



Implementing Zai*Net

By Prashant Shah, Associate Vice President, Primetech Systems, Inc.

1.0 Introduction

Many energy companies are using Caminus Corporations' Zai*Net software for their energy trading and risk management activities. This article discusses some of the issues involved in implementing Zai*Net Application Manager.

2.0 Project mobilization and project plan

The first step for a successful implementation is, of course, assembling a good project team who would work full-time or part-time on the implementation. The team typically is cross-functional involving personnel from the front office, the back office, the middle office, the treasury, the IT and the compliance functions. Designating a project manager helps as the person becomes instrumental in resolving priorities and maintaining the overall direction of the project. As an important step, it is necessary to layout a project plan which would highlight the overall activities, the estimated time and the dependencies involved. A typical Zai*Net project plan may involve more than 200 line activities. Ensure the project plan covers critical aspects of the implementation:

- Mobilization and initial training
- Zai*Net installation
- Gathering and finalizing functional requirements and static data
- Piloting the implementation with sample "real" data
- Historical data conversion
- Additional training
- Creating custom reports
- Implementation testing
- Documentation and Project wrap-up

Also, project mobilization should also cover the frequency of regular project meetings, the escalation and issue resolution procedure.

3.0 Initial training

The initial training activities are an important part of the project. The aim of the initial training program has to be two-fold:

- Familiarize the team with the application
- Set the expectation of the team

Usually the team involved in developing a business case and evaluating the software may be different from the team implementing the software. The initial training program will help discover any "unrealistic" or "un-addressable" expectations. For example, the middle office personnel may be looking for elaborate risk analytics but the company may not have purchased the Zai*Net Risk Analytics module. The training will also help spot areas where additional training may need to be emphasized. The initial training should focus on the application features and must involve exercises so that the team can "play" with the application.

4.0 Zai*Net installation

In parallel with the initial training, Zai*Net installation on the server and select workstations should be initiated. This typically is a blank or clean installation without any client data. The server side installation involves installing the application server, the ODBC drivers for the server, the FEA licensing software, the database dump, maintenance and installation scripts and SQL procedures. The client workstation side installation involves installing the "old" and "new" GUIs



and the Borland database engine through ODBC drivers. Ensure that the standard reports library is installed. The installation should be tested to confirm the client workstations connect with the server.

5.0 Gathering and finalizing functional requirements and static data

The next step involves gathering functional requirements and business process information. The aim here is to translate the business requirements into system configuration. The focus should be on information related:

- Policies and procedures
- Book structure and static data
- Counterparties
- Pricing and volatilities
- Portfolio deconstruction
- Capturing generation and retail
- Defining risk reporting

The information gathered above shall aid in defining the markets-components, price sets, price formulae, books, reports, counterparties, etc. This helps in defining the system configuration as per the users needs and serves as the basic structure of the application. This step is very important in the implementation. This is the stage where many questions arise, as client team members understand more about the application. Questions like “how do I define WestHub as market-component?” or “here is a company and its subsidiary – how do we define books for them?” or “How do we impose combined credit limits?” are common in this stage of implementation. Also critical in this stage is the decomposition of complex portfolio into Zai*Net level deals and modeling of generation and retail portfolio. Zai*Net scheduler module makes capture of generation assets relatively easier. However, if one has not purchased that module, the Zai*Net Application Manager can be used. This would require modeling generation assets either as series of deals or options. Also, this is a good stage to discuss application security issues and the rights to be granted to various levels of users. It is also prudent to revise the project plan at this stage.

6.0 Piloting the implementation with sample “real” data

Once the static data has been loaded into the system, the team is now ready to pilot the implementation with sample real data. Typically, one-month equivalent of live trade data is utilized. The team enters the trade deals – all types (forwards, futures, swaps, options, etc.) for different market components / counterparties with different commodities. They also capture real price information i.e. capture real forward price and volatility curves. Trade deals and price information is captured via all data capture methods – by direct entry or via an upload. After this, all the standard reports are run. The output from the reports is compared with existing reports. This helps in understanding whether the system is functioning as expected.

7.0 Historical data conversion

One the pilot implementation is successful, one part of the team works on the historical data conversion. Depending on the users’ needs, the data conversion may be limited to current years’ data (to facilitate end of the year reports) or may run 2 –3 years in the past to cover multi-year deals. This activity may involve a lot of project time. Consider this, if one does 100 deals a day, it amounts 26,000 deals per annum. (100 deals a day times 5 days of the week times 52 weeks equals 26,000 deals per annum). If you do 1000 deals a day, it amounts to 260,000 deals a year. Now, you have to get the corresponding price sets, forward price curves, volatilities, settlement prices, etc. for all market components. It is better to dedicate a core group to perform this activity.



8.0 Additional training

While a core group is undertaking historical data conversion, it is a good idea to plan for additional training in parallel to this activity. This training may cover additional users, may involve 'Train the Trainer' module, report writer training, etc.

9.0 Creating custom reports

After the additional training, the next stage involves creating custom reports identified in 'Gathering and finalizing functional requirements and static data' stage. It is best to involve the client team to create custom reports. This helps to serve as additional training as well as gives confidence to the users that it is relatively easy to create custom reports. The flavor of custom reports varies depending on the company in question. Some may require sophisticated Profit & Loss (P&L) Reports while others may require detailed exposure reports. Depending on the number and kind of custom reports, this activity may involve time.

10.0 Implementation testing

This is the next important phase of the implementation. As one is implementing an outside application, many of the testing phases related to systems design and development phase are not required. Testing here involves:

- o Technical infrastructure testing
- o Application functionality testing (for example, deals are recorded, modified, deleted properly; price uploads occur correctly; audit trails are maintained, etc.)
- o Technical Stress testing (by loading the system and infrastructure to its maximum – for example, get all the users and ask them to simultaneously run the most complex report)

It is always a good idea to obtain user sign-off on the testing.

11.0 Documentation and project wrap-up

After testing stage, it is time to wrap-up. Ensure that the team creates and maintains a detailed documentation of the project – including all versions of the project plan, the training documents, the static data collected, the installation guides, the custom reports, test data and testing results, etc. Also, it is a good idea to document any pending issues, which may be handed over to the support desk. Obtaining a project sign-off from the project sponsors may be undertaken. And finally, it's time to party to celebrate all the hard work put in for a successful Zai*Net implementation.

12.0 In Conclusion

Implementing Zai*Net is a valuable learning experience and one of the key benefits of the implementation process is the clarity achieved on business process side of the organization. Also, successful implementation requires the right team, setting the right expectations, maintaining clear communications and delivering on the implementation on time and within budget.