

QUICK

FINANCIAL FORECASTING PACK

Improving forecasting accuracy through the adoption of stress testing



With the Covid-19 pandemic and the financial crisis that is expected to come with it, most energy & utility businesses are in situations where they have to be creative on how to bring revenue and also to plan how to go through this period. Financial stress testing is the best way to evaluate which decisions businesses have to make today to fight the most extreme scenarios and achieve better forecasts to support their goals.

**How much funding will they actually need to go through the crisis?
Is laying off some of the trained human resources really necessary?**

For some years, energy and utility businesses are increasingly recognizing the strategic value of a sound, scenario-based risk and finance analysis system.

Now, SAS would like to offer a quick pack of our services and solutions to answer these business questions. This involves:

- Delivering many high-impact business scenarios and use cases for stress testing for your business; financial planning, risk appetite definition, what-if and sensitivity analysis and emerging risk identification to improve financial forecasting.
- Offering our most advanced SAS Risk Modeling and Decisioning in the new SAS Viya platform and our SAS Stress Testing solutions on the cloud so that your data scientists can develop amazing models and run processing intensive simulations that would be unfeasible otherwise. All without the need to worry about infrastructure, software licensing, etc.
- The SAS Professional and Delivery Services would support you either in the mentioned free cloud environment or within your current SAS environment on how to make the most of it. SAS would import the customer balance sheet data into the solution and allow you to simulate difference managerial decisions across several scenarios to validate and plan their actions.

Using the latest version of SAS Viya platform on the cloud, our data scientists and industry experts can develop amazing models and run processing intensive simulations that would be unfeasible otherwise.

There are many high-impact business scenarios and use cases for



Benefits of modern and automated stress include:



HOW DOES IT WORK?

Stress testing helps decision makers answer business questions that involves a lot of "what ifs". It focuses on a an energy and utility providers' own book of business (e.g., to assess risk in key product areas or customer segments), operational processes (e.g., to understand the legal risks of noncompliance) and other aspects of the business. And also includes all the external information that could impact these businesses.

The testing process systematically considers the unique viewpoints of key managers and executives on the forecasted business environment, the overall economic outlook and the providers competitive strategy, capital-raising activities and risk appetite. These stakeholders discuss and agree upon key hypothetical scenarios, set risk limits for each, publish the scenarios and run them, and use the results to better manage risks.

The process of running different scenarios and putting limits on worst-case scenarios – even unlikely ones – makes risks transparent across the business. It forces everyone across the business to think deeply about risk and how to manage it proactively. And the test results help decision makers better understand the trade-offs between opportunity and risk, measure risk-adjusted performance, and make risk-informed management decisions.

As a leading risk solution provider, SAS is uniquely able to help energy and utility businesses achieve stress testing 2.0 capabilities which supplements the provision of better forecasts to deliver value across the enterprise. To support scenario-based risk and finance analysis and reporting, SAS offers an enterprise risk platform that supports various risk and finance capabilities – including stress testing.

From SAS, risk contents for CCAR and EBA stress testing are provided. Energy and utility businesses can further enhance SAS contents or build other regulatory or institutions' own contents for stress testing and scenario-based analyses. In addition, on the same platform, SAS has also provided contents for IFRS 9 and US CECL, Basel III and IV, Asset & Liability and liquidity risk management, Model Risk Management, Credit risk modeling and decisioning. SAS also provides contents such as IFRS 17 and Solvency II for insurance institutions on the same platform.

This figure summarizes the key functionalities of the SAS Stratum platform and the current contents developed on top. The platform can be deployed on premises as well.

