development, is one of a select group of entrepreneurs who can be credited with creating the ETRM and, broader CTRM, class of software. Eldon founded Allegro in 1984 and he has an encyclopedic knowledge of the industry, as well as a clear vision of where E/CTRM software is headed. Anyone who knows him can speak of his continued enthusiasm, as well as his persistence. It was, therefore, a pleasure to spend some time with Eldon on the phone to hear his views on the software category and on Allegro generally.

In terms of market drivers, Eldon believes strongly that users' expectations of E/CTRM software and vendors have gone up as the category has evolved and matured. He points to Allegro's use of agile deployment as a factor in the company's ability to continue to attract customers (Allegro has issued a steady stream of announcements regarding new customers this year). This approach involves deploying the software incrementally, delivering at every step of the way against business objectives such as better productivity for traders, better exposure to market price, and so on. Customers, he states, like this as it provides better business alignment, less disruption to the business and reduced risk. Allegro's ability to utilize agile deployment is, in part, based on its software architecture. This combination allows customers to obtain value quickly and incrementally, he believes, and sees it as an important differentiator for Allegro.

Back in 2007, Allegro took on board a couple of investors—North Bridge Growth Equity and Tudor Ventures—to provide additional capital for growth. According to Eldon, this move has proved to be a good move, and the new board members have contributed to the company's growth. The company also strengthened its management team in 2008 with the objective of being able to scale better as a business. "For the most part, we got this right," Eldon told me candidly. Eldon coordinates this team while trying to get a good sense of where the market is going by talking to customers and helping set product direction.

Allegro continues to have a very direct focus on energy. "Most of the market is energy and we are seeing strong growth across energy markets," reports Eldon. One industry segment that is growing rapidly is the consumer side of the industry. "Some of our customers wouldn't be thought of as energy companies but, if you looked at their energy consumption, they are, in fact, big energy traders with a lot of the same risks and exposures."

Naturally, this prompted a question around delivering ETRM on a software as a service (SaaS) basis as CommodityPoint's study released last year suggested that this industry segment was one in which there was an appetite for SaaS. Eldon basically sees Allegro as being "agnostic" to delivery method saying the decision is with the customer and that Allegro has delivered solutions on customer servers, third-party servers and their own servers. However, "there is still a preference to keep ETRM behind the firewall," and he viewed CommodityPoint's 10% uptake for E/CTRM on SaaS as "about right."

Asked about the future of ETRM, Eldon returned to his focus on the customer. "Evolution not revolution as E/CTRM software needs to be more nimble and faster, easier to install and learn," he said. "If you ask the customer what they want, it's not functions X and Y but a desire for an easier experience in terms of learning how to use and implement the solution."

Eldon sees ETRM as moving into a typical technology transition as customers are no longer willing to put up with an enormous burden to get the software implemented but rather want the process to be faster, smoother and easier. "We have made the transition from early adopters to customers that are much more demanding," he says.

In essence, agile delivery and the right architecture are the keys to satisfying these criteria. "Allegro's architecture allows it to also deliver tools to make extensibility simple in a way that, architecturally, doesn't touch the core code," he reports. "Allegro provides a basis on which to try to solve the whole problem as opposed to just the basics."

As I write this article, Allegro has just announced that it has hired Dragana Pilpovic as Director of Quantitative Analytics. Pilpovic will lead the further development of option models, risk analytics, and functionality for portfolio and asset optimization, as well as work to help customers optimize their utilization of Allegro's analytics capabilities. I suspect that this move is also related to what Eldon is hearing from customers around risk management tools in ETRM solutions and how so few ETRM vendors these days have a quant on staff.

## Bio



Eldon Klaassen is the CEO of Allegro Development, which he founded in 1984. Since the company's inception, Mr. Klaassen has spearheaded the development of Allegro's leading, multi-commodity energy trading and risk management solutions. The company's leadership has been widely recognized, including ranking in the Leader's Quadrant in the 2011 Gartner report, "Magic Quadrant for Energy Trading and Risk Management Platforms," and receiving #1 rankings in the 2011 Energy Risk Software Survey for both Ease of Use & Customer Support.

Under Mr. Klaassen's leadership, Allegro has delivered the most advanced technology, services, support and education to drive value and profitability for its global customer base. The Allegro 8 platform offers functionality across front, middle, and back offices for optimal decision making and improved business process efficiency. With comprehensive management of risk, physical logistics, settlement, and compliance on a single, integrated platform, Allegro provides the most innovative solution available in the ETRM market space.

## About Allegro

Allegro is a global leader in energy trading & risk management solutions for power and gas utilities, refiners, producers, traders, and commodity consumers. With more than 27 years of deep industry expertise, Allegro's enterprise platform drives profitability and efficiency across front, middle, and back offices, while managing the complex logistics associated with physical commodities. Allegro provides customers with agile solutions to manage risk across gas, power, coal, crude, petroleum, emissions, and other commodity markets, allowing decision makers to hedge and execute with confidence. Headquartered in Dallas, Texas, Allegro has offices in Calgary, Houston, London, Singapore and Zurich, along with a global network of partners.

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