



**Lessons learned from the EFETnet project –
applying ebMS 2.0 for European commodity traders**

Michael Merz



PONTON
CONSULTING



Overview

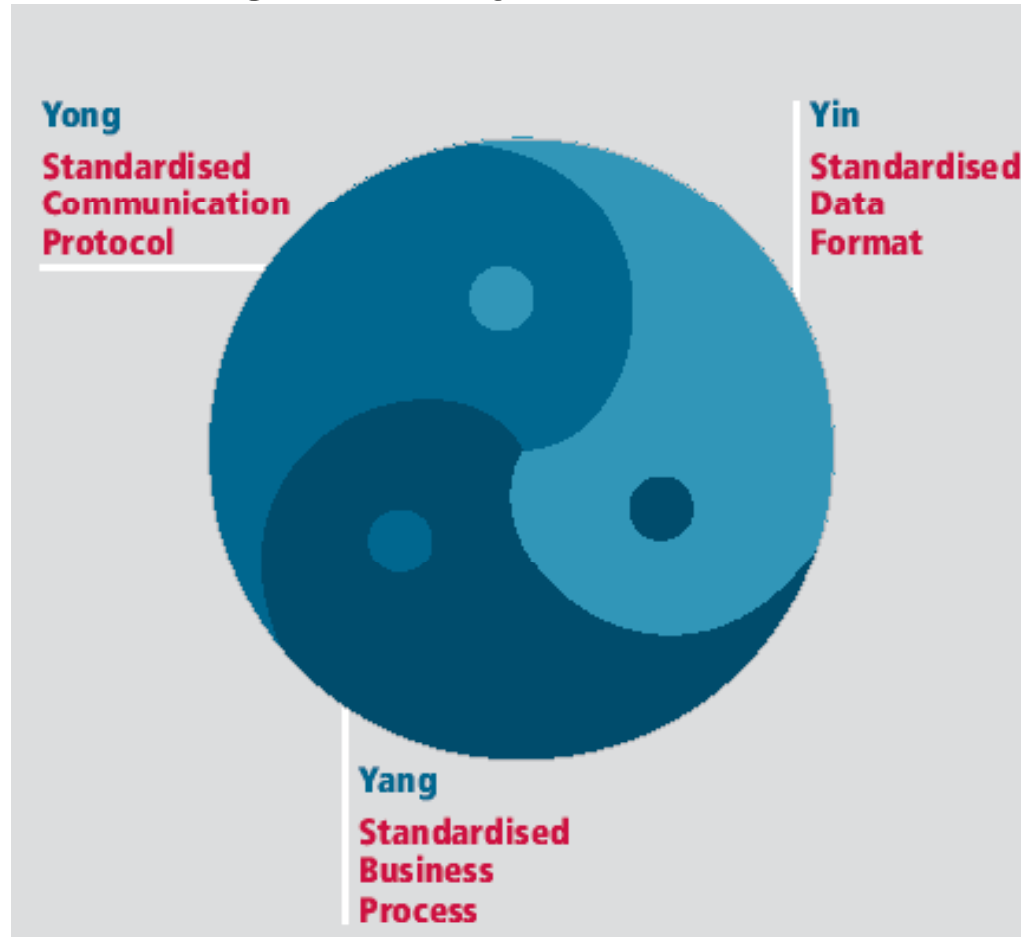
- B2B Projects and their Challenges**
- PapiNet and EFETnet
- Lessons Learned from EFETnet

Why is B2B so complicated?

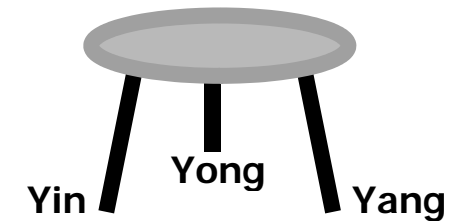
- ❑ B2B integration is sought for **business** reasons. Cost & benefit of *organisational* change is evaluated to measure the advantage – however, *technical* cost of lacking interoperability is too often ignored or at least underestimated!
- ❑ We all know the typical problems with **lacking interoperability**: different semantics of document formats, different protocols, different business processes, different way how to handle exceptions, different validation rules, different PKIs with different policies, different ways to keep connection parameters current, different legal frameworks, different commercial relationships with SW vendors, different product capabilities, different configuration profiles, different application profiles etc. etc...
- ❑ **Example from the papiNet world:**
 - **Technical issue:** Supplier X using product A from B2B vendor N would like to receive daily stock reports from logistics partner Y using product B from vendor M. The stock report sums up to 60 MB in size.
 - **Technical effect:** Product B does not support 60 MB, because it would let its main memory go bust. Product A does thanks to stream processing. Consequence: It takes vendor M **four years** [Sic!] to adjust their software for stream processing. On the other hand, logistics partner Y is not willing to exchange document in uncompressed form as this would break requirements of the agreed standard.
 - **Commercial effect:** Supplier X lost time (4 years), money, and reputation because of low-level, technical nitty-gritties...

