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For Immediate Release

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Echelon Advances NES Reseller Coverage with Addition of Eltel Networks

(Copenhagen, Denmark – October 10, 2006) - Echelon Corporation (NASDAQ: ELON), a global networking company providing technology and solutions for controls, smart metering, and energy and environment management, announced today that Eltel Networks Denmark has entered into an agreement to become a Value-Added Reseller (VAR) of Echelon's Networked Energy Services (NES) advanced metering system. Eltel Networks Denmark is a division of Eltel Networks, a leading provider of network services in Northern Europe with expertise in designing, building, maintaining, and enhancing power transmission and distribution networks, fixed and mobile telecommunications networks, and networks for municipal authorities. The relationship was announced today at the Metering & Billing/CRM Europe 2006 event in Copenhagen, attended by leading utility representatives from Europe and around the world.

“We are pleased to extend our services by offering Echelon’s NES advanced metering system to our utility customers,” said Claes Dalby, business manager, Eltel Networks Denmark. “We ensure uninterrupted signal and electrical supply to our clients,

so partnering with a proven and reliable company and technology is very important to us. The Danish market is evolving rapidly and moving towards next-generation metering systems. With the proven track record of the NES system in neighboring Sweden, we believe that the NES system is well positioned for success in Denmark.”

Eltel Networks specializes in the construction and maintenance of networks, including electricity, telecommunications, railway, aviation, public safety, and enterprise networks. “We made a strategic decision to extend our offering to clients in Denmark by being a one-stop-shop for infrastructure services and solutions,” said Tapio Potila, Director Business Development Electricity, Eltel Group Corporation. “Eltel Networks is already involved as a subcontractor in various advanced metering projects in other Nordic countries and we are very impressed by the functionality Echelon’s NES system offers. We believe that together with Echelon we can offer a very attractive and cost effective system.”

Echelon's NES system provides an open, bidirectional, and extensible infrastructure that enables a comprehensive range of utility applications that can bring benefits to every aspect of a utility's operation, from metering, to customer services, to distribution operations, to value-added services. By choosing the NES system, utilities can expect to have better control over energy usage and save substantial cost in monthly meter reading and other areas of their operations while providing improved customer service.

"Eltel Networks' vast experience in utility construction, installation, and maintenance operations makes them an ideal NES VAR and we are excited to work together in bringing advanced metering solutions to Denmark," said Frits Bruggink, Senior Vice President and General Manager, Service Provider Group. "The NES system is gaining momentum in Europe and we believe our partnership with Eltel Networks will help increase adoption of our advanced metering system."

The NES Value-Added Reseller (VAR) program is designed to establish Echelon's NES system as a global standard for intelligent metering systems. The program enables companies to provide utilities with optimized, end-to-end solutions under the NES Powered by Echelon™ brand.

More information about Echelon's NES system can be found at <http://www.echelon.com/metering>.

About Eltel Networks

Eltel is 'The Infranet Company' in Northern Europe with a prime focus on electricity and telecommunications networks. Eltel engineers, builds and maintains power transmission and distribution, fixed and mobile telecommunications and municipal authorities' networks. These networks deliver the electricity and signal upon which everyday life depends and Eltel Networks is committed to securing this availability by providing innovative solutions as strategic partners to its clients.

Eltel commits its resources and expertise to securing Infranet availability - the lifelines of society, 24 hours a day, seven days a week. Eltel uses its expertise in managing technicians to secure the availability of clients' networks. By utilizing economies of scale and scope and innovative solutions, Eltel reduces customers' unit costs and improves efficiency.

Eltel Networks is controlled by the Industri Kapital 2000 Fund, a European private equity firm with Nordic roots, managing close to €4 billion in fund commitments from Nordic, European and international institutional investors. Since 1989, Industri Kapital has acquired 57 European companies. The current portfolio encompasses approximately 24 companies with a total turnover close to €8.7 billion.

Further information regarding Eltel Networks can be found at <http://www.eltelnetworks.com>.

About Echelon Corporation

Echelon Corporation (NASDAQ: ELON) is a pioneer and world leader in control networking — networks that connect machines and other electronic devices — for the purpose of sensing, monitoring and controlling the world around us. Echelon's LONWORKS platform for control networking was released in 1990 and has become a worldwide standard in the building, industrial, transportation, and home automation markets. Launched in 2003, Echelon's Networked Energy Services system is an open,

extensible, advanced metering infrastructure that can bring benefits to every aspect of a utility's operation, from metering and customer services to distribution operations and value-added business. In 2005 Echelon introduced the world's first embedded control network infrastructure, the PyxosTM platform, extending the benefits of networking inside machines to the sensors and actuators that make them function.

Echelon is based in San Jose, California, with international offices in China, France, Germany, Italy, Hong Kong, Japan, Korea, The Netherlands, and the United Kingdom. Further information regarding Echelon can be found at <http://www.echelon.com>.

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This press release may contain statements relating to future plans, events or performance regarding the NES system and its potential deployment in Denmark and elsewhere. Such statements may involve risks and uncertainties, including risks associated with uncertainties pertaining to the timing and level of customer orders, demand for products and services, and development of Danish and other markets for Echelon's NES system; risks associated with the ability of the NES system perform as designed, including in the areas of energy usage, cost savings and customer service improvements, risks associated with potential production or shipment delays for the NES system, and other risks identified in Echelon's SEC filings. Actual results, events and performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Echelon undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.