



WHITE PAPER

***Utilizing Technology to Improve Trading
Profitability and Reduce Risks***

Prepared by

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Problem – High volatility and rapidly escalating prices challenge trading organizations and stress systems

Volatility in the wholesale energy markets offers great opportunities and equally great risks. The entrance of new players to the space, particularly hedge funds, pension funds and financial institutions, has created new dynamics that have placed unprecedented demands on all companies operating in the market. These new players have brought with them a new trading mentality that seeks opportunity in intraday, inter day, and longer term price movements, both up and down, utilizing market forecast models and program trading that many times ignore the "traditional" fundamentals of energy supply and demand. The presence of such players, many analysts believe, has created price trends across all time periods that are in many cases disconnected from market fundamentals.

In addition to the financially oriented trading shops, new entrants into the market include ordinary investors, individuals who can now trade energy commodities in the same manner that they've traded stocks in the past. The advent of exchange traded instruments such as ETF's, ETC's and ETN's has provided a basis for these ordinary investors to gain exposure to commodities in a way previously not envisaged. Anyone with a trading account and money to invest can trade crude oil, natural gas, coal and other commodities using these highly liquid instruments. New trading participants and increased trading volumes have also encouraged the rapid emergence of a raft of new trade instruments, as well as new exchanges, electronic trading, and exchange cleared trading. This in turn has opened up the possibility of new trading strategies while significantly reducing the barriers and cost of entry to these markets.

As a result of the entrance of the financials and the ordinary investors into the energy markets, new traded volume records are set almost daily on multiple exchanges. Additionally, this new market access has increased transparency and liquidity and introduced new counterparties for traditional traders. However, with the increased volumes being traded by these non-traditional traders, the historical fundamentals continue to be de-emphasized in favor of what are often "black box" strategies.

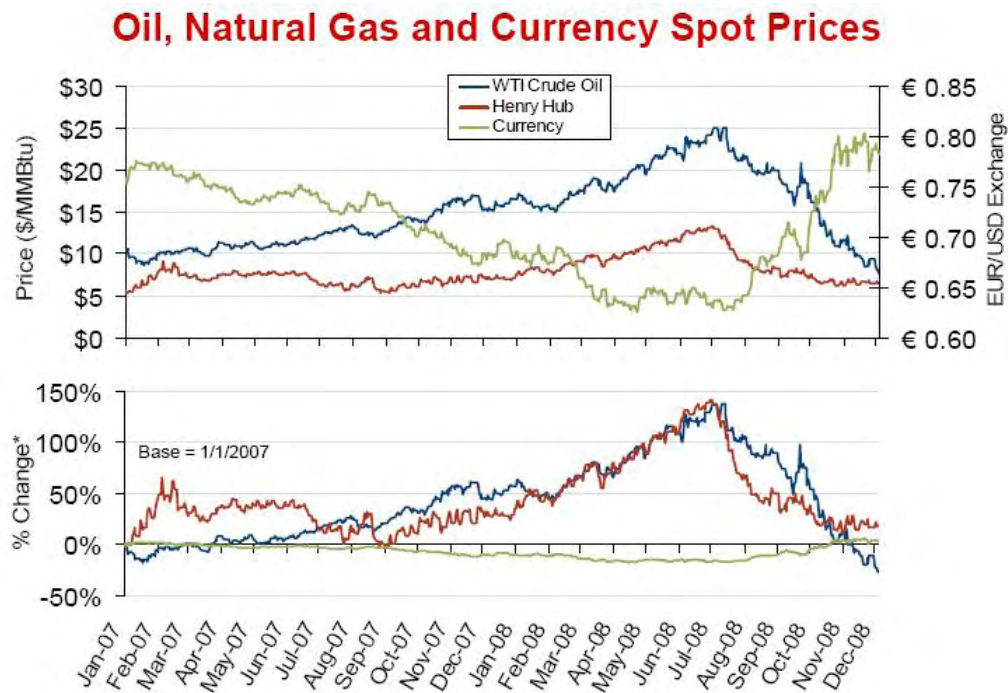
Growing global economic concerns have exacerbated the uncertainty of future market movements in all commodities. Fundamental issues of regional supply and demand tightness for multiple energy commodities, including oil, coal and LNG, are now commingling with an evolving global economic slowdown, one which may dampen demand for energy commodities across the board. Price movements in this environment of conflicting trends are determined less by an informed market, and more by the "non-traditional" energy traders reacting, and potentially overreacting, in real-time to rumors and economic signals that may not be indicative of true market conditions.