The „Yin-Yang-Yong“ of Interoperability:

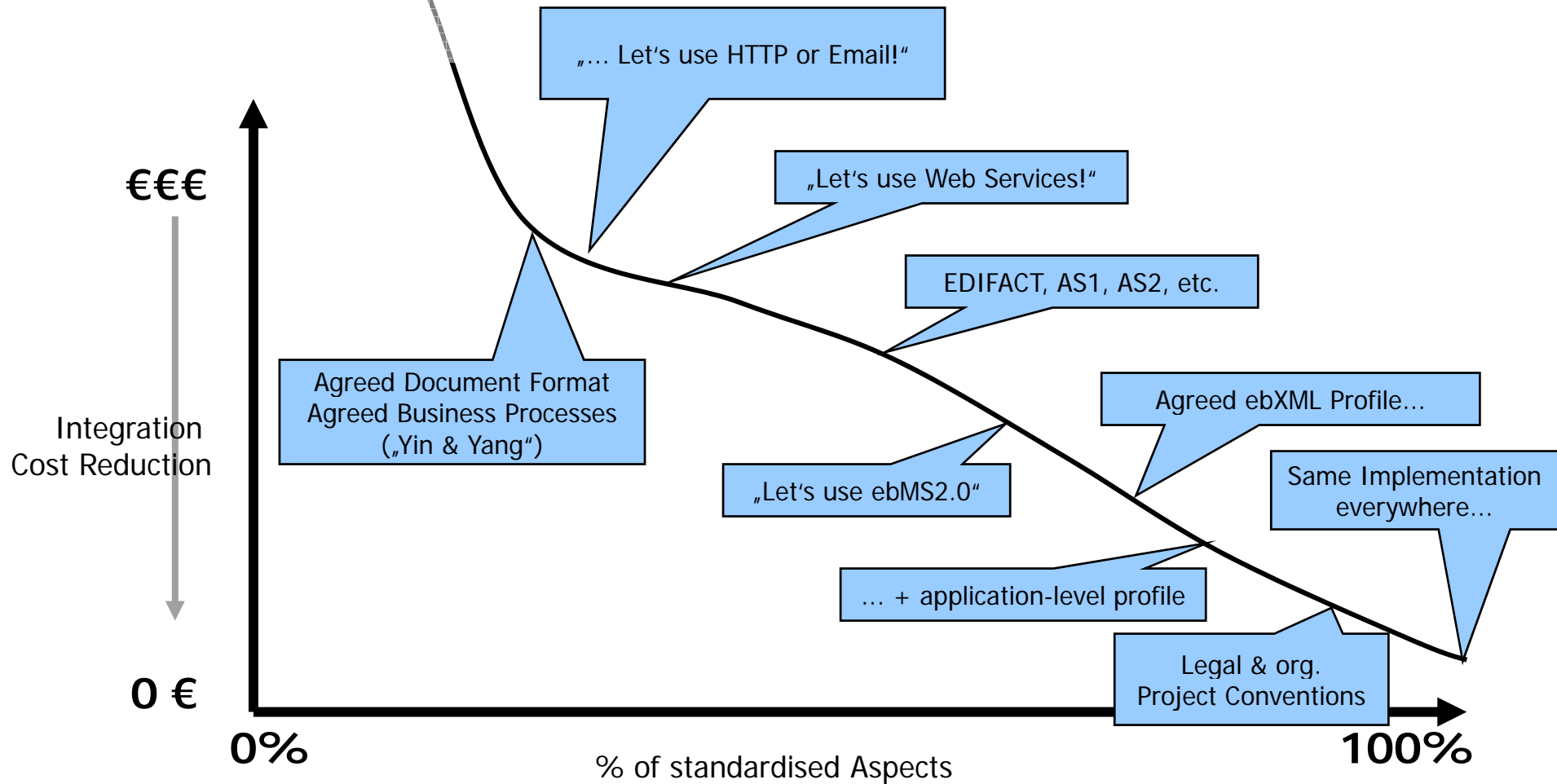
B2B Integration by Standardization of



In other words:



What to standardise for a successful sector-wide integration?



