

A photograph of high-voltage power lines stretching across a landscape at dusk or dawn. The sky is a mix of blue and orange, and the power lines are silhouetted against the light. Some of the towers have lights that are glowing.

capSpire Helps CECONY Streamline Credit Management Process

HIGHLIGHTS

- Successfully implemented a credit solution geared toward the complex needs of a utility, with functionality centered on swing contracts.
- The solution includes automated credit reporting that combines credit exposures in Allegro with credit ratings from various credit rating sources.
- A key feature provides both pricing and credit-event simulations which deliver powerful predictive tools to manage credit risk more effectively.
- Delivered an extension for internal company hierarchies to allocate credit risk correctly across subsidiary companies.

THE CHALLENGE

capSpire's custom interface integrated with Allegro extensions to streamline CECONY's credit process, adapt to its use of swing contracts and consolidate information from multiple external systems. CECONY eliminated inefficient spreadsheets with automated credit reporting, and increased functionality with the latest version of Allegro.

Consolidated Edison Company of New York, Inc., or CECONY, offers electricity, natural gas and steam to customers in New York. CECONY provides electricity to approximately 3.4 million customers over a service area of 660 square miles, as well as delivers gas to roughly 1.1 million people and 22,000 mmlb of steam to 1,700 customers. With ever-increasing volatility in the market, the company recognized an urgency to consolidate its current credit-management best practices and solutions while upgrading its Allegro platform. But the utility's use of spreadsheets and swing contracts presented a pressing challenge, since implementing swing contracts is not a default functionality of Allegro, nor is adaptation from spreadsheets. capSpire, with its deep credit-market knowledge and decades of Allegro experience, automated and streamlined CECONY's business processes, enabling them to manage credit risk more effectively.

The Problem

Volatility in credit markets, resulting in the need to place greater corporate oversight and emphasis on counterparty exposure management, liquidity obligations, margin-cash management and regulatory compliance, led CECONY to seek consolidation of its current credit-management best practices and solutions into its Allegro upgrade. CECONY uses swing contracts across its various internal companies to share collateral as well as letters of credit, thus eliminating the need to post them individually. But because swing contracts aren't a default functionality in Allegro, it can make for a challenging implementation. Other gaps included designating hierarchies among CECONY's internal counterparties, as well as building an engine to simulate a credit event, where a company's rating moves up or down.

The Solution

Armed with years of experience in Allegro implementations and substantial credit-market knowledge, capSpire enabled CECONY to efficiently implement its credit requirements in Allegro. After an in-depth analysis of the systems and practices in place, capSpire automated the utility's processes for managing contracts, collateral, counterparties, credit scoring and exposures. capSpire delivered a customized credit solution leveraging Allegro's out-of-the-box credit functionality, and developed custom extensions to append hierarchies, swing contracts and credit-event simulations. These simulations allowed the utility to see how a credit event would impact the amount that was owed to or from CECONY's counterparties. capSpire also created a master report consisting of all the information needed by the credit department to be able to function properly. By leveraging Allegro's core functionality combined with capSpire's know-how, CECONY is now able to produce its credit process directly out of Allegro without going through a series of spreadsheets or data manipulation.

"The capSpire team was a pleasure to work with. First, they took the time to understand our company and our challenges. They asked pertinent questions to make sure they were delivering the right solution honed to our company's individual structure. Second, their IT solution was written for easy implementation and maintenance. It is obvious that capSpire knows how Allegro works and how to apply best practices to their solution. And lastly, their support did not end at delivery. They followed up to make sure the implementation was executed correctly and that it continued to meet our needs."

- Keith Beilinson, Con Edison Systems Specialist

Business Benefits

- Created credit and price simulations to run what-if scenarios to prevent catastrophic default issues.
- Credit simulation calculated changes to counterparty exposure and collateral requirements in response to fluctuations in credit rating and price.
- Minimized errors by eliminating the need to export data from one system to the other.
- Adapted nonstandard, swing-contract functions to Allegro using tailored extensions.



For more information visit capspire.com or contact us at info@capspire.com.

capSpire provides the unique combination of industry knowledge and business expertise required to deliver impactful CTRM business solutions.

Trusted by some of the world's leading companies, capSpire's team of industry experts and CTRM consultants empowers our clients with the business strategies and solutions required to effectively streamline transaction lifecycles and attain maximum value from their supporting IT infrastructure.