Given the dynamics of the players in today's energy markets and their potential for moving those markets - where intraday price volatilities can easily exceed 20% or more, and longer term volatilities surpass 100% - energy traders must exercise increased vigilance in monitoring and reacting quickly to price movements. Positions which were developed based upon historically correct and fundamentally

sound models, which include factors such as weather, supply constraints, and infrastructure maintenance, may no longer be valid or effective.

Additionally, the impact of a volatile US Dollar has been driving even more uncertainty in the energy commodity markets. The weakening dollar over the last several years has led to the rapid escalation in crude prices as the value of the dollar has fallen relative to other currencies over the last two years. In the last quarter of 2008, as the dollar showed signs of strengthening and the global economy weakened, crude prices fell precipitously (Figure 1).

Figure 1¹



Source: Derived from Bloomberg data.

Updated December 5, 2008

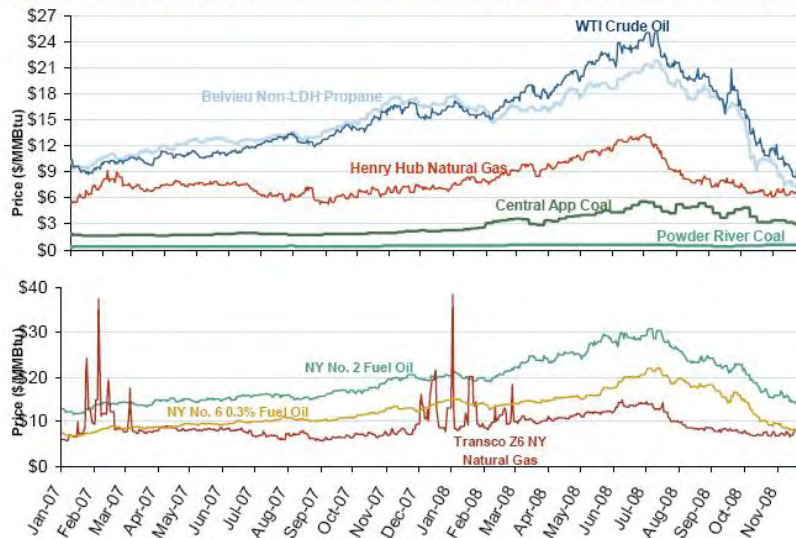
As crude and natural gas prices have shown a strong historical correlation, and as all energy commodities have grown more interdependent, the highly volatile dollar creates ripples across the entirety of the energy commodity spectrum (Figure 2).

¹ OE Energy Market Snapshot – National Version, December 2008, Office of Enforcement, Federal Energy Regulatory Commission, <http://www.ferc.gov/market-oversight/mkt-snp-sht/2008/12-2008-snapshot-us.pdf>

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Figure 2²

Oil, Coal, Natural Gas and Propane Daily Spot Prices



Source: Derived from ICE and Bloomberg data.

Note: Coal prices are quoted in \$/ton. Conversion factors to \$/MMBtu are based on contract specifications of 12,000 btus/pound for Central Appalachian coal and 8800 btus/pound for Powder River Basin coal.

Updated December 5, 2008

The growing interdependency of energy commodities is creating new opportunities in cross product hedging and speculation for energy traders. Recent surveys by UtiliPoint indicate that the vast majority of energy trading shops have increased the number of energy commodities traded, and in many cases have widened their reach to include non-energy commodities such as metals and softs.