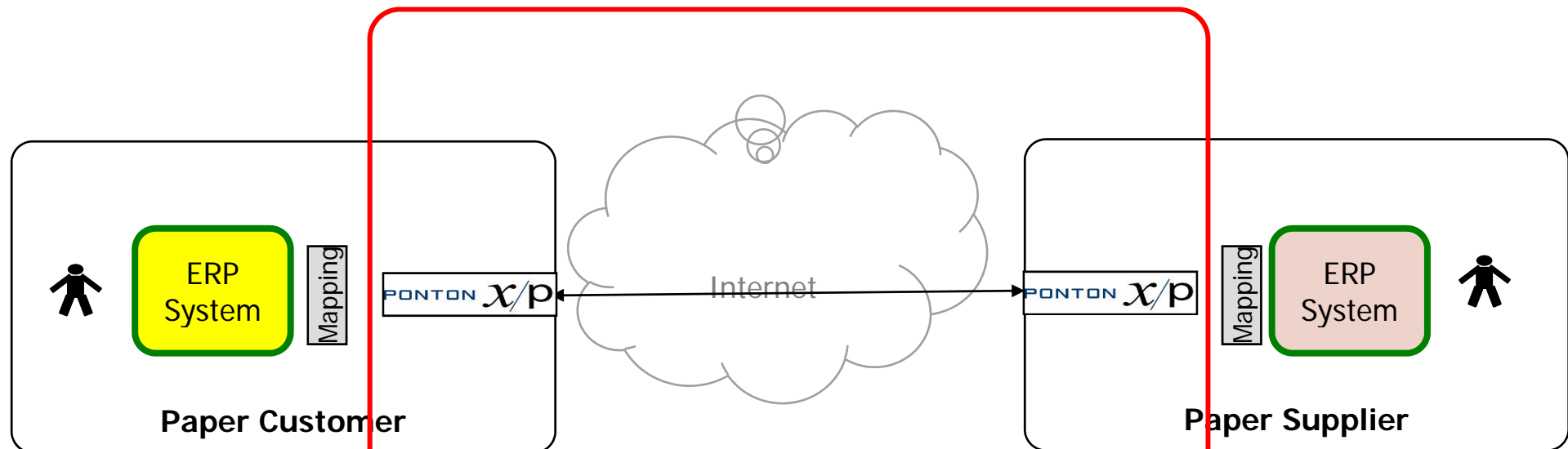


Overview

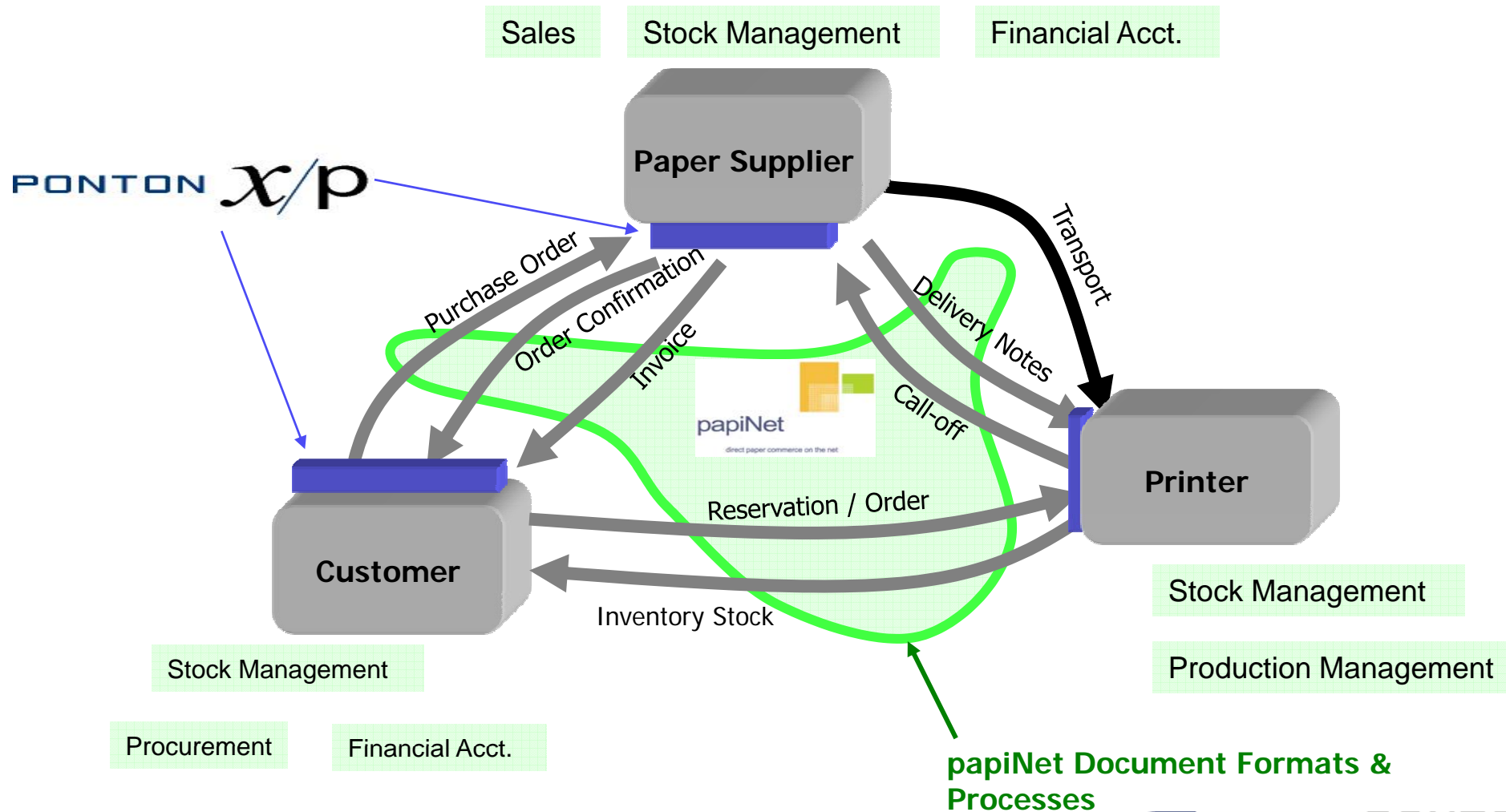
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papiNet

- ❑ Roles: Suppliers of paper, users of paper (printers, publishers, mail-order retailers, etc.), logistics service providers (warehouse operators, shippers, ...)
- ❑ More than 200 participants world-wide today
- ❑ Strong focus on ebXML (plus additional requirements: authentication, encryption, compression, ...)
- ❑ Scope of the standard is pure document transfer between end-points:



