

Networking on the grid

With services that are cheap and based on a proven infrastructure, utility companies across Canada are becoming a viable choice for providing broadband solutions, writes GRANT BUCKLER

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When Seneca College in Toronto moved its main computer centre and began expanding its campuses, it went looking for a network to allow fast and easy data transfer and connection to its Internet service for a reasonable price.

After trying out wireless connections with mixed results, the college settled early this year on a metropolitan local-area network service provided by Toronto Hydro Telecom, a unit of the city's electrical utility, Toronto Hydro Corp.

The connection provides one gigabit per second of capacity among Seneca's major locations, supporting administrative and learning systems and linking all campuses to the Internet, says Terrence Verity, the college's chief information officer.

Toronto Hydro Telecom won the deal "based both on quality of service -- that is, ability to deliver Gigabit Ethernet services -- and price," Mr. Verity says, adding that other network providers quoted prices about 10 times Toronto Hydro's roughly \$2,800 per connection per month.

Mr. Verity says the network has proven very reliable, and Toronto Hydro Telecom has given the college good service.

"Technically, they're very proficient, and we like the relationship," he says. "We can get to them, we can talk to them."

Seneca College's technicians tested the network thoroughly and it passed with flying colours, he adds.

Capacity, technical expertise and price are the factors enabling a growing list of utility firms' telecommunications arms -- dubbed utelcos -- to compete for business with telephone and cable companies, the established data communications providers.

Ian Collins, chairman of the United Telecom Council of Canada, representing utilities' telecom interests, says there are 40 to 50 utelcos in Canada, the bulk of them belonging to municipal utility companies in Ontario.

Utelcos take advantage of the fact that electrical utilities have valuable rights of way for their electrical wires and, in many cases, have already run optical fibre along these rights of way to control power-distribution networks.

Selling telecommunications capacity for customers' internal networks and broadband Internet access is a logical next step.

"They're growing really fast," says Brian Sharwood, Toronto-based principal with telecommunications consulting firm SeaBoard Group. "They're good -- their expertise is data generally, so they know the business well, and they've got gobs of bandwidth."

What the utelcos lack, Mr. Sharwood says, is marketing expertise and geographic reach.

The monopoly utilities from which they spring have had little need of marketing know-how and the utelcos themselves "are mostly run by technology geeks," says Mr. Sharwood.

In Ontario, which boasts by far the largest number of utelcos because of its historic structure of local utility companies, such as Toronto Hydro, most utelcos serve single urban areas. That limits their ability to offer long-haul services to customers with widely dispersed locations.

Exceptions are the utelco arms of provincial utilities.

Ontario's Hydro One Inc. and Manitoba Hydro both have such operations. They offer long-haul fibre links, sometimes to telephone and cable companies.

For instance, Manitoba Hydro's optical fibre from Winnipeg to Thompson, Man., allows Shaw Communications Inc. to offer Internet access in Thompson, says Murray Matiowsky, manager of communications at Manitoba Hydro.

John Macdonald, president and chief executive of Hydro One Telecom, says his company sells capacity to all major telecommunications companies operating in Ontario.

Ian Miles, president of Toronto Hydro Telecom, says other carriers are a fruitful market for municipal utelcos too, accounting for about 40 per cent of his company's business.

Unlike most municipal utelcos, he adds, Toronto Hydro Telecom gets most of the balance of its revenue from business customers. That's largely because Toronto is home to banks and insurance companies that need substantial telecom bandwidth within the city.

Mark Quigley, research director at Ottawa-based telecom consultancy The Yankee Group in Canada, says limited reach is one reason utelcos have done better selling services to municipalities, universities and schools and hospitals -- the so-called MUSH sector -- than to corporate customers.

Those customers need high bandwidth but within limited areas, he says, while large businesses tend to want longer-haul services. "I don't think they've had that much impact in the larger business world."

Seneca College is one example of the utelcos' MUSH-sector success.

In another, Enersource Telecom, a unit of Mississauga municipal utility Enersource Corp., joined with Hydro One Telecom to connect 314 schools of the Peel District School Board and the Dufferin-Peel Catholic District School Board with one-gigabit-per-second fibre links providing Internet access and inter-school communications.

Jim Smith, controller for learning technology support services at the Peel District board, says the utelcos offered ample capacity for the future at an attractive price and the network has worked well since the first schools were connected in September, 2002.

"It worked pretty much as soon as we plugged in," he says. "It's been extremely reliable -- we've had hardly any outages."

In a similar deal, the Telecom Ottawa Ltd. unit of Hydro Ottawa Holding Ltd. has wired 154 schools in

the Ottawa-Carleton area, says Dave Dobbin, Telecom Ottawa's chief operating officer.

But local utelcos are out to extend their reach by banding together.

Many municipal utelcos and Hydro One Telecom have a deal in place that allows a customer in any city to sign a contract with one of the companies and obtain services in several or all of them, says Mr. Miles.

The local utelcos provide services in their home cities and Hydro One Telecom provides inter-urban links, he says, and the customer has one point of contact. "We're trying to get our product offering and service levels and that sort of thing more consistent."

As for the second weakness Mr. Sharwood identifies -- marketing know-how -- Mr. Macdonald admits the utility telcos' profile could be higher. "Our big customers know us well," he says, "but there are people just beyond the fringe of that group that have never heard of us."

However, Mr. Dobbin says the marketing approach of municipal utelcos like Telecom Ottawa depends heavily on the fact that they are local organizations.

Municipal government organizations and local businesses like dealing with suppliers in their own community, he says, so Telecom Ottawa's marketing strategy emphasizes that.

"All of us are doing our marketing in our communities and that will continue."