However, this new multi-commodity environment has stressed these traders' ability to monitor and react to market changes. Rapidly changing prices and the resultant impacts on multiple books within their trading portfolios places unprecedented demands on traders and the systems they utilize.

Balancing Market Agility with Necessary Control

In this evolving and volatile market, traders must be agile and able to seek out, analyze, and quickly execute opportunities to not only improve their upside, but also to limit their downside exposures. Their toolset must include energy trading and risk management (ETRM) systems that can capture information in real time or near real-time, facilitate rapid physical commodity balancing, provide consolidated physical and financial position management, and near instantaneous insight into multiple markets through improved business intelligence and analytics.

However, the necessity to accelerate market insight and responsiveness comes on the heels of new legislative, regulatory, and market-driven governance initiatives which have forced companies to re-examine their internal policies and procedures. New rules and regulations require that adequate

² OE Energy Market Snapshot – National Version, December 2008, Office of Enforcement, Federal Energy Regulatory Commission, <http://www.ferc.gov/market-oversight/mkt-snp-sht/2008/12-2008-snapshot-us.pdf>

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controls be established in both business processes and technologies to monitor, and in many cases prevent, behaviors that could damage shareholder value.

This dichotomy of facilitating agile decision making and action, versus the necessity for maintaining adequate control demands a new technology paradigm. Comprehensive solutions based on new architectures provide better integration, better connectivity, and improve business process flow, analytics and reporting capabilities.

It starts at the Trade

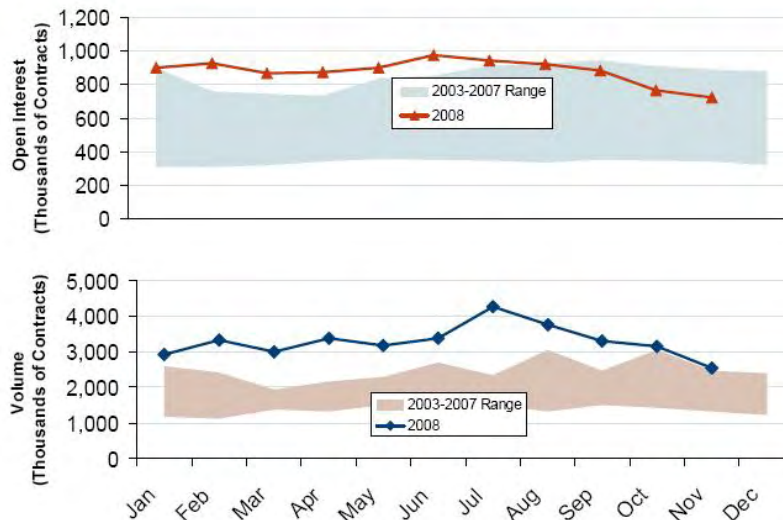
When physical gas began being actively traded in the post-FERC 636 era, traders had a single channel for deal execution – the phone. Trading was a process of “dialing for dollars”; traders would go down their phone contact lists, seeking out buyers if they were long or sellers if they were short. A trader’s ability to maximize their profits was limited by the number of calls that they could make in the hour or two when the majority of deals were done. With the advent of the online trading exchanges in the late 90’s, starting with systems such as Altrade, traders had an additional channel for price discovery and deal execution. However, with a limited number of trading points and products available on the early exchanges, many traders used them only as price discovery tools. While these traders had the exchanges available to them, when it actually came time to make a bid or an offer, many looked at the screen and picked up the phone.

Today, the leading exchanges include The Intercontinental Exchange (ICE) for many physical energy commodities and associated pricing products such as options and swaps, and NYMEX serving as the primary financial exchange. These on-line market places have expanded their market coverage and derivative products, helping drive increasingly larger numbers of traders and transactions to their systems.

NYMEX has certainly been a beneficiary of the increased activities brought about by the entrance of the financial players. Trading volumes continue to rise, with each month seeing new records. Open interest in futures contracts were at or above all time highs for much of 2008, having fallen off only in the last quarter as the effects of the financial crisis took hold (Figure 3).

