HOW TO CHOOSE YOUR TRADING AS A SERVICE PARTNER

white paper

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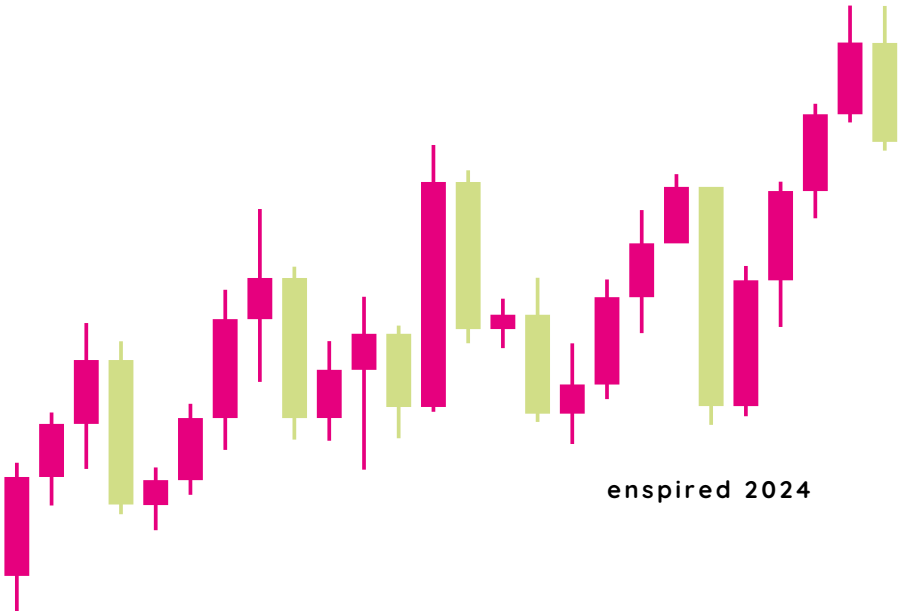
enspired

TaaS at your service

Make your own trading software, buy some from another company, or partner with a service provider. These are your options when you're considering profiting from the flexibility of your energy assets.

You may well pick one or the other depending on what you wish to monetize and where, but if you're thinking of implementing algo-trading, both building your own software and purchasing a solution can become extremely complicated and hugely expensive. If you go with a service provider, however, you not only save yourself money but also a lot of inconvenience. Whether it's issues related to market access, software, or data, everything is taken care of by the provider.

Once you've made up your mind and opted for a partner, the first major decision is out of the way, but there is another key question to answer: how do you select the right one? In this evaluation guide, we look at the most important criteria for choosing the ideal trading as a service (TaaS) provider.



TaaS - an introduction

> **"Businesses in the energy sector must offer services that cover the entire spectrum from market access and fully-automated trading based on self-learning models to cutting-edge execution technology."**
>
> **Jürgen Mayerhofer** | CEO enspired
> in an interview with CTRM Center

TaaS does just that and, as a result, it provides access to both energy exchanges and balancing groups, allowing companies with flexibility to participate in trading even if they are not exchange members. It enables you to get the most out of your flexible and renewable assets on European power spot markets, which have evolved into fast-growing and volatile markets that require heavy usage of data, automated processes, and models that can deal with market complexity.

Fully digital trading companies use the newest technology to trade without human intervention. Their service is designed to remove all hurdles and to work jointly on commercially optimizing clients' assets and facilitating the energy transition.

Traditional trading companies that rely on manual trading - i.e. on traders sitting in front of and monitoring a bank of screens - still exist, but the new breed of traders use algorithms and artificial intelligence. With the way power is traded changing drastically, participants on spot markets will soon only be able to make the most of their flexible assets by choosing fully digital trading as a service.

But what do they need to keep in mind when selecting a provider? Here are the key factors to take into account during the evaluation process.

9 questions to ask when evaluating a TaaS provider

Does their team provide a full range of experience?

Is the pricing model fair, with an option for profit sharing?

What is their track record for profitability?

Do they provide fully digital algo-trading based on machine learning?

Do they rely on their own software solutions, rather than a third-party provider?

Are they transparent about your trading results and strategies?

How much flexibility do you have to terminate your contract?

Do they provide tailored strategies for different asset types?

Is their data exchange compatible with your processes?

fully digital, AI-driven service

Energy has been traded for decades. As markets evolved, so did technology, but at the very beginning there wasn't much technology to speak of. Human traders decided when to enter and exit trades, and carried out transactions without the help of computerized programs. As we mentioned above, manual trading hasn't disappeared yet, but it's far from ideal, to put it mildly. Most trading companies now use fully digital trading that relies on automation. It requires to be advanced IT infrastructure consisting of high- speed computers that can handle real-time data feeds and lightning-fast algorithms. Not all algo-trading is the same, however.

