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In energy management, investors make money when the lights go out.

I P O

Green Out

“Negawatts” is mega in first IPO of its kind.

A small and formerly unnoticed niche in energy management is no longer in the dark as investors begin to see the creative potential in powering down.

The stellar success of electrical grid management company Comverge, which raised \$95.4 million in the first public offering of its kind, has raised the stakes for startups selling electricity reduction technology. “There’s a lot of room in this market, but it will be hard for new entrants to get early funding now,” says Dan Pullman, vice president of investment bank McNamee Lawrence & Co. “Demand-side management has been around for a while, that’s probably the reason why EnerNOC and Comverge can go public. They aren’t startups.”

East Hanover, New Jersey-based Comverge struggled for years to gain VC confidence in its energy-monitoring technology for residential buildings. Its system automatically shuts off limited amounts of power to reduce electricity demand on the grid. Boston-based EnerNOC, which filed in February to go public, offers similar technology for industrial and commercial buildings.

Nevertheless, startups like GridPoint, Fat Spaniel Technologies, and Verdiem are developing a variety of technologies for managing power. Verdiem makes software that shuts off

computers or puts them into an energy-saving sleep mode when they’re not being used for a predetermined amount of time. Fat Spaniel is developing a metering system to measure alternative energy usage.

Demand-response technology functions on the idea that energy saved, called “negawatts,” is equally as valuable as wattage produced during periods when demand on the grid outstrips the electricity supply available to be distributed. When Comverge CEO Robert Chiste first sought out funding for his 10-year-old electricity grid management company, he was bypassed by a lot of venture capitalists. The technology just wasn’t sexy enough, he says. “In the cleantech sector, the sexy venture plays are photovoltaics and nanotechnologies, but those are businesses of the future and they might always be,” he adds. “I think the sector has come to life.”

Meanwhile, VCs interested in the space are positive about the outlook for energy management companies in their portfolios. “We anticipate an opportunity to take other smart-grid energy management companies in our portfolio public,” says Tucker Twitmyer, managing partner with EnerTech Capital, which invested in Comverge. “They’re very large markets; there’s room for multiple players.”

—Adena DeMonte