

Cisco outlines strategy for Smart Grid infrastructure

May 18 2009, By Tracy Seipel

Continuing its expansion into lucrative business niches, Cisco Systems on Monday will announce its entrance into the smart grid infrastructure market, which the company estimates will grow to \$20 billion a year within the next five years.

Smart grid calls for the construction of a 21st-century electric system with new technologies while encouraging energy conservation.

Cisco plans to address critical points within the energy infrastructure, including transmission and distribution automation, smart grid security, smart meter communications, and business and home energy management. The company said it was prompted to make the move after its utility customers asked about its plans for the smart grid, said Marie Hattar, vice president of network systems and security at Cisco.

Hattar said Cisco created a smart grid board within the company in October to identify ways it could participate in the growing market, for which \$11 billion in U.S. stimulus funds has been set aside. A team of 100 people already is working on the new initiative, and she expects the number to grow to 200.

"We want the utilities to maximize their current investments in the infrastructure and for consumers and businesses to better manage and lower their electricity bills," Hattar said. "The last piece is that it's good for the environment."

Analysts say the move makes sense for Cisco, whose networking products could become the platform for a modern electrical system that includes sensors and other devices that can help create [energy efficiency](#).

"They built the switches and the routers that created the Internet that connects businesses and computers together," said Mark McKechnie, an analyst with Broadpoint AmTech in San Francisco. "And their Linksys acquisition a few years ago put them into the home. So they are in a unique position to control and improve the efficiency of the power system."

Also, noting that Cisco's core business is maturing, McKechnie said it is crucial for the company's future to find new areas of growth. "Investors and Wall Street will like Cisco moving into a new growth area, and this one has as much promise as any," he said.

Monday's announcement follows a major decision by the company in March to diversify into the server market, potentially setting up a showdown with longtime partners Hewlett-Packard and IBM.

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Citation: Cisco outlines strategy for Smart Grid infrastructure (2009, May 18) retrieved 18 April 2024 from <https://phys.org/news/2009-05-cisco-outlines-strategy-smart-grid.html>

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