While automated trading does offer a fully digital service, it doesn't automatically guarantee the best performance. Providers with the most advanced, state-of-the-art trading systems step it up a notch. They use algorithms that are based on AI / machine learning and can recognize and adapt to changes in market conditions faster.

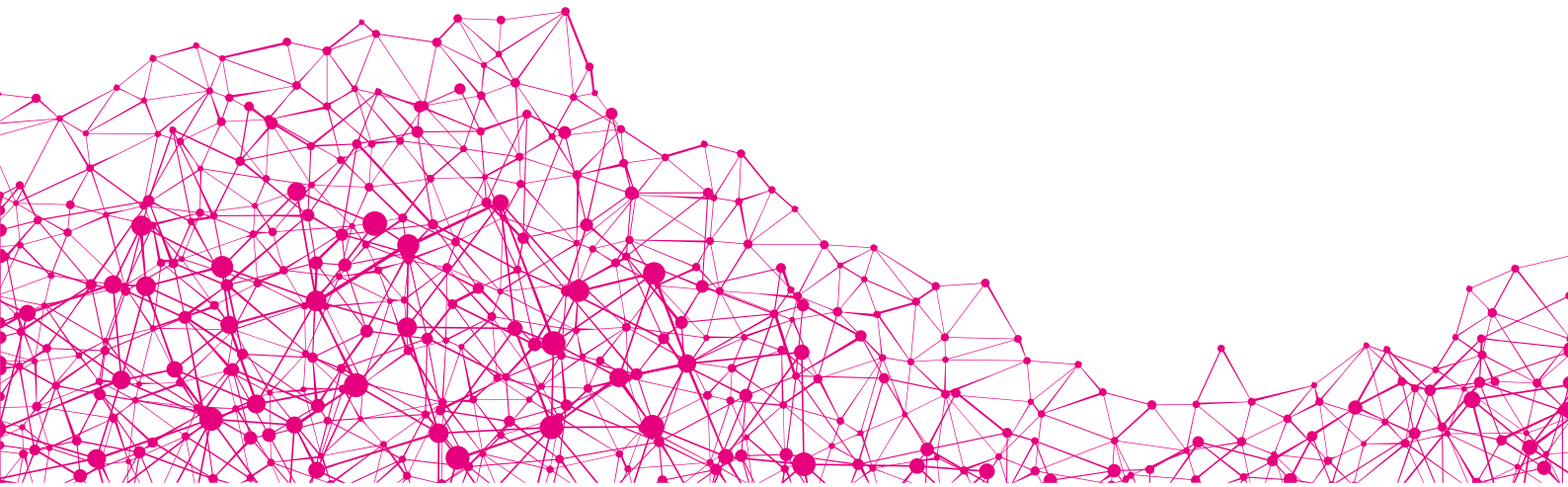
A fully digital, AI-driven trading system makes life much easier for traders. With algorithms taking care of executing trades as well as automatically keeping up with changing market dynamics, they can focus on developing trading strategies in light of market trends. Of course, that doesn't mean that experience and professional expertise are not essential. Without a team of experts that can manage and improve such complex systems, the infrastructure alone is of little use. Special competence is required for performance tuning, carrying out updates, and working with data that needs to be stored, cleaned, aggregated and made available for both the development of algorithms and backtesting.

Besides staff with technical know-how, a service provider should also have risk managers on their team - to make sure that trading follows sound policies and takes place within compliance frameworks - and, because algorithmic trading generates a much larger volume of smaller transactions, a back office team that deals with the extra workload is also required.

transparency

One of the most frequently used excuses for not unlocking the full optimization potential on spot markets is the lack of transparency around the value of a particular asset. This is understandable, since being completely open about trading processes and results is one of the criteria clients should look for a potential partner to fulfil. However, providers differ widely in this respect. Some do not give you access to a full dashboard, and many will net the trading results, i.e., you end up with wins and losses cancelling each other out. In other words, you'll know the final outcome, but not how it has been achieved.

