OnLive instant video game streaming box could become the Netflix of games

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I've been playing with OnLive's new video game streaming box for a few days now - the MicroConsole - and I am very impressed.

Not ready to dump my PS3, Xbox 360 and Wii, but impressed, nonetheless.

And I can see the day when those consoles might get permanently stowed away in a closet and the MicroConsole, or some version of it, becomes the single gaming device in my TV cabinet.

OnLive is a gaming service that's completely streamed over the Internet. There's no console with a processor and video card to plug into your TV, and no discs to insert into the console.

Instead, all the games are stored on OnLive's servers, and you access them and play them remotely. It is exactly like Netflix's video streaming service, but for games.

But while video is a linear, non-interactive format - you just press play, wait for the video to spool up, and sit back and watch - gaming is a much different animal.

In fact, games have to react to your input instantly and constantly. If it takes even just half a second for your character to respond to a button press, the whole thing becomes unplayable.

Given the inherent latency in sending anything over the Internet to a server and back to your house, and the fact that OnLive was promising top-shelf AAA games streamed instantly in high definition, many people were skeptical this technology was feasible for games. I was one of those people.

In an interview last week, OnLive founder and CEO Steve Perlman said his company has invented a "new video compression technology which has effectively no latency. The whole round trip is fast enough that perceptionally, it feels like you're playing the game locally."

That's a big claim.

Amazingly, though, it's true.

The MicroConsole is small, unobtrusive and easy to set up. You connect the power cord, video cable (HDMI or optional component cable) and Ethernet cable.

That wired Internet connection is the only potential sticking point for users.

OnLive recommends a wired connection, but says you can use Wi-Fi if you buy a separate bridge (802.11n is best).

Furthermore, there are minimum download speeds the company recommends:

- 5 Mbps: For 40-inch and larger TVs

- 4 Mbps: For 30- to 40-inch TVs

- 3 Mbps: For less than 30-inch TVs

The faster your connection, the better the video quality.

Those aren't outlandish speed requirements, but they could be an issue for some gamers.

Interestingly, of the three data centers OnLive currently has set up around the country to distribute its games, one of them is in Dallas, with the other two in Washington, D.C., and Silicon Valley.

Once you've got everything plugged in, fire up the console and log in with a user name and password.

I did have some initial issues with glitchy video, but OnLive did say the review units were not quite the final product that will go on sale Dec. 2.

Once I received a second console, everything worked fine.

And the games looked and played great.

I tested out "NBA 2K11," "Just Cause 2" and "Batman: Arkham Asylum."

I have a 25Mbps Verizon Fios connection at home, so bandwidth wasn't a concern. I was a bit disappointed in the smeary visual quality of "NBA 2K11," but the game did react instantly to my button presses.

And "JC2" and "Arkham Asylum," in particular, looked awesome. Really, I couldn't see much if any visual difference between the OnLive version of "Batman" and the console-and-disc version.

I suspect games with lots of fast-moving action - like sports - are going to be a bit behind the graphical curve, while slower-paced titles like "Batman" don't put quite such a strain on OnLive's servers.

Perlman said that, right now, OnLive is limited to 720p resolution, but that enhancements to the compression technology are already being tested to boost the visual quality.

"The beta users are on 1080p60, and they're stunned," he said. "To them, the visual quality is higher than what you get out of a console."

The 1080p streaming will require an Internet connection of about 10 megabits per second.

I do think the bundled controller needs some work. The design is similar to an Xbox 360 controller (which is good), but the buttons don't feel quite right. The soft "start" and "back" buttons, for example, are a bit too soft and are mushy and hard to press.

The other issue is that there are, currently, only 35 games available for purchase, but OnLive says that number will grow to more than 50 by the end of the year, including 7 games released on OnLive the same day they're released on traditional discs.

The MicroConsole costs $99 with a free game, and there are various rental and purchase options for the games. Later this year, a flat-rate subscription price will be rolled out.

Right now, OnLive is an interesting product that, for hardcore gamers, is more likely to be a complement to rather than a replacement for a standalone console.

But OnLive really does hold the potential to be a game-changer, in all senses of the phrase.

Once this technology starts getting built into every Internet-connected TV and Blu-ray player, the way the Netflix streaming app and YouTube

and Facebook apps are being built in, I imagine Microsoft, Sony and Nintendo will get very curious.

Indeed, it will be interesting to see how much longer OnLive actually remains a standalone video game company, before it either starts licensing its technology to the big boys or gets bought out by one of the big boys (or a retailer like GameStop, or, heck, Netflix itself, since OnLive's technology clearly has applications way beyond video games).

OnLive is real and it works and it's a clear harbinger of a massive disruption to the traditional video game business model that will happen in the next few years.

It's also pretty darned cool.

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