Figure 3³

NYMEX Natural Gas Futures Month-End Open Interest and Total Monthly Volume



Source: Derived from NYMEX data.

Updated December 5, 2008

However, even with ICE's growing list of products, including more than 70 fairly liquid trading locations for physical gas, the majority of the physical transactions continue to be directly negotiated, bilateral transactions. While virtually every trader is aware of the current prices posted on ICE, for a variety of reasons, including non-listed locations or odd sized lots, they often continue to reach out directly to their trading partners via phone or instant messenger in order to consummate trades.

One of the technical limitations standing in the way of wider adoption of ICE as the primary trading channel is the lack of integration of the exchange into the trader's wider information infrastructure. While ICE has provided tools for interfacing their system to a trader's ETRM system, that interface has only been provided for completed deals from ICE to the users' ETRM system. Essentially, for deals done on the exchange, this interface transfers the process of deal capture from the ETRM system onto the ICE screen. Traders need to have multiple desktop windows open, one for ICE and another for their ETRM position screen, and shift their attention back and forth between the two in an attempt to identify opportunities in potential location/volume/price matches. Once an opportunity is identified and the deal information entered and committed on ICE, the completed deal can be transferred to the trader's ETRM system. However, without a singular view of the market and the trader's position within that market, there will be delays in the

³ **Federal Energy Regulatory Commission Website**, www.ferc.gov/market-oversight/mkt-gas/trading/ngas-tr-fut-end-vlm-oi.pdf
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analysis/decision/execution process that must occur with every transaction. This delay can and will result in lost market opportunity.

Elimination of unnecessary steps in the decision / execution / analysis process

Given the rapid price movement inherent in today's markets, energy traders must be operating in as close to real time as possible. Latency introduced into the trading cycle by poorly integrated and outdated ETRM systems will create blind spots for traders. Deals must be captured as soon as they are committed and those commitments must be incorporated into that trader's position as quickly as possible.

Real-time use begins with the ability to quickly capture the critical components of a deal. Traders must have access to screens that facilitate easy and intuitive data entry, allowing the fewest key strokes necessary to capture the requisite data representing the deal. Post-deal capture, the ETRM system must facilitate improved process flows that allow the deal to be appropriately classified, categorized, and valued for position management purposes. Only then can the trader see and analyze the physical and financial impacts of that transaction, resulting in the ability to improve or reduce the risks of that position.

Real-time position management with instantaneous updates of both prices and volumetric positions

In today's trading environment, older ETRM systems are proving inadequate. Systems deployed utilizing older architectures, such as client/server technology, do not allow for continuous updates as new transactions are captured. These older systems require users to continuously execute system processes and refresh screens in order to see the impact of newly committed deals, and as a result, the information seen across the organization is only as good as the last screen refresh or process run. Clearly, given this limitation, client server technology is inadequate for a high volume trading organization.

Systems based on new Service Oriented Architectures (SOA) offer the ability to "push" information to the desktop, enabling each interested user to instantaneously see the impact of every transaction. Without the advantages offered by SOA, trading floors cannot begin to achieve the goal of operating in real-time in today's energy markets.

Rapid, on demand calculation of key risk metrics including financial exposures, credit exposures, Value at Risk (VaR) and Profit at Risk (PaR)

Technical limitations of non-SOA systems have prevented accurate and real-time tracking of the many risks involved in commodity trading. Extreme price volatility, combined with the ongoing financial crisis, demands that trading systems are able to provide current, not end of day (or even next morning), risk metrics. As new trades are committed, or should prices move unexpectedly, Value at Risk (VaR) and Profit at Risk (PaR) will be impacted and those impacts must be known in order to limit exposures that could exceed established limits.

Traditionally, the best available measures of VaR and PaR were at least hours old as the processes for calculating those metrics were not "kicked off" until the close of the trading cycle, ultimately providing little more than a scoring of the day's activity. Client-server and other traditionally architected systems have proven inadequate in providing the computational resources required by these metrics.

