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Energy Venture Capitalists Continue to Show Interest in Metering Technologies

By Christopher Perdue
Director, Market Research

[News Item from Business Wire] SmartSynch, a provider of smart metering solutions to the energy and utility industry, recently announced that it closed an additional round of funding with its existing investors.

Analysis: SmartSynch's latest funding represents the second major funding of a metering technology company in the last three months. In April, Comverge announced the completion of its private equity financing in the amount of \$13 million. Now SmartSynch has announced receiving financing of \$4 million from a syndicate of investors that include JP Morgan Partners, Kinetic Ventures, Lime Rock Partners, Nth Power, OPG Ventures, Siemens Venture Capital and members of the company's management team. Let's take a closer look at SmartSynch, and the reasons why venture capitalists are increasingly looking at metering technology companies.

SmartSynch

Based in Jackson, MS, SmartSynch is a provider of smart metering solutions to the energy and utility industry. Its core product, the SmartMeter System, enables energy and utility companies to communicate with commercial and industrial electricity meters using wireless communications and the Internet. The SmartMeter System manages the delivery of information to any application system, workstation, computer, or browser enabled personal communications device.

According to SmartSynch, the company's SmartMeters capture over \$4 billion in utility revenue, enable effective energy management solutions, provide key load research data, and improve customer service with power quality monitoring features.

To date, SmartSynch has raised over \$35 million in venture capital financing. The latest round of funding will be utilized by SmartSynch to expand the company's product offering, and to move into new markets



like Mexico and Canada.

The forays into Mexico and Canada have already started. SmartSynch has just begun providing its SmartMeter System to electric utilities and energy service providers in Canada through an agreement with Paging Network of Canada, the country's largest provider of narrowband PCS wireless services.

SmartSynch also recently signed an agreement with Arch Wireless, Inc., a provider of narrowband PCS wireless services in the U.S. and Mexico, which enables its SmartMeters to communicate over the Arch wireless network. The alliance expands the wireless network options available to SmartSynch's utility and energy service provider customers within the United States, and immediately opens the Mexican power market for SmartSynch's technology.

As part of the recent funding announcement, SmartSynch disclosed that the company also increased its line of credit with Silicon Valley Bank to \$3 million. The line of credit is used to fund capital expenditures and working capital. "SmartSynch has emerged as a leader in the rapidly growing energy technology sector. The company has a strong management team and its products are helping the energy industry improve customer service and increase profitability," said Alan P. Spurgin, Southeast Division Manager of Silicon Valley Bank. "We have supported the company through all phases of the growth cycle and look forward to a long-term financial partnership."

Increased Opportunities

So why the interest from the venture capital community? It appears to be driven by expectations that utilities will increasingly implement metering technologies. Utilities must embrace the challenges of today's marketplace as a way to increase revenues, says Adam Marsh, marketing director of Coactive Networks, in Sausalito, Calif. "Utilities now can put something in everyone's house and become more than just an energy provider."

The technologies that are permitting utilities to read meters remotely are the same ones that can be used to offer additional services, such as home security and energy management. Thus, an investment in technology could pay off sooner if utilities find creative uses for them.

The first step in the evolution toward utility automation is gathering the data from the meter and then sending it to a centralized pool where it can be assimilated and analyzed. The method by which that information is transferred is part of the dynamic driving automated meter reading.

Some companies are installing modules on meters and then using wireless radio signals to transmit the data. Others are placing a gateway in the home that can speak to the meter and then send the data out via the Internet. In some cases, power line communication technology is being tested and implemented as a way to send data over existing power lines.

Companies like Coactive Networks, and muNet.com, are marketing devices that go inside the home and are used to communicate with meters. Those so-called gateways are the size of thermostats, and are mounted on the wall where they can then be coordinated with phone or cable lines, as well as any wireless technology consumers may be using. They enable consumers and utilities to remotely access such things as meters and security systems through the Internet. The residential gateway market is projected to increase from \$125 million in 2001 to more than \$5 billion in 2006, according to In-Stat/MDR.

DTE Energy Technology, an affiliate of Detroit Edison, is using a "gateway" that will launch other services. "Our commitment to using leading edge technologies to enhance the customer experience and to reduce operating costs led us [to provide customers with energy usage information]," says Jim Garipey, vice president of information technologies. "But just as importantly, utilities that are considering this technology will want to focus on the end product, or the solution offered, and not on the network that is



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used to acquire and transmit the data. Essentially, the product must be a vehicle to provide other services."

Despite the possibilities, the costs associated with automated meter reading have prevented it from becoming widespread. However, technology continues to advance and competitors continue to emerge, placing a downward pressure on pricing. As such, utilities will continue to implement metering technologies to coordinate supply and demand, and eliminate possible system outages. That efficiency can translate into lower prices for commercial, industrial, and residential users. The metering technologies will also continue to make it easier for utilities to sell new services. As a result, I do not think we will see a wane in interest from energy venture capitalists any time soon.

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