

electronic Settlement Matching Brings Immediate Benefits to EWE Trading

“EWE’s adoption of electronic settlement matching has delivered end-to-end settlement digitalisation, delivering the benefits of automation - and positioning EWE at the forefront of ongoing industry-wide process improvements to bilateral energy market settlement.”

Geert van Wijngaarden, Head of Back Office, EWE Trading GmbH



EWE Group is one of the largest integrated energy utility companies in Germany. Now its trading arm - EWE Trading GmbH - is benefitting from a new digital invoicing solution from Equias that issues up to 1,000 invoices per month - including self-billing invoices that include metered volume amounts, subsequent revisions, and fixed and variable fee amounts.

Most importantly, EWE has turned ESM into a viable business case for EWE TRADING. A digital settlement process was established, which has immediately reduced operational costs, is scalable and offers more opportunities for process optimisation in the future.

The challenge: grappling with complexity

EWE Trading is responsible for the settlement of exchange-traded derivatives, standard bilateral forwards and for the invoicing services that EWE provides to the majority of its renewable energy partners: managing the paperwork, including the issuing of self-billing invoices based on pre-agreed payment terms defined in complex non-standard power purchase agreements (PPAs).

Grappling with the complexity of managing these diverse processes as well as the legacy system in use at that time was challenging for the team. The catalyst for change? A decision by the EWE Group to decommission the central settlement system. The question faced by Head of Back Office, Geert Wijngaarden, was what to replace it with?

The Solution: electronic Settlement Matching

Geert decided it was time to digitize the entire bilateral settlement process. For the solution, he turned to Equias and its electronic Settlement Matching (eSM) service. The eSM service is the gold standard for 'straight through' digital settlement processing in the bilateral European energy market – and is based on EFET's standard for invoice and netting statement matching. It matches both standard and non-standard (e.g. PPA) contract invoices, including fees; and automatically generates and matches netting statements for both physical and financial settlement.

Having enrolled as an early adopter of the eSM service, EWE trading had a unique opportunity to help fine-tune its development - as well as see first-hand the potential of automated invoicing and netting statement matching. Geert therefore decided to reap the full benefits of digitalization by integrating eSM with both EWE's Endur trading system and their SAP landscape.

As well as automatically identifying discrepancies in electronic invoice and netting statement documents, Equias' eSM solution also automates the 'outbound channel' for digitized settlement of invoices with counterparties not yet using eSM. The Equias' eSM solution provides for a readable document in PDF-Format that can be delivered to the recipient organization's inbox.

eSM: the ultimate settlement 'matchmaker'

In essence, eSM is a matchmaker – where every invoice issued by a supplier is reconciled against an equivalent 'shadow' invoice from the customer.

- Both documents are identical based on each trading party's own internal trade information; and then automatically matched – both at the headline invoice level but also line item by line item, via the eSM engine.
- All pending invoices are held in queue and clearly visible in the eSM system prior to being matched. Thus, if an invoice or shadow invoice is missing it can be spotted and chased-up immediately.
- Any significant discrepancy is automatically identified. The eSM system returns the invoice as a 'mismatch' and highlights where this has occurred. Inclusion of both party's own trade IDs ensures speedy resolution and identification of which party needs to make the appropriate adjustment.
- Variables in this process are now automated. For example, VAT details are automatically cross validated on submission; while any changes in Standing Settlement Instructions (SSIs) are immediately applied to both the invoice and shadow invoice in the eSM system.
- Netting calculations are hugely simplified. Because trading is so often a two-way street (with suppliers and customers switching roles), the matchmaking ability of eSM enables easy netting between both parties based on an 'apples versus apples' calculation.

The Result: 'automatic' peace of mind

As a result of this project, EWE Trading has successfully decommissioned its legacy settlement system and migrated all its related bilateral settlement workflows to the Equias eSM service.

The organisation's monthly standard and non-standard invoices are now automatically issued to both eSM users and non-users alike - including self-billing invoices for its renewable energy-producing customers.

But EWE Trading is not alone. An increasing number of companies in the bilateral trading community are now plugging into the benefits of eSM. By reducing manual labour, decreasing the potential for human error, and automating key tasks like error detection and resolution, netting calculations and SSI verification, it's possible to realise savings of up to €535,000 annually for large organisations.

It could be argued that the peace of mind that comes with automated, error-free settlement is even *more* valuable. Why settle for anything less?

By taking care of business and automating settlements, together we can make the market more secure – and your business more profitable. So why not join the next wave in trade settlement and contact us today?

For more information on the Equias eSM solution and the practical challenges it solve, download our executive summary of our white paper: 'Making Energy Settlement Fit for Purpose'.

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