New SOA-based systems, and particularly those utilizing a Grid Computing environment, are now able to expedite the calculation of these key metrics. Trading floors that have deployed the latest generation systems can now see, within minutes, the impacts created by the movement of any of the multiple market variables. The best of these systems also provide the opportunity for traders to input and view the potential impacts on VaR, PaR and credit risk of prospective deals, giving those traders an improved portfolio view of their business and helping to ensure compliance with risk policies and limits.

Traditional systems and business processes are insufficient in this environment

In faster moving and more volatile energy and commodity markets, ETRM software must be responsive, scalable and adaptable. These systems need to support new trading instruments, exchanges and trading strategies, and do so more quickly than in the past. In order to support the demands of rapidly changing markets and more complex trading, ETRM software must be architected to provide true Straight Through Processing (STP) capabilities and workflow support to increase market visibility, help reduce errors, improve oversight and limit potential abuse. Workflow involves streamlining and automating business processes so that authorizations, approvals and limits, for example, are all handled seamlessly by the system. These workflow improvements are increasingly essential as trading firms require enhanced controls such as security of access to data, documentation, and more checks and balances throughout the business process. These controls must be part and parcel of their ETRM software.

The user interface should be graphical and complete with intuitive ad hoc report development and drill-down capabilities. In many deployed ETRM solutions, risk management is simplistic and provided via third-party tools and add-ins. Risk management in today's markets is a key area of concern and solid stochastic risk measures should be central to the ETRM solutions. The risk tools should be easy to use, include stress testing and what-if scenario capabilities, and be responsive, allowing for intraday/intra-period portfolio measurement.

In order to provide the features and functions necessary to support traders in the new environment, Service Oriented Architectures are increasingly being adopted by ETRM software vendors. These new architectures provide scalability, responsiveness, adaptability and connectivity. The integration of these architectures has so far been the key to vendor innovation in providing the tools clients need and, increasingly, demand.

Integration of ETRM Solutions and On-line Exchanges

As the energy commodity markets are growing more complex, with increasing interdependency amongst commodities and price volatility escalating financial risks, trading on exchanges, such as ICE and NYMEX, is gaining in popularity as traders seek to hedge long positions or take advantage of arbitrage opportunities. Given the extreme sensitivities of the energy markets to rapidly evolving economic concerns (and even rumor), the opportunities to take advantage of price inefficiency between exchanges or amongst interdependent commodities are increasing.

Recently, new technologies have emerged that allow traders to consolidate multiple exchanges down to a single screen in order to more effectively identify these opportunities. For the traditional energy traders, it's difficult to compete effectively against the new generation of arbitrage traders without similar capabilities, and it is virtually impossible if one is forced to utilize a traditional ETRM system for position management while simultaneously reviewing multiple screens.

Interfaces are insufficient

UtiliPoint research has shown that the majority of trading shops utilize more than a single monolithic system for managing their trading activities. In fact, most trading shops will deploy multiple systems, up to eight or more, to handle the management of counterparty agreements, capture trades, manage, value and analyze positions, interface to markets, capture pricing data, and manage accounting information.

Even the most functionally comprehensive system available today requires multiple interface points within and outside the organization, such as interfaces to corporate accounting or ERP systems, price feeds, ISO market interfaces, on-line exchanges, risk analytics engines, and asset management systems.

Historically, integration of older technology ETRM systems to these various data points implied development and maintenance of point-to-point coded interfaces, generally requiring manual or automated processes to move the data from one system to the other. These interfaces are difficult to code, expensive to maintain, and prone to failure.

The advent of SOA and the use of web services based on XML has revolutionized the speed of deployment of these interfaces and brought about improved reliability. Data can now be transferred based upon events, without relying on manual intervention or a timed process. This capability is an absolute requirement in order to achieve real-time or near real-time trading.

