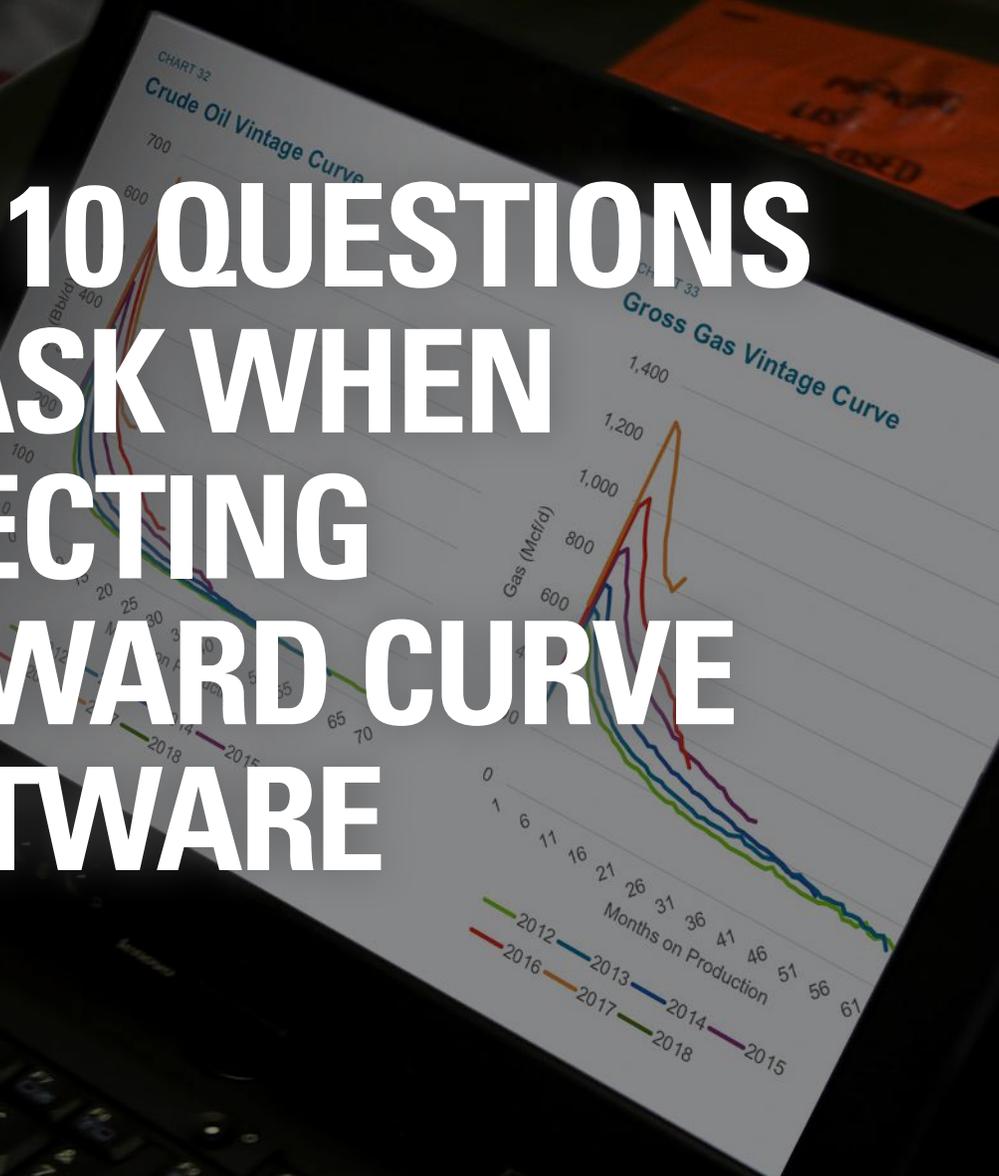


TOP 10 QUESTIONS TO ASK WHEN SELECTING FORWARD CURVE SOFTWARE



drillinginfo

better, faster decisions

Managing and utilizing accurate forward curves has become a critical aspect of commodity trading and risk management.

Forward curves are becoming more important as part of risk management and trade evaluation strategies. Companies are moving away from building in-house excel-based forward curves and choosing to collaborate with third-party software providers.

What should energy traders, analysts, and risk management officers take into account when selecting curve builder software and approaching software vendors? In this paper, we look at a top 10 list of questions to ask when choosing a third-party software company.

[Learn more at drillinginfo.com](https://drillinginfo.com)

HERE ARE THE TOP 10 QUESTIONS TO ASK WHEN SELECTING FORWARD CURVES SOFTWARE

1. Are you collaborating with a company with a proven track record?

Forward curves can have a major influence on all elements of energy trading – from risk assessments to investment decisions to trade evaluation strategies – and is also a dynamic process with changing input and output requirements. Selecting the right forward curve software supplier is a major decision and it's crucial that you opt for a company with a proven track record of success.

Does your curve building software cover all assets, methodologies, and regulatory regions? Is it easily integrated with other data management systems? What successful applications can you point to? How secure is your business and will it be around in five years' time?

