



# Why wholesale energy settlement is more challenging than ever

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The wholesale settlement department at energy companies and financial institutions is a back-office function that's easy to overlook, especially when viewed next to front-line activities like trading. Still, energy settlement plays a major role in everything from corporate risk management to credit exposure to cash flow.

However, the job of the settlement department – and the many hard-working analysts within it – has only grown more difficult in recent years due to shifting industry dynamics and new pressures. And yet settlement teams don't get the attention and support they deserve.

## Settlement teams grapple with three key challenges today.

### 1. Paper, spreadsheets and manual processes

Energy settlement is a high-pressure, time-sensitive process that currently relies almost solely on spreadsheets, paper and PDF invoices, emails, and manual processes to settle billions of dollars of wholesale energy.

Due to the delay between energy delivery and invoicing, settlement analysts often engage in a scramble at the end of the billing cycle to work their way through stacks of invoices and reams of spreadsheets to identify discrepancies usually caused by volume breaks between purchases and sales. After identifying any discrepancies, analysts must work with counterparties

to decide on resolutions and complete transactions in the face of pressing payment deadlines. Missed payments can significantly impact cash flow.

Further, settling with various commodity market players can be maddening. It requires mastery of multiple invoice and data presentation formats, as well as charge codes. And processes vary from commodity to commodity and counterparty to counterparty.

### 2. An explosion of energy data

The amount of data energy settlement analysts need to manage continues to expand. The growth of renewable energy sources, which can sometimes see price changes as frequently as every five minutes, has contributed to the increase in data. The explosion of data is also a result of the pressures companies face in a low commodity price environment. The need to grow their bottom lines spurs a rush to create new products and sign on new customers. A growing clientele equals more data and higher stacks of invoices on analysts' desks.

### 3. Relentless drive for back-office efficiency

Many company executives look to the back office to help drive operational cost savings through increased efficiency, but most settlement departments struggle to deliver with today's processes.

Current market dynamics require individual analysts to manage settlements with an expanding number of counterparties across more products and geographies. The corresponding increase in the number of exceptions each analyst must identify and reconcile often ends up replacing other high-value activities, such as price discovery, cash-flow reporting, counterparty risk management and data analysis.

The persistence of manual processes only exacerbates the problem of analysts spending inordinate amounts of time performing only one part of their job and can result in low morale and burnout for analysts, and high training times for new hires.

## Fintech automation offers practical, real-world solutions

The good news is that the technology innovations that have revolutionized the financial services industry are starting to make their way into the energy sector. Tools like the [Energy Settlement Network](#), which is a cloud-based, collaborative platform that automates wholesale energy settlements, apply the latest in fintech innovation to the most manual of processes of the energy industry.

Emerging fintech services offer great promise for the industry by not only freeing up settlement analysts to perform higher-value work but also boosting efficiency and streamlining the settlement process. Fintech services can help energy companies and financial institutions improve accuracy, compliance and risk management.

Energy industry leaders need to embrace the fintech revolution to ensure long-term organizational efficiency and profitability.

## About the author

[Jeff Wagner](#) is founder and CEO of [Aquilon Energy Services](#). He has more than 25 years of experience in technology innovation.

## About Aquilon Energy Services, Inc.

A high-growth technology company, Aquilon Energy Services Inc. worked with the energy industry to launch the Energy Settlement Network®. ESN® is the new industry standard, enabling members to automate settlements with their counterparties in a secure, collaborative cloud solution—improving operational efficiency and increasing security.