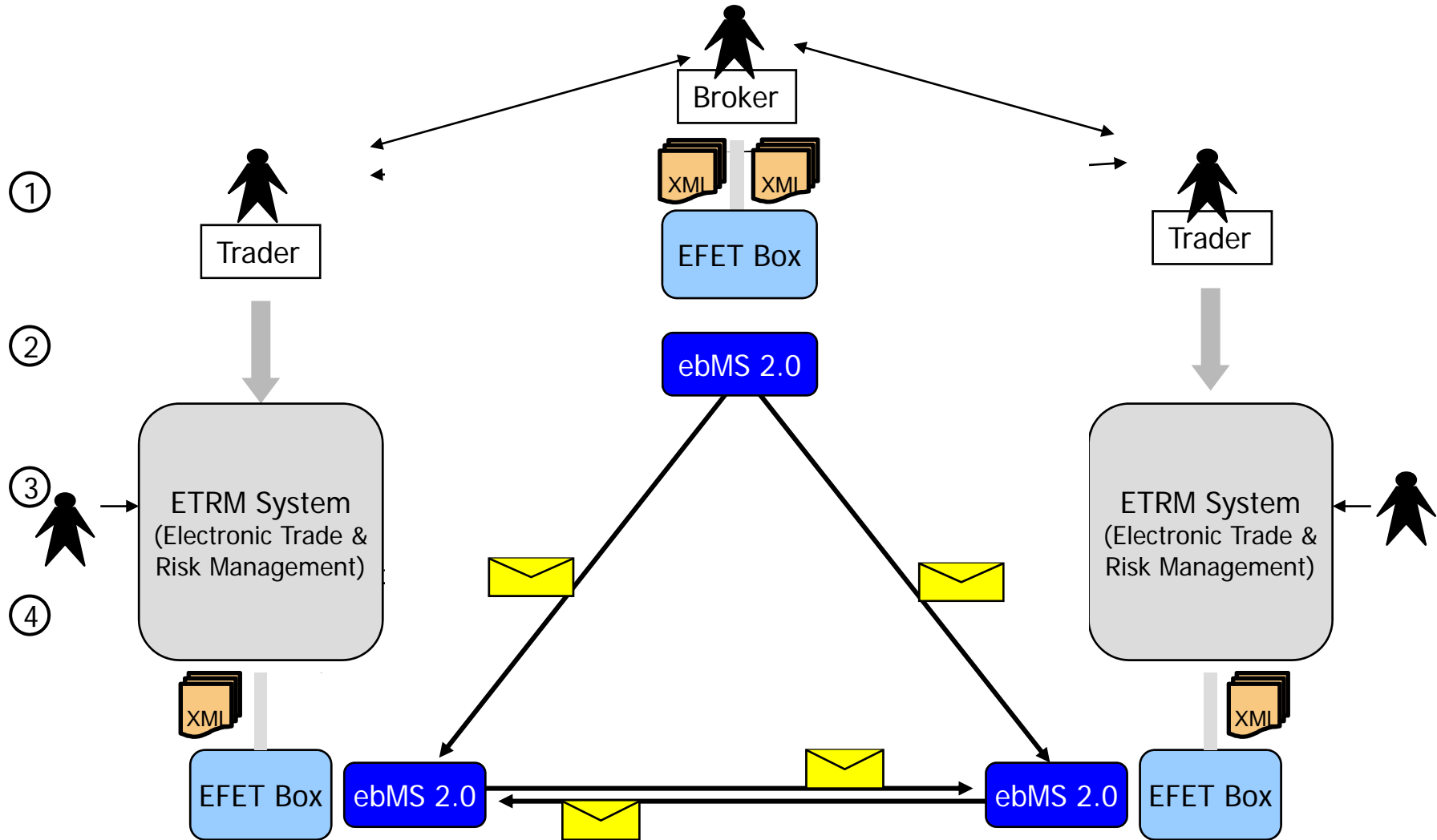
papiNet – A typical Supply Chain Integration Project



