

Report III

Volume 2007

March 12, 2007

C-NESTTM NETWORKS

We are currently updating our HNet meter display application to better serve our client's needs

C-NESTTM MARKETING

Please note: The Company will be sending a supplemental report on the 20th of this month.

From the Desk of Rod Lighthipe

Marsha Casspi, the CNES Director of Marketing, and I have collaborated this month on a summary of where we believe the State of the Industry is regarding AMR. We also give you an insight into how we monitor industry milestones and progress.

See you next month.....

State of the Industry

Keeping up to date with the energy industry and its progress is of up most importance to the Company. Through research, we see that our continued vision and path to market are right on target. The challenges of Advanced Metering in this new emerging energy market are an up hill climb for the changing energy industry at large.

One of our major sources for our research here at ConectiSys is Chartwell. Chartwell is one of the US independent information services company providing best practices research and analysis to the utility and energy industry.

Utility and energy industry professionals from more than fifty countries depend on Chartwell's research.

On a daily basis, Chartwell researchers and editors focus solely on the utility and energy industry conducting in-depth interviews, analysis, and industry surveys in order to document strategic developments in the industry.

Chartwell was specifically asked by congress to review advanced metering which is a great recognition of the important role they play in this evolving industry. Chartwell brings their in depth research together for the utility management professionals to focus on the state of the industry, sharing their expertise and experiences. They tackle the toughest issues of the day in today's energy market. *They also aim to provide this information that would be useful for discussions at the state level on advanced metering"*

Today's, discussions throughout the US are focused on Advanced Metering Infrastructure (AMI). The question...How quickly should the utilities move forward with systems that use real time/time of use or interval meters with two way communications and new data management?

Clearly, most utilities are addressing the potential of advanced metering needs of all customers. Few want to risk getting seriously behind the technology adoption curve. The need to embrace Automated Meter Reading (AMR) has been around for two decades. And after a slow start, penetration levels have risen to almost 25% in the US. The great need for a real time flow of information is still being highly sought out as the solution in this slow but surly evolving market.

Why the long winding road to deregulation...

- Utilities Concerns and Barriers to Market Entry
- Conquering Advanced Metering Costs and Risks
- Weighing the cost and benefits

- Danger of committing too early in today's technology
- The Regulatory Dilemma
- Policy catching up with technology maturity
- Technology Risks/forcing premature technology choices
- Will it improve outage response and cut field working costs?
- And much more...

Finally, will AMI/AMR live up to its promises to increase significantly the accuracy of load forecasting and management and extend cost savings programs to new audiences and customers?

Many utilities are rolling out advanced metering infrastructure (AMI) systems in the near future, or plan to do so. However, another one of their major concerns... once they have advanced meters and the communications system that records and transmits interval data, where do they store all of this data? What's more, what can they do with this data?

ConectiSys' Value of Being Certified as a Meter Data Management Systems/Agent (MDMS)...

Meter Data Management Systems (MDMS) – next generation technology (HNET™) that merges the ability to store and utilize meter data. Whereas utilities with AMI/AMR previously used data warehouses or CIS/billing systems, or still do, many are now migrating to MDMS. In one popular configuration, MDMS operates as the utility's central hub, serving many departments.

Because of the important role MDMS can play, many professionals see benefits in deploying these systems before installing AMR technologies. Some industry experts believe once MDMS is integrated system-wide, it will be easier to integrate AMR (HNET™ technology) to MDMS, rather than vice-versa.

In summary...MDMS/AMI are the wave of the future. The industry will continue to explore the value in new technologies, and utility/customer benefits driving MDMS/AMR system development.

How much meter data that is useful, who should have ownership of these systems and will the customer be able to manage their usage and cost? These questions and issues are being aggressively addressed by the industry and will be leading the way in this new and exciting development of the energy market.

THIS MONTHS ARTICLE:

Michael McGrath
Executive Director
Retail Energy Services, Edison Electric Institute
February, 2007

The country's demand for electricity continues to grow. To supply it, America's electric utility companies are building more generation and transmission. But at the same time, with industry structural change, rising costs, and the need for even greater environmental protection, the industry recognizes that it must increase its commitment to customer energy efficiency as well. A crucial building block for a more energy-efficient future will be AMI — advanced metering infrastructure.

The nation's electric utility companies are now creating business models and regulatory mechanisms that will help make AMI a widespread reality. This is part of a broad-based campaign to enable energy efficiency to become a viable, sustainable business for utilities and other energy providers, Digital "smart" meters, two-way communication capabilities, automated controls, and sophisticated data management systems are rapidly improving the potential for information exchange between electric utilities and their customers. When coupled with innovative approaches to ratemaking and rate design, AMI can increase the industry's portfolio of resource options to meet the country's growing demand for electricity. It can more closely align regulated retail markets with competitive wholesale markets to deliver more cost savings. And it can become the foundation for a dynamic partnership between utilities and their customers to achieve greater

reliability, power quality, environmental protection, cost control, and risk management systems.

An AMI's two-way communication capabilities give utilities and customers the potential to use time-based rates—such as time-of-use, seasonal, interruptible, and real-time rates—across the entire customer base. The benefits that arise from this capability are many and include:

- Cost savings for customers who shift their demand from peak to off-peak periods.
- Less stress on the transmission and distribution network at peak times, which can help to maintain reliability.
- A moderation in wholesale prices due to retail markets that include more price-responsive customers.
- Lower system peak demands, which in turn reduces the need for new peak generating plants.

AMI was given a boost by Congress with the passage of the Energy Policy Act of 2005 (EPAct). EPAct amended the Public Utility Regulatory Policies Act (PURPA). PUCs and the Boards of Directors of unregulated utilities were directed to take a fresh look at a number of issues, including a wide variety of time-based rate structures, and alternative rate forms, and net metering.

[CLICK HERE FOR THE ARTICLE...](#)

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: The statements contained herein and in the Monthly Report that are not historical are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements including, but not limited to: the level of cost-effectiveness and efficiency of the Company's H-Net™ automatic meter reading products or technologies; changes in the Company's policies regarding communications with shareholders and the general public; the success or failure of the Company's marketing efforts and the particular efforts to be employed; the Company's ability or inability to commercialize, sell, license or further develop its H-Net™ automatic meter reading products or technologies; and other risks detailed from time to time in the Company's periodic reports and other filings with the Securities and Exchange Commission.

*ConectiSys Corp. /monthly report/2007/
By: Marsha Lee Casspi, Marketing Director*



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