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Siemens to Invest in Blockchain-Based Smart Grid Builder LO3

By **DAVID Z. MORRIS** December 24, 2017

Technology conglomerate Siemens has announced it will invest in LO3 Energy, a startup focused on building blockchain-backed "smart grids" for local energy trading. The amount of the investment, and LO3's implied valuation, were not disclosed.

LO3 has had a relationship with Siemens since late 2016, when the companies teamed up to build a local smart grid in Brooklyn. LO3's system is intended to let "prosumers" buy and sell energy — such as that generated from rooftop solar panels — with their neighbors.

LO3 users install a high-resolution meter, which can do neat things like track energy usage at specific times of day, or by specific appliances. They also get an app that lets them set buy and sell requests for specific kinds of electricity, such as solar or wind. LO3 gets revenue from the resulting transactions, and also wants to leverage all that rich user data, potentially by connecting its microgrids to major utility operations.

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LO3 wants to use blockchain to make its system work. Specifically, the smart contracts at the heart of second-gen blockchains like Ethereum should make it possible to automate real-time, granular, peer-to-peer energy transactions. It's an application where blockchain's decentralization is particularly important, which LO3 CEO Lawrence Orsini highlights by pointing to Enron's infamous manipulation of California energy markets circa 2000.

In the midst of a crypto-gold rush that has bred widespread scams, wild overvaluations, and sketchy vaporware, LO3's blockchain application is one that, at least in theory, makes sense both technically and philosophically. But unlike so many companies touting their blockchain applications, LO3 isn't pumping up an initial coin offering, and Orsini has downplayed the idea that LO3's blockchain would rely on cryptographic tokens that themselves had market value. Subtracting that element from the blockchain equation might be tricky, though, since financial incentives are key to motivating distributed servers to host blockchain software.

Another potential roadblock, of course, is getting utility companies to play along — they've relentlessly pursued a legislative agenda that removes incentives to integrate rooftop solar into the grid, particularly buybacks for excess electricity. LO3's system could help consumers take back some control, which might be all the excuse legacy providers need to resist it.