Energy Trading in Europe

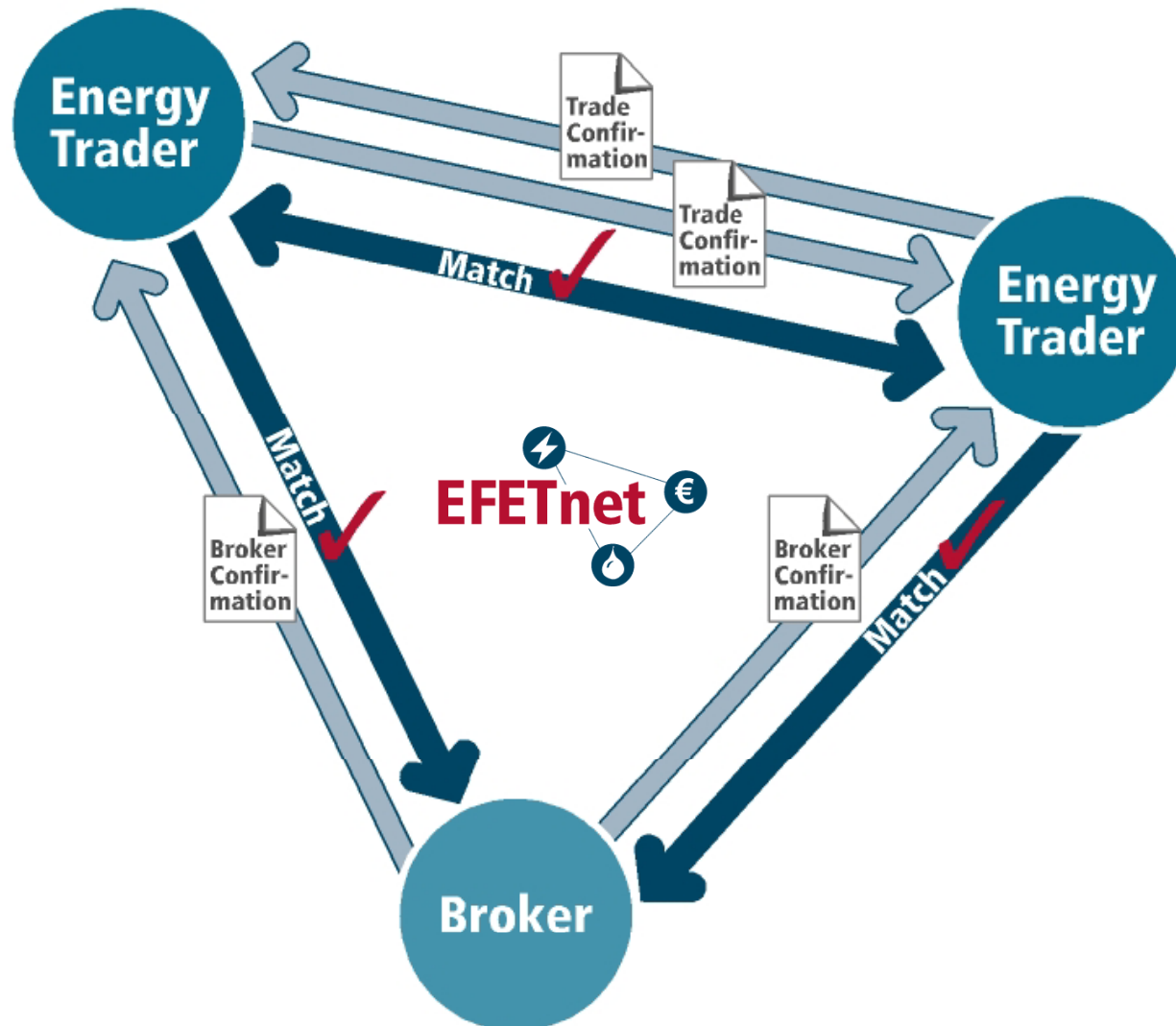
- ❑ Energy trading (gas, electricity, oil, EUAs, ...) is a sub market of commodity trading (Gold, Grain, Metals, ...) with more complex product descriptions and lower market liquidity.
- ❑ Only 20% of Energy is traded via exchanges, 80% „Over the counter“
- ❑ Market participants: ca. 1.500 in Europe, out of which 90% with a deal volume less than 5 deals per day (e.g. „Stadtwerke“ in Germany)
- ❑ Top 50 trading organisation: 100 – 2.000 deals per day.
- ❑ The EFETnet project has started end of 2004 to fully automate the process of „Confirmation Matching“.
 - After a pilot with 5 users in 2005, there are now over 40 users live
 - 60-80 Users expected for end of 2009

EFET eCM Standard is a peer-to-peer dialogue – there is no central matching agent



New solution: Standardised exchange of XML documents using ebXML

eCM – electronic Confirmation Matching for Traders and Brokers



EFETnet Users & expected Users

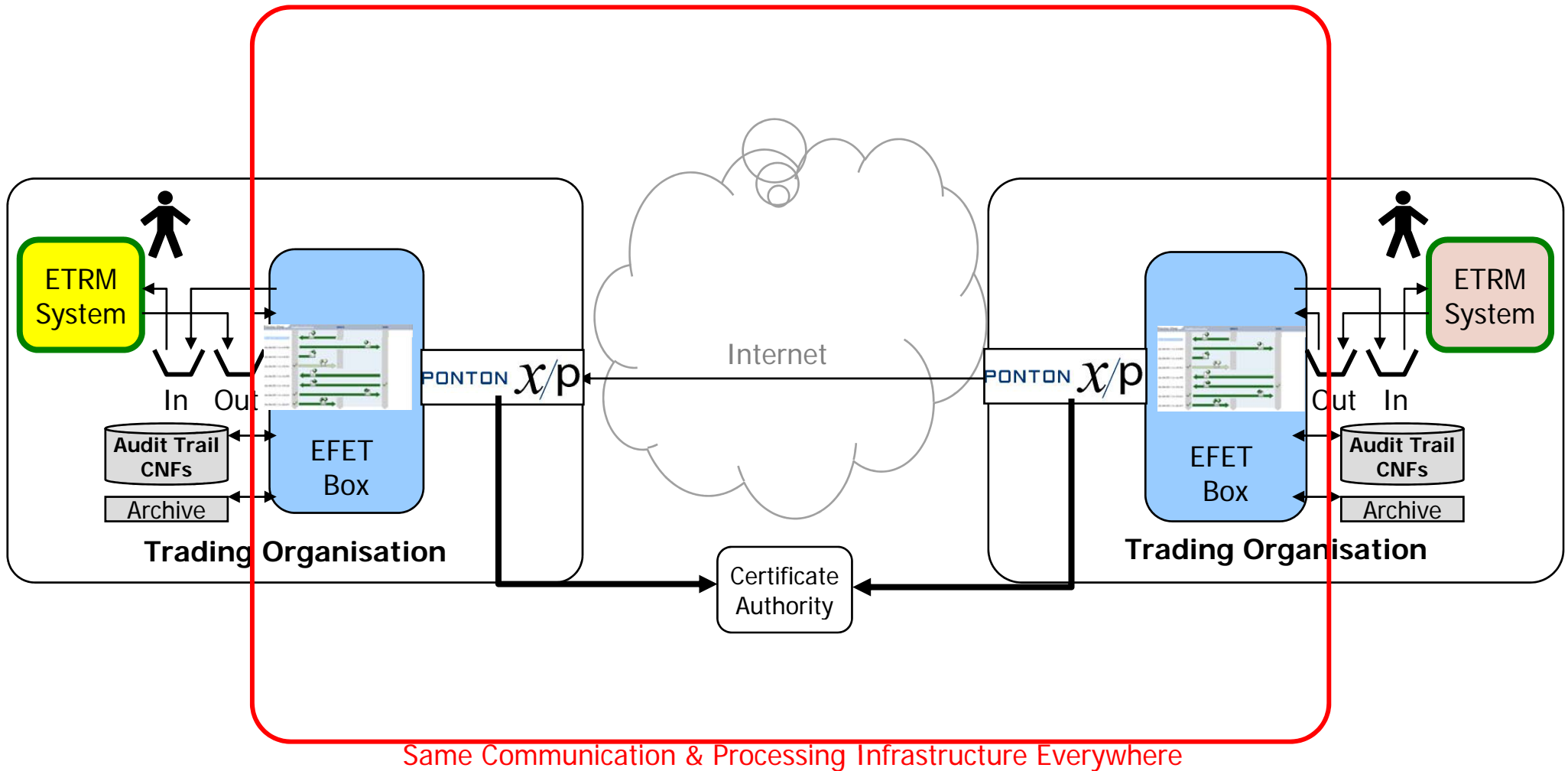
40 Companies life or implementing as of July / 08