The "Next Gen" Technical Architecture that Enables Zero Latency Transaction

In addition to providing the scalability necessary to support new trading instruments, new exchanges and new strategies, ETRM systems must facilitate the rapid, and ideally, instantaneous capture and processing of transactions. As deals are committed by traders, regardless of the channel they've used, those deals must be reflected in an updated position as quickly as possible.

This can only be achieved if the system facilitates rapid deal capture of voice deals and provides for seamless integration of exchange based deals.

However, rapid deal capture, in itself, does not address all the necessary aspects required for a real-time trading environment. As previously mentioned, ETRM software must be architected to provide true Straight Through Processing (STP) capabilities and workflow support in order to reduce errors, improve oversight and limit potential abuse. Configurable workflows can provide not only unobtrusive controls and limits, but can also assist in automating many of the internal system processes that may be necessary to advance data through the system, accelerating information retrieval and providing up to the moment information to the trading floor.

Reporting has traditionally been a weakness of ETRM software which often arrived with a third-party report writer, a few hundred template reports and the potential for a large consulting bill for building more and more reports. Again, in fast moving and complex markets, users need to access information quickly and efficiently. Some modern ETRM systems are equipped with ad-hoc reporting capabilities that provide each user, or group of users, the ability to prepare reports "on the fly", improving information retrieval and, ultimately, decision making.

The adoption of Service Oriented Architectures by many ETRM software vendors is enabling the development of the latest generation of applications necessary to operate in the increasingly complex and fast paced commodity trading environments. These new architectures provide scalability, responsiveness, adaptability and connectivity, and provide the foundations for the constant innovation required by users in today's markets.

While many ETRM vendors have migrated, or are in the process of migrating, their application architectures from a client/server model to n-tier and Service Oriented Architectures (SOA), few have been successful in completely re-architecting their systems. Allegro Development is one of those vendors that adopted the new technologies early and has been successful at moving the entirety of their functionality and creating a true SOA solution built around a componentized, fully web-enabled architecture.

The benefits to the users of these recently available architectures deployed by ETRM vendors like Allegro are substantial:

- Connectivity that allows integration with enterprise applications, external data feeds and provides the basis for constructing a true best-in-class suite of fully integrated ETRM applications;
- Enhances scalability of the ETRM software through the easy addition of processing power;
- Provides the basis for the integration of workflow and business process management tools, audit and document management capabilities;

- Allows for enhanced reporting functionality via the addition of a reporting application or using the vendors' own reporting capabilities. Some of the vendors are now offering drill-down reporting complete with graphing and mapping features;
- Enables the vendor to build in more configurability, allowing the package to be customized for each users' particular environment and culture, thereby enhancing implementation success rates and allowing the vendor to pursue a traditional software vendor business model more easily;
- Enhances the vendor's ability to keep up with industry changes by allowing them to break the application up into smaller modules of more discrete functionality;
- Enhances the support and maintainability of the ETRM application.

Grid computing increases value of analytics by reducing processing time

While SOA and web-enablement provide improved work flow management, better scalability, and more intelligent integration methods, without the necessary processing horsepower behind the system, users may still be faced with significant processing delays as the systems grind through complex algorithms associated with data intensive analytics such as Value at Risk (VaR) calculations. As time horizons increase and the number and nature of energy commodity products grows wider and more complex, even the most modern architectures can be brought to a crawl when performing complex analytics across a large book or portfolio.

Recent innovations in Grid Computing have helped solve this processing lag by distributing the computational load across multiple machines in a network. Grid computing, when properly implemented, can allow the systems to seek out underutilized resources and employ those machines in executing data intensive calculations. The key to the proper implementation and optimal functioning of the grid is the ability to load balance that network - intervene in the grid to ensure no single machine is overburden and none are underutilized.

