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Old and new players chase smart-grid technology

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Nearly four years ago, Microsoft Corp. co-founder Bill Gates told me the software giant had no interest in playing a direct role in the development of "smart-grid" technologies. In fact, he seemed rather uninformed about its potential.

That, of course, was before the U.S. Department of Energy set aside nearly \$4 billion (U.S.) to throw at smart-grid development and demonstration projects. As one of the hottest areas of venture capital investment these days – similar in many ways to the early days of the Internet boom, thanks to an energy-literate U.S. president – the smart-grid opportunity is now drawing some big names, including Microsoft.

The company announced on June 24 a new web-based home energy management application called Hohm, "an easy-to-use tool that helps consumers lower their energy bill and reduce their impact on the environment." It is a rather simple application but it gets Microsoft inside the smart-grid bubble, where Google Inc. is also hoping to establish its brand through the launch earlier this year of its PowerMeter home energy management tool.

If the smart grid is to become the next big area of technology investment – some say even bigger than the Internet – then it is understandable that Microsoft, Google, Cisco Systems Inc., IBM Corp. and other giants of the computing and networking world want some flesh in the game. It also means there is a chance for new Googles and Microsofts to emerge, and some are already making that attempt.

Arlington, Va.-based GridPoint Inc. is certainly giving it a shot, at least in the area of power management. The six-year-old company has developed a software platform that helps utilities go through the complex task of integrating renewable energy, energy storage and even electric cars into the grid.

At the same time, it is empowering homeowners and businesses by giving them detailed information of their energy use while also allowing them to reduce consumption based on market signals.

Some must like what GridPoint is doing, because it has so far raised \$220 million and has top-tier investors in its corner, such as Goldman Sachs Group Inc. It has used part of those funds to bulk up. Last fall, it purchased V2Green, a Seattle-based start-up that has developed software to manage the interaction of electric cars with the grid.

Last week, it purchased Lixar SRS, a stealthy software developer in Ottawa that, within the industry, has quietly emerged as a North American leader in energy management software for

households and businesses. Its Web-based tool can be used on pretty much any device, including your home computer, BlackBerry and iPhone.

Lixar is an example of a local company that knocked on many doors in Canada but found most of the welcome mats were in the United States. It has worked on a small trial with Milton Hydro, in partnership with Direct Energy and Bell Canada.

More recently, it's working on a smart-grid demonstration project with Toronto Hydro. Back in November, few would have noticed that Lixar signed an exclusive distribution deal with HD Supply, which sells wholesale supplies to utilities, construction companies and other industrial customers. (Home Depot sold off HD Supply in 2007 for \$10.4 billion).

Through that relationship, Lixar has landed substantial smart-grid pilot projects with major U.S. utilities Xcel Energy and Progress Energy.

Industry sources say the company is also working with Duke Energy, Florida Power & Light and National Grid, as well as Cisco. Neither GridPoint nor Lixar would confirm those relationships.

GridPoint's chief of smart grid operations, Mike Carlson, who was recently vice-president and chief information officer at Xcel Energy, said Lixar is developing the equivalent of TiVo while everyone else is still working on the VCR.

"We started recognizing the attention Lixar was getting in the utility industry," said Carlson, adding that Lixar brought a fresh perspective to an emerging market that is complex, and to utilities that have never really paid much attention to the needs of their customers. "They're not a bunch of utility guys who presuppose how it's supposed to work."

The upshot of all this is that Lixar now becomes GridPoint North, and will remain in Ottawa and become a hub of software development for the mother ship in Virginia. There are plans to significantly expand the Ottawa workforce, partly to handle new opportunities in Ontario now that utilities here have been empowered with the recently passed Green Energy Act.

"There are tonnes of initiatives going on with utilities in Ontario," said Richard Oh, who before the GridPoint acquisition was a managing partner at Lixar. "We will be hiring to support those initiatives."

In an ideal world, Lixar would stay Canadian but the next best thing is to be purchased by a foreign company committed to bulking up the local workforce. Of course, GridPoint also could end up being scooped up by a bigger fish as the smart-grid hype grows.

Or maybe not. Perhaps we are seeing the beginnings of a Netscape, circa 1994, or Google, circa 1998. As the smart grid evolves, it will be fascinating to see new giants emerge and old giants struggle to keep up.

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