



kW2000

The market leader for energy forwards trading, portfolio management and risk management incorporating groundbreaking methods years ahead of competitors in use at over 30 clients across 10 countries.

Key features

Aimed at power and gas markets

- Manage the entire portfolio including upstream and downstream assets
- Designed specifically for companies trading power and gas
- Front, middle and back office functions to support the complete trading process from deal capture to invoicing and settlement
- Event driven systems. Real time mark to market and risk reports.
- Pricing of complex instruments in real time, including simulation based risk assessment.
- Unique risk methodology with simulation based, full valuation approach
- Multi-user, multi-functional, multi-currency, multiple commodity, fully half-hourly or hourly configurable.
- Comprehensive on-line corporate reporting module.

Use of VAR

- Extends and adapts financial sector VAR methods for energy portfolios that may include any mix of generation, wholesale trading and retail sales.

- Applies VAR methods for strategic risk management purposes to optimise the risk / return balance of portfolios in addition to standard operational risk management.

Prestigious client base

kW2000 is the most widely used system of its type in the world, with a client base of more than 30 companies spanning 10 countries. Most of the companies using *kW2000* are recognised as the most advanced players in their geographic region.

Key customers include:

- ATEL
- Cinergy (US)
- ECNZ (NZ)
- EDF
- Electrabel (Scandic Energy)
- Elkem
- Iberdrola
- Neste
- Norsk Hydro
- Powergen
- SE Bank
- Statkraft (Nord Pool and APX)
- Stockholm Energi
- Sydkraft
- Vattenfall

Business need

Many utilities now recognise that risk management for an owner of power generation plant or for a retailing operation calls for a different approach than that used for managing a book of wholesale contracts. This is in addition to the issues of non-normal price behaviour exhibited by energy markets (eg. mean reversion and 'fat tails') and complex non-linear instruments that undermine basic VAR methodologies. Recent spikes in the price of wholesale electricity in the American Mid-West brought into focus the failings of the simplistic risk management paradigm.

The key difference between *KW2000* and other risk management software is that the focus is strategic rather than operational risk management. KWI have a lead on competitors in that *KW2000* is the only system, world-wide, that directly and accurately addresses new and complex challenges of managing power portfolio financial risks. Other mainstream risk management software is limited to managing the risks associated with trading of simple contracts in forwards markets. *KW2000* covers this but also extends VAR based risk management techniques to the entire energy portfolio which might include complex custom contracts, generation and retail.

Technical

Integration

- Fully integrated with electronic exchange trading systems - eg. OM Powerclick.
- Links to real-time price information - eg. Reuters, Knight Ridder, Internet, etc.
- Fully integrated with MS Office applications especially Excel.
- Links to accounting systems.

Architecture

- Based on Windows NT/95/98 technology with ActiveX, 3 tier client server, and messaging architecture (TIBCO).
- Runs on standard hardware.
- Optional dedicated server functions to improve performance. Essential in an event driven enterprise.

The majority of system modules are optional allowing customers to construct a system to meet their current requirements with the possibility to extend their system later.

From the outset it has been a priority in the software design to ensure that *KW2000* is configurable and can be applied to any regional market. As a result, version control and maintenance costs are kept to a minimum.



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About KW International

Our mission is "to be the world-wide leader in energy risk management systems by combining deep understanding of user's requirements and risk management techniques with world-class software engineering methods"

Experts in Power markets

KW staff have experience in deregulated power markets stretching back to the ground breaking privatisation of the UK power industry. Our clients are very active in the Nordic power market, seen as the most successful implementation of a power market in the world.

We have helped customers in Europe define their strategies and corporate structures to maximise value in the evolving power market. We are helping our US customers plan for the coming Summer with strategies and systems to support pro-active management of the portfolio at a critical time.

Strategic objectives

- Maintain product and business knowledge leadership in the risk management sector by working closely with market leaders and investing in research and product development.
- Support our existing users as their operations and requirements expand. Our larger clients are expanding globally. To compete effectively with other global players, such as Enron, they see co-ordination of systems as critical.
- Provide an efficient development and maintenance service through; a) keeping with a single software version across all regional

markets, b) structured design, c) forward thinking design anticipating future requirements and d) keeping installation costs down through adhering to Windows standards.

- Maintain quality and service levels by operating a tight, technology based, quality control programme covering version control and product development
- Provide an open interface for integration with other systems solutions.
- Recruitment of quality individuals to support sales and product development

Markets

Our strategy is to sell *KW2000* into markets where companies face significant financial risk from operating in a competitive environment. Such markets include:

- Scandinavia (electricity)
- Central Europe (gas and electricity)
- Spain (gas and electricity)
- North America (gas and electricity)
- Australia (gas and electricity)
- New Zealand (electricity)
- UK (gas and electricity - especially once reforms are implemented)
- Latin America

Product leadership

KW2000 differs from other risk management systems, notably those coming from a financial trading background. Using *KW2000* represents a conscious decision to adopt a new approach on the part of our users. This new approach is relevant to all energy markets as they deregulate around the world. Maintaining product leadership is a key part of our strategic vision.

Partnerships

We have strategic co-operation agreements with the following companies:

- TIBCO (messaging and middleware)
- Powel Data (sales and first line support to smaller customers in the Nordic market)
- Japro (Consultancy and training)

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