Overview of Allegro 8 – One of the Most Technically Advanced ETRM Solutions Available

Interactive Trade Environment (ITE)

Allegro's innovative Interactive Trade Environment (ITE) provides Allegro 8's users the opportunity to interact directly with all the leading derivative exchanges (22 in all, including NYMEX, ICE, and CME) from within the Allegro 8 solution. This direct interaction allows traders to not only view, analyze and execute trades from within Allegro's system; it also provides the ability to perform instant "what-if" analysis of bids and offers on those live markets, facilitating the optimization of positions and strategies.

In addition to straight bids and offers, the ITE offers the ability to submit market/limit orders to the exchanges, and once the orders are accepted, the trade is captured in real time and Mark-to-Market (MTM) is immediately updated.

Strategies, such as hedge, speculative, or basis, can be created and then further defined, such as forward or swap, and objectives can be defined, such as target profit or maximum allowable loss. Once developed, the strategies can then be optimized based on items such as position liquidation, risk management via trading limits and liquidation metrics such as market value and market risk. Optimization will identify the most efficient means for satisfying positions via evaluation of each long and short position and calculation of available alternatives.

Additionally, ITE offers the ability to simulate a multitude of variables such as price, basis, volatility, quantity, currency and weather. This simulation provides the ability to stress test portfolios by defining various market scenarios and simulating the portfolio impacts. This allows users the opportunity to observe their portfolio's risk behavior under varying market conditions, such as rapidly escalating FX markets or weather that is warmer or colder than anticipated.

Once the portfolio has been optimized and simulations have been satisfied, the portfolio's long or short positions will then route through the commitment and authorization phase, where the criteria for execution will be established, such as screening the strategy for limits and approval via risk management, credit and logistics criteria, and determining the execution method. Fully authorized strategies can then be executed in the live markets, where bids and offers are automatically matched to the strategy orders and are executed on the exchanges. Once executed, the deals can then be automatically downloaded and confirmed.

Using this innovative and market-leading technology, traders can gain a comprehensive and complete view of the marketplace and a competitive edge through automated optimization, simulation, and execution of their trading strategies. The ITE accelerates traders' ability to interact with the market and eliminates latency in the decision and execution process, ultimately leading to improved profitability.

Real-Time P&Ls, Exposures and VaR

Allegro enables users to calculate an accurate book or market value for virtually any asset or transaction. Allegro tools measure and monitor risk including Mark to Market, Value at Risk, credit, and volatility positions. Users can study sensitivities and simulate impacts on actual and proposed positions. They can gain an intuitive grasp of real-time trading activity against positions and potential dispositions within constraints such as Value at Risk and credit limits. Users can rapidly develop "what-if" scenarios to optimize choices and immediately respond to changing market conditions.

Allegro's approach to risk management addresses risk as three facet elements: Operational, Market and Credit. They have implemented solid measures within their solution to account for each of these elements. For example, here are some of the features of Allegro 8tm:

- Operational Risk – Allegro has implemented a security component: audit trail columns to ensure the full integrity of the data.

- **Market Risk** – The system provides automated interfaces to Platts, LIM, Global View, and others. Allegro 8 offers both delta-Normal and Quadratic VaR, Simulation events, Hedging, Greeks, Position Reporting (P&L). The system provides several VaR methodologies, including Risk metrics, Variance/Covariance, Historical Simulations, and Monte Carlo VaR. The system also provides a robust Credit VaR (CVaR) calculation.
- **Credit Risk** – The ability to capture contracts, limit monitoring and violation reports, Credit Exposure, Collateral tracking, automated interfaces to Credit Ratings agencies, and the ability to compute exposure using Netting and Setoff across contracts.

Blending of physical and financial portfolios

Allegro has been designed specifically to service multi-commodity trading environments. This means that the software is not limited by commodity or trade type. Current customers use Allegro for both physical and financial trading in all energy related markets as well as other commodity and non-commodity trading markets.

Allegro's solution manages all energy commodities including electric power, gas, refined products, coal, crude oil and NGLs.

The system can capture physical deals, including internal transactions for inter-book and inter-company deals and physical exchange deals. It can also capture any type of financial deal, such as options, swaps, futures, forwards, FX and interest rate deals, weather derivatives and emissions trades; in addition to the ability to model vanilla and structured options.