Asset owners should enjoy full transparency: their assets need to be traded against the market, with no netting involved. It's key that they have access to an online, real-time dashboard where they can constantly monitor all the relevant information regarding the value of their assets, including strategy behaviour, order flow, and profit and loss. All of this may sound like a given, but some providers are quite secretive about their trading strategies and reluctant to exchange information. However, knowledge sharing in the form of regular meetings between service provider and client greatly contributes to transparency. Asset optimization should be a joint effort between the two parties, so open communication is essential.



fair terms and conditions

Like transparency, flexibility is a prerequisite to a successful cooperation between a service provider and an asset owner. And it's only possible if the contract terms and conditions are fair and reasonable. Profits should be shared fairly, the service provider should assume more of the trading risk, and there ought to be no minimum term contract. Once again, not every provider guarantees all of the above.

Some offer profit sharing models, others charge a set fee, but a combination of the two is also fairly common - based on the type of assets, the provider may give the asset owner either option. In the case of profit sharing, the provider keeps a certain percentage of the net profit for performing the trading service, based on the volumes that have been traded. Asset owners should be free to decide when and how long they wish to use the services of the provider - they should never have to commit to a minimum contract term.

performance and profitability

Given that very little effort is required on the customer side, the high level of performance that TaaS delivers may be surprising at first glance. But if you're looking for a fully digital service that provides the standardization and automation of critical processes, versatile modeling environments, and collective data pools used by models and algorithms, you'll realize that it is in fact supposed to be excellent. Furthermore, the service can easily be adapted for customers of different types and sizes, e.g. asset owners, storage operators and demand-side resources.

Having said all that, trading companies must make sure to find out how a certain provider's results stack up against the competition. And it's not as simple as just looking at returns. Drawdown, correlation, win-to-loss ratio, risk per transaction… There are quite a few metrics traders will want to have a closer look at, and a provider not willing to share relevant information should be an immediate red flag. Also, do the provider's trading strategies help achieve better prices and monetize asset owners' flexibility to the fullest?

asset types and data exchange

A one-size-fits-all approach may have worked in the garment industry in the 1980s, but it is definitely a no-go in energy trading today. With so many types of assets available, it's hardly surprising that the same strategy doesn't work for every single one. The trading of pumped hydro and batteries, for example, where you have to decide when to generate/charge and when to pump/discharge, is markedly different from that of renewable energy, where your main target is to optimize position closing. Traditional thermal plants, on the other hand, have various ramp-up and ramp-down times that have to be taken into account. Providers need to keep this in mind and provide strategies tailored to each specific asset type.

Whatever the asset, however, it is key that the service provider communicates all the scheduling information with the asset owner, so it's clear how much the latter should produce or store, and when. In other words, the two sides must exchange data.

The provider's service ought to be complementary to the asset owner's existing processes and data exchange should be possible at different times, e.g. before or after an auction or continuously during trading, depending on the type of trading or the market where trading takes place. While data exchange is a structured process, it should also be highly customizable.

In a few years' time, most trading is likely to be based on algorithms and supported by TaaS. Market participants will be able to rely on the kind of energy trading expertise that can keep them up to date with changes in market behaviour, in particular the changes that are specific to their unique situations. With the right TaaS provider, they can keep profiting from their assets and achieve a maximum of benefits with a minimum of material and financial resources - setting themselves up for sustainable success guaranteed by future-proof trading.

Cell-specific battery optimization

In a new era of optimization, we market batteries for maximum revenue with minimum degradation through cell-specific dispatch profiles.

read the article ->

In the trading world, your biggest competitive advantage lies in technological advancement and adaptability to new market opportunities. That is why, in addition to covering all available markets (wholesale, FCR, aFRR energy & aFRR capacity), we are now optimizing battery storage assets for profit by enabling maximum revenue with minimum degradation.

By including cell-specific degradation information in the optimization, an asset can be marketed with much greater precision, achieving the same revenue with less wear and tear. The aim is to keep revenues high while treating the battery more efficiently so that the costs associated with degradation are low. Throughout its lifetime, a battery can undergo only a limited number of cycles, but if the (dis)charging processes are managed in an asset-friendly manner, it will live longer and generate more revenue, ultimately driving up profits. In short, degradation-informed optimization increases the lifetime value of your battery.

Are you ready to market your assets but not sure how to get started? Or just want to avoid the hassles of running your own modern intraday trading desk? Our team of experts in AI-based energy trading can take care of it for you, getting you started in no time with full transparency and no risk.

about enspired

at enspired we offer augmented Trading as a Service (TaaS) to enable our clients to get the most out of their flexible and renewable assets on European short-term power markets. Power markets have evolved into fast-growing and volatile markets that require heavy usage of data, fully automated processes, and models that can deal with the complexity of the market. Our approach as a fully digital trading company allows us to utilise the newest technology to trade without human intervention. The service is designed to remove all hurdles and work jointly on commercially optimising our clients assets to save emissions and allow for faster integration of renewables energy sources

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