

WELCOME TO A NEW WAY TO MAKE DECISIONS IN THE ENERGY INDUSTRY

A COMPELLING CUSTOMER SUCCESS STORY

PROBLEM OVERVIEW

A Super Major Energy Company's Commodity Trading decision process was stuck in the past. They were using dozens of spreadsheets, all linked by different equations and detailed programming. Despite using an ETRM/CTRM system, they struggled to make the best decisions on a daily basis, given the constant changing landscape of the market space.

CHALLENGE

The client struggled with addressing problems caused by sequential decision making between origination and fulfillment, thus failing to achieve the following:

- 1** Optimize origination and new customer bids across regions, including which demand to prioritize based on strategic metrics such as profitability and risk
- 2** Identify and optimize opportunities for cross-commodity arbitrage, considering two commodity conversion (both ways), import/export markets, storage, and terminal capacity available
- 3** Understand the impact of different plans given the uncertainty of inputs and prices, and ultimately determine the appropriate risk management strategies
- 4** Optimize pipeline nominations across different pipelines and by segments
- 5** Optimize arbitrage opportunities, including contract fulfillment from spot market
- 6** Optimize asset scheduling

SOLUTION

River Logic was selected as the technology solution that best met the client's needs. A model was constructed that represented all existing contracts. This includes prices, penalties, spot and the entire value chain for a natural gas commodity. It covered a planning period of 6-8 months in daily intervals. The solution evaluated and optimized commercial and logistic decisions simultaneously for maximum profit contribution. They calculated key metrics such as pipeline utilization by contract and P&L by commodity type. Trading groups now use the solution via intuitive web user interfaces, while the back end integrates with the customer's ETRM/CTRM platform.

IMPACT

- In the first two months of use, over **\$30M USD in additional profit was identified**
- Traders were able to **evaluate potential opportunities faster**, leading to the capture of previously difficult trades and significant new revenues
- Established an overall expectation of **5-8% of revenue in profit improvement** and 2-5% revenue growth
- Established a clear mechanism to **understand and benchmark performance of traders**.

REALIZED VALUE FROM **RIVER LOGIC SOLUTION**

- › Improve process efficiencies, eliminate spreadsheets, and allocate resources more effectively
- › Reduce Cost-to-Serve by as much as 10%
- › Reduce General and Administrative expenses by several millions
- › Reduce working capital and inventory by as much as 20% and gain confidence in your inventory data
- › Avoid making gut decisions by leveraging a non-biased prescriptive analytics model that fully represents your end-to-end business

FINALLY, GET YOUR MOST **IMPORTANT QUESTIONS ANSWERED**

RIVER LOGIC: WE'RE MORE THAN ADVANCED ANALYTICS

- › What is the most profitable way to get our product to market, such that we minimize cost and meet service levels, especially during market disruption?
- › How can we maximize profit by understanding what bottlenecks across our end-to-end value chain or constrains our profit?
- › How efficiently can we fulfill a need, despite ever-changing market price?
- › Instead of simply fulfilling demand to cut costs, where can I most economically deploy my assets to fulfill demand for profit?
- › When considering all our projects simultaneously, what is the best way to use money allocated for new asset investments? From where should we buy what, and at what price can we afford?
- › How can I balance trade-offs between working capital inventory and service levels so that I am confident in the inventory I have at hand, while reducing costs where possible?

- › Fully and accurately model your business processes, resources, constraints, variables, and objectives across your end-to-end value chain
- › Understand how to maximize your profit by loosening/tightening constraints, altering one or more objectives, and adjusting flexible variables
- › Have a clear picture of where value is made and destroyed across your value chain within a highly disruptive market
- › Leverage financial ratios as either constraints or objectives (desired KPIs) in your prescriptive analyses in order to boost financial performance

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