Technology Enabling Competitive Advantage

Allegro has consistently been a market leader in the adoption of technologies and architectures that provide tangible benefits to their customers.

Allegro's Service Oriented Architecture (SOA) allows and enables their product to change and expand as their customers grow within their markets, adding functionality and facilitating rapid integration of collaborating services by standardizing and modularizing business functions.

Allegro's enabling technologies, .Net and web services, allow the system's components to stand alone or seamlessly combine in any desired combination. Together, Allegro's components comprise a flexible integration platform on which Allegro solutions are built, making the solutions easier to design and build, quicker to deploy and easier to modify.

Grid computing links together many relatively inexpensive computers in a networked grid and distributes process intensive applications among them to enhance power and reduce the time needed to complete a critical job.

Grid computing is crucial to managing real-time valuation, optimization and other advanced capabilities. Every time there's a change in physical quantity, price, volatility or other factors, grid computing easily distributes massive and widespread recalculation because virtually all

factors are interrelated. Constantly repeating these rapid calculations in real-time becomes a reality with grid computing.

Allegro has successfully integrated with hundreds of third-party and internally-developed solutions. Examples include, but are not limited to, market communication tools (nMarket), e-tagging systems, financial systems (SAP, Oracle), market data feeds (Platts, NYMEX, LIM, Reuters), pipelines, valuation models (FEA) and other complementary systems.

Allegro provides industry standard XML based connectivity between Allegro and other systems. The system's connectivity solutions can be used for interfaces, data conversion, automated processes, invoking web services, and importing or exporting data. Connection procedures are code independent - they do not require software modifications in order to be added, deleted, or altered. Successful creation of connection procedures requires only a basic knowledge of the data structures involved in the connection.

A Deep, Proven Customer Base

Given Allegro's multi-commodity, physical and financial capabilities, the company has been very successful in capturing market share across multiple industries. They have proven their capabilities in servicing a broad range of clients, from smaller industrial commodity consumers to the many of the largest corporations in the world. In fact, the world's largest energy company relies on Allegro to manage their energy trading operation.

Allegro's client base spans exploration and production (E&P), refining, marketing, utilities, trading, retail, and consumers.

A Global, Stable Provider

Allegro was founded in 1984 by current CEO, Eldon Klaassen. Since its inception, Allegro has maintained a balance of evolution and innovation while providing customer-focused solutions that deliver a measurable return on investment.

Since 1984, Allegro has evolved along with the unique business processes and practices of the energy industry. Striving to stay ahead of the market's needs, they have anticipated and responded proactively to changing cross-market and cross-commodity market demands. Anticipating oil and gas spot markets in the mid 1980's, Allegro delivered functionality that enabled their customers to identify and adapt to emerging opportunities. Early in the 1990's, Allegro strengthened their software's energy marketing capabilities in advance of the deregulation of energy commodities. Most recently, they've enabled energy traders to stay focused on their core strategies by simplifying and reducing their cost of compliance with FAS 133, IAS39, and Sarbanes-Oxley regulations.

Solely focused on energy and commodity markets, Allegro is now in its eighth major software generation in 24 years. The Company continues to deliver on its strategic roadmap and generate

consistent growth as a privately held enterprise. As a result, the Company has been able to maintain a strong commitment to the long term needs of its customers.

Allegro has extensive experience in providing solutions to the energy industry. The company's clients include generation and transmission companies, power and gas marketers and utilities. These companies use Allegro to manage many business processes including fuels procurement, transaction and risk management, natural gas operations, power operations, scheduling and energy accounting. Allegro services its customer from offices in Dallas, Calgary, Houston, London, Madrid, Singapore, Rotterdam and Zurich.

The company has consistently been recognized as a leading vendor in the ETRM space; from both a technological and functional market perspective. Allegro was also one of the first ETRM solutions to move to XML web services - the recognized global standard.