The next Wave
(Q3/2008 and later)

The image displays a collection of logos for various companies, organized into two main sections:

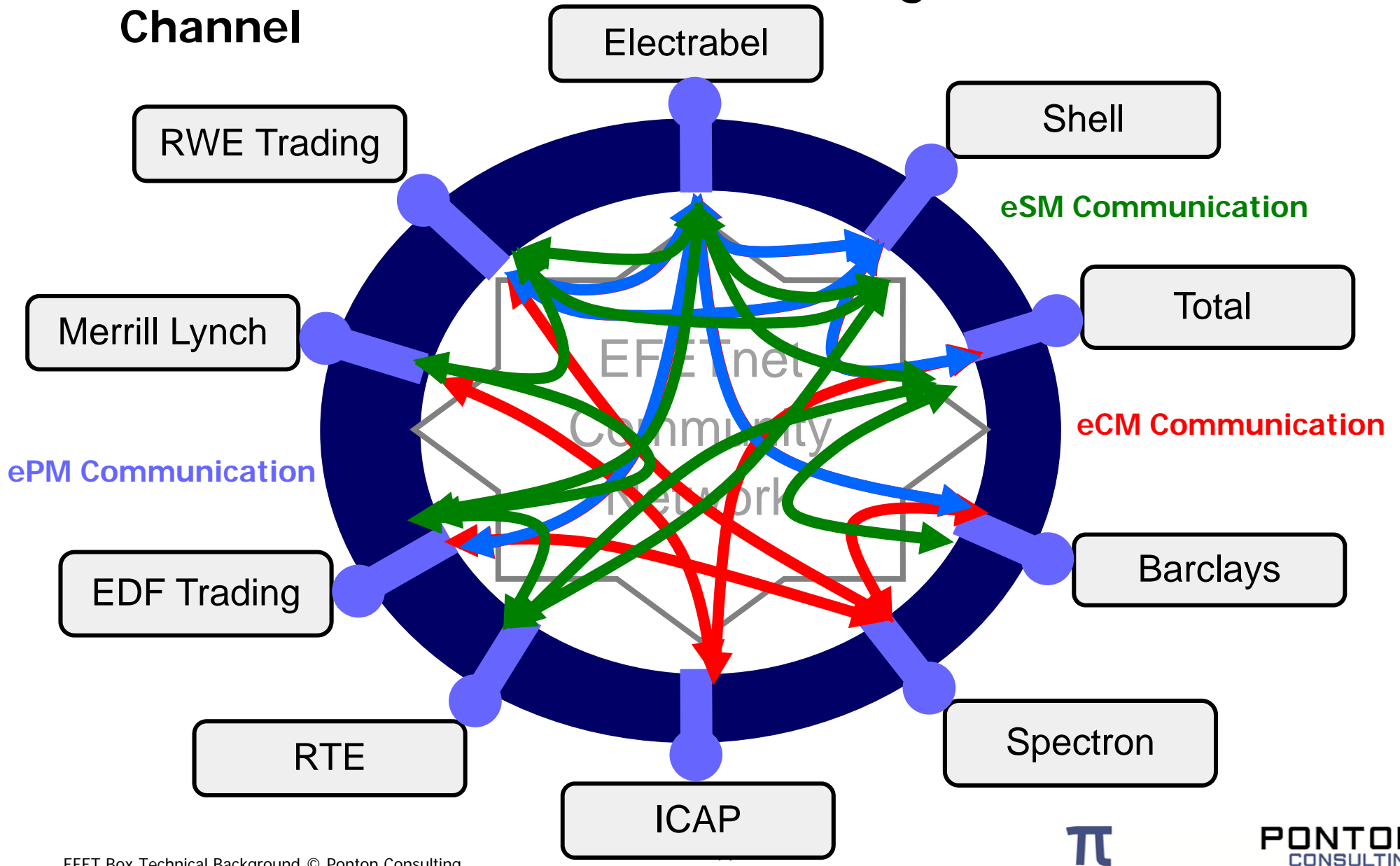
- Left Section (Users):** Includes logos for RWE Trading, EDF Trading Limited, EnBW Die Energie AG, DELTA, BNP PARIBAS, Centrica energy, e-on UK, Essent ENERGIE, Cargill, Electrabel, GASELYS, Merrill Lynch, GFI, Citi, Gazprom, ENDESA, Shell, BARCLAYS, Tullett Prebon, ENECO, ENERCITY, Goldman Sachs, Sempra Commodities, STATOIL, ICAP, JPMorgan Chase, SPECTRON, UBS, Gaz de France, Deutsche Bank, Morgan Stanley, Enel Trade, swb, ConocoPhillips, BG Group, VATTENFALL, TFS, and ExxonMobil.
- Right Section (The next Wave):** Includes logos for Man Financial, British Energy, CALYON FINANCIAL, bp, edp, EWE, LEHMAN BROTHERS, WINGAS, MVV Energie, Constellation Energy, MERCURIA GLOBAL ENERGY SOLUTIONS, Iberdrola, ScottishPower, KOM-STROM, Stadtwerke Leipzig, and Verbundnetz Gas AG.