These are just a few questions you might want to ask to increase confidence in your decision.

2. Is your software generating forward curves from the right data sources?

Forward curves can be generated from multiple data sources with the right data source depending on the needs of each energy trading company. While publishers' data that combines multiple sources of market data might be effective for one trading company, the timeliness of the data delivery might be an issue for another. Data from exchanges also typically does not include over the counter (OTC) transactions.

There are important distinctions between curves based on market assessments, such as those from publishers, and curves based on settlement prices – often based on single markets and constrained by the liquidity in those markets. Make sure that your software curves are incorporating data from the sources and methodologies that work for you or – if not – make sure that the curve building software you opt for can be customized accordingly.

3.

How timely are my curve calculations?

The timeliness of curve calculations is key with many energy traders today needing to access forward curve calculations in real time, rather than at the end of the trading day.

Intraday calculations can also be crucial. Make sure that your forward curve application has the ability to deliver real-time data – often a key market differentiator for the energy trader – as well as build new curves based on any event, such as a correction or new data arrival.

4.

Can my software cope with change?

The global commodity market is in a permanent state of flux with required modifications. For example, infrastructure adjustments for the export of oil by the U.S. so that it coincides with gas price movements would need to be reflected in your forward curves.

These dynamics often require logic changes in how forward curves are calculated. Make sure that any software you adopt has the flexibility for seamless logic changes and point-in-time abilities, if required. A number of software applications are also adopting artificial intelligence to predict such changes.

5. How user friendly is the forward curve interface and can I ensure quality in the curves generated?

It's difficult to overlook the huge increases in disparate data volumes when it comes to forward curves, as well as the different variables.

Make sure that the forward curve software you select includes the necessary visualization tools so that you can easily access and draw upon data via the desktop. Such data is also particularly pertinent for intraday trading where crucial investment decisions based on an accurate view of the market and emerging trends often must be made immediately.

Quality is also important and ideally your software partner should have rule-based checks for all curves as well as the ability to calibrate each curve point.

6. Can my forward curve software be integrated with existing data systems and scale, if required?

It's vital that your existing data input system can link up with the curve building application and that the application in question has the flexibility to scale, as complexity increases – through additional central processing units (CPUs), for example. Ensure that the software you choose delivers end-to-end connectivity across different IT architectures and, if there are no off-the-shelf solutions providing this, that you identify the necessary Application Program Interface (APIs).

In the case of many energy traders, there needs to be an interface with existing database management systems for both real-time data and end-of-day input data and link with the energy trade risk management (ETRM) platform.

7. Is there transparency on how the curves are calculated?

Transparency is essential when it comes to forward curves. Which curves are based on actual market trades and which are based on settles? Which curves incorporate market assessments? What about OTC settlements? What percentages of such curves are liquid? What are the methodologies around which such curves are modelled?

Energy trading companies need answers to these questions and more. Any forward curve data provider must offer such transparency in both its methodologies and modelling techniques.

8. Can a comprehensive audit trail be generated?

Whether it be meeting regulatory requirements or putting internal procedures into place, such as disaster recovery plans, a comprehensive and transparent audit trail around forward curves is very important, outlining how trades are made, when, and why.

Ask whether changes made to the curve definition can be retained for auditing purposes and ensure that an audit trail is generated to cover all curve calculations. With the latest forward curve software, price data can be verified, modified, transformed, and manipulated to produce any number of derived curves in an automated manner, providing a complete audit trail in the process.

9. What security and access controls are in place?

Another important issue concerns the security of your forward curves. What are the controls on your curves? Can you identify who made any changes to the curve inputs or methodology?

Any curve building application should have robust but not over-the-top security protocols, logging any changes to curves and have strict access protocols.

10. What security and access controls are in place?

Finally, it may seem like stating the obvious but it's important that the whole team is on board with your forward curve software selection.

Traders need to have confidence that the new system accurately reflects the market and provides the necessary real-time data; risk managers need to know that the system is regulatory compliant, fits alongside existing risk strategies, and generates a transparent audit trail; and the management board needs to know that the software is making a genuine impact on operational practices and the financial bottom line.

Selecting **Your** Forward Curves Software

This paper covers just a few questions that will help guide you in selecting a forward curve application. Make sure that the software you choose is right for your specific needs in terms of trading strategies, risk policies, and forward-curve usage. Adopt a systematic and methodical approach in your selection to ensure you get the best real-time forward curve management and profitable, reduced-risk trading.

Drillinginfo delivers business-critical insights to the energy, power, and commodities markets. Its state-of-the-art SaaS platform offers sophisticated technology, powerful analytics, and industry-leading data. Drillinginfo's solutions deliver value across upstream, midstream and downstream markets, empowering exploration and production (E&P), oilfield services, midstream, utilities, trading and risk, and capital markets companies to be more collaborative, efficient, and competitive. Drillinginfo delivers actionable intelligence over mobile, web, and desktop to analyze and reduce risk, conduct competitive benchmarking, and uncover market insights. Drillinginfo serves over 5,000 companies globally from its Austin, Texas, headquarters and has more than 1,000 employees. For more information visit drillinginfo.com.