

«Having carefully scanned the market for OpRisk Management Systems we selected Avanon as a mature solution to meet our business requirements. Avanon provided professional support to complete the project within time and budget»

*Margarete Hippler, Operational Risk Manager
RWE Supply & Trading GmbH*



RWE Supply & Trading has a comprehensive Operational Risk Management solution for the entire organization

The Avanon System offered RWE Supply & Trading an excellent fit to address the diversified organization and requirements for Operational Risk Management and Compliance. Avanon staff worked closely with RWE Supply & Trading's various teams to implement a new and flexible operational risk management system and to automate and streamline the entire data collection process. Ultimately, the solution has enhanced the company's decision-making and reporting capabilities.

RWE Supply & Trading is one of the leading companies in European energy trading and takes responsibility for an annual gas procurement volume of nearly 50 billion cubic metres. It manages all of RWE's activities on the international procurement and wholesale energy markets and also acts as the hub for tradable commodities such as power, gas, coal and oil in their physical forms, as well as with energy derivatives to secure against price risks. RWE Supply & Trading optimises the complete gas portfolio of the RWE Group, from short to

long-term procurement and delivery commitments.

Besides trading-based portfolio management products, major industrial companies as final customers and trading partners also expect long-term supply concepts. In this function the company uses its extensive skill and experience for a market based commercial optimisation of the Group's assets as well as for proprietary trading activities.

Management Attention

RWE Supply & Trading has a well-defined process and structural organization that drives the framework for operational risk management. A comprehensive set of policies for operational risk and appropriate thresholds are provided to all RWE Supply & Trading employees.

Under this framework, RWE Supply & Trading define operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Risks are categorized

Case Study



into four specific areas, covering processes, people, systems and external events. This definition also includes legal risk, which relates to failures to comply with laws or prudent ethical standards and contractual obligations and includes the exposure to litigation from all aspects of RWE Supply & Trading activities. Strategic and reputation risks are not included.

Senior management has set clear objectives for managing and mitigating risks and for the reduction of losses. Consequently, this calls for technology that supports well structured capture of an inventory of all valid risks and loss events, which can be fully leveraged to provide useful forecasting and treatment options.

RWE Supply & Trading's risk framework is based on a defined eight-step "OpRisk Control Loop": Identification, Measurement, Assessment, Analysis, Regulation, Review, Communication and Further Development. Every department adheres to the Control Loop, sharing knowledge, experience, and regular reporting of risks, key indicators and losses when they occur.

Operational Risk Agents - or "DORAs" - are designated for all departments in the core businesses of Front Office, Back Office, IT etc. in Germany and U.K. These individuals are responsible for collecting relevant risk data and loss events as part of the daily risk management process. All departmental functions report to the central Oprisk team.

Selection

A detailed Request for Information and then Request for Proposal process was undertaken, which identified 20 leading and suitable vendors. These firms and their capabilities were carefully assessed in a series of workshops. The Avanon System's completeness of integrated functionality, general flexibility and strong commitment service led to a favorable decision.

A detailed requirements specification was issued; this led to ten potential suppliers, from which a short list was made. Following a series of on-site meetings at companies using the short-listed vendor tools and careful analysis of price-performance, the evidence and a decision pointed clearly to Avanon.

INDUSTRY

- Energy and Energy Trading

LOCATIONS

- Headquarters in Essen, Germany
Swindon & London, United Kingdom
Prague

PROJECT SCOPE

- Group-wide, integrated management of OpRisk
- Meet Basel II and KonTraG requirements

IMPLEMENTATION HIGHLIGHTS

- Enterprise roll-out for all subsidiaries
- Production-ready in 5 weeks
- Complete coverage on a single platform

BENEFITS

- Transparent management of OpRisks and controls
- Lower total cost of ownership
- Extensible: also used for KonTraG Management

Specific Requirements

Aside from the business requirement to support RWE Supply & Trading operational risk framework, the technical requirements mandated a centrally managed webarchitecture that supports easy maintenance of all global data and low ongoing effort for upgrades.

Global Delivery

Based on a detailed set of functional specifications, the Avanon System target configuration for custom data fields and individual workflows per module were completed and approved in less than five weeks.

User acceptance tests were started in parallel to the configuration phase and quickly followed by end-users parameterisation, capture of the risk inventory and assessment libraries, upload of legacy data and reports.

Avanon staff provided support by way of “train-the-trainer” approach, which enabled rapid knowledge transfer to key RWE individuals. Subsequent training sessions completed the process for all relevant end-users. Within weeks of the completed roll-out RWE Supply & Trading were generating their first extensive management reports with the new solution.

Results

Having implemented The Avanon System, RWE Supply & Trading can now more effectively leverage the operational risk framework as a decision making tool to assess the risk impact from business strategy. The pre-defined triggers and ongoing monitoring combine well to deliver optimal mitigation actions.

Building on this success, the solution has since been extended for use in the area of KonTraG Management.



Avanon AG has developed and successfully delivered a solution for a wide spectrum of risk management disciplines since 1999. For many years the Avanon System has been widely recognized as a leading vendor by international market research firms. Avanon Solutions are deployed globally by financial services firms and industry.

The modular application supports consistent capture, monitoring and control of potential risks before the actual losses occur. The Avanon System is recognized as a leading application because of its well-designed integration of all functionality. A high degree of flexibility provides extended support for individual client requirements.

The Avanon System can be deployed module-by-module or as a complete package, so allowing for incremental activation of functionality whenever it is needed.

Headquarters:

Avanon AG
Technoparkstrasse 1 | 8005 Zurich | Switzerland
Tel. +41 44 445 29 00 | Fax +41 44 445 29 09
www.avanon.com

Avanon
Platz der Einheit 1 | 60327 Frankfurt am Main | Germany
Tel. +49 69 9750 34 07 | Fax +49 69 9750 32 00