EFETnet: Additional Standardisation of Application Functions, legal Framework etc.



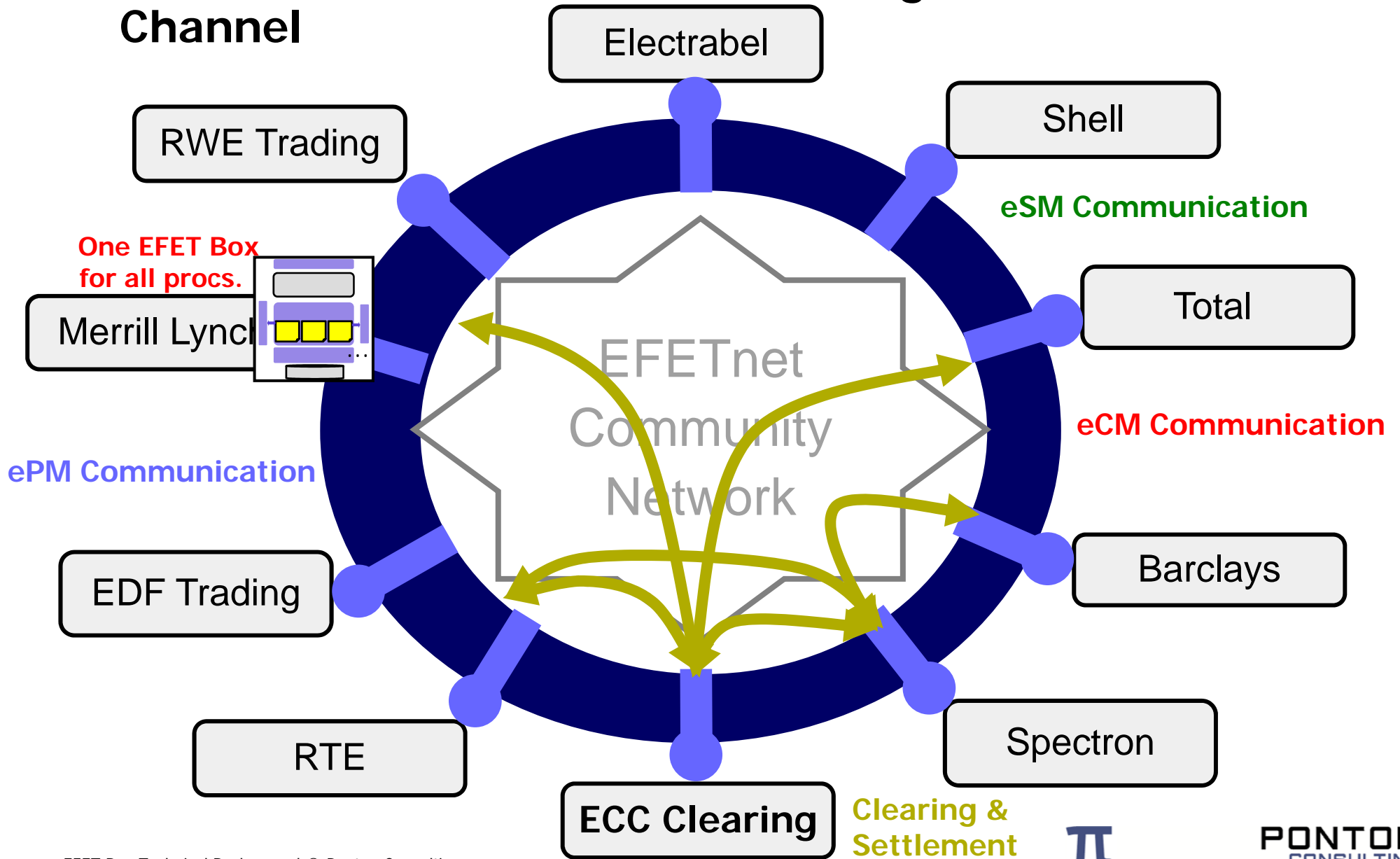


EFETnet – Various Processes through the same Channel

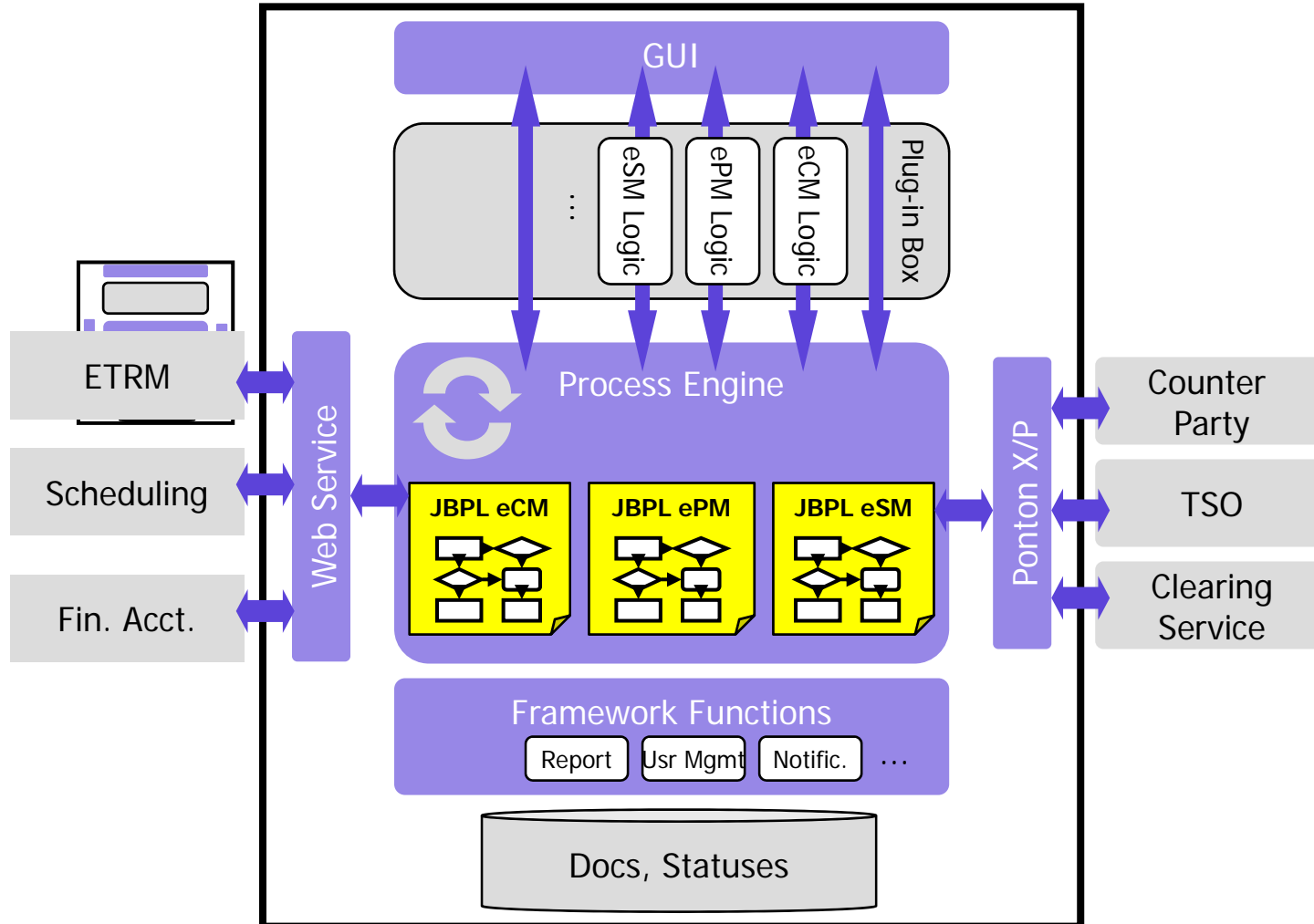




EFETnet – Various Processes through the same Channel



EFET Box Architecture



Benefits of eCM

Management

- Automate overhead to business
- Standardise non competitive activities
- Share costs

Legal

- Increased clarity of business interactions
- Standardised industry terms and templates
- Speed of processing new commercial relationships

Business

- Reduced operational risk
- Scalability & straight through processing (STP)
- Process standardisation and quality

Technical

- Increased time and budget to deal with 'higher value' internal IT
- Certified industry standard solution can be leveraged for other messages
- Defined service levels



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Lessons Learned

- ❑ Customers must **take to their heart the effect of lacking interoperability**
 - If so
 - There is a high chance for efficient, sector-side B2B integration
 - There is an understanding that standardisation pays off – but also comes at certain cost (time, diligence, budget)
 - **Some** projects succeeded in this
 - If not
 - A B2B integration project will starve sooner or later
 - Even if large early movers are willing to invest and go ahead, it must also be a successful investment for the small ones
 - If the small ones will not come on board in the long run, the project will starve or at least suffer from „famine“
 - **Many** projects fall into this group

Lessons Learned

- ❑ The „problem“ with successful and unsuccessful B2B integration projects:
 - A sector-wide B2B integration project **is always done only once** under the same parameters, i.e.
 - **Successful projects** will never be measured against the worse alternative of an implementation (but this doesn't really hurt!)
 - In case of **unsuccessful projects**, the easier solution will never have been experienced...
 - There is also the difficult situation of a **semi-successful** project: I.e., a costly, fumbled solution is considered as great success as there is no better case for comparison...

- ❑ Sometimes frustrating, how many MEuros are wasted in case of semi- und unsuccessful projects to push them into a virtual success...

 **The final & unsolved question is:**
How to avoid that user communities chose the wrong approach?

Lessons Learned

- ❑ There are always anticipated and not anticipated cost of a sector-wide integration project:
 - **Anticipated cost:**
 - Software licenses & support, external service cost, ...
 - **Not anticipated cost:**
 - Additional effort for internal staff (IT admin, business users, ...)
 - Higher peer-to-peer cost for 1:1 integration, maintenance, support
 - Lost opportunities due to higher cost for small participants who drop-out

- ❑ The Dilemma: After a project has reached a certain level of participation, no one asks any more if this could have been reached with 80% less effort...

Any Questions?

