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For Immediate Release

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Fourth Utility Award to Bring Total Echelon NES Households in Denmark to 810,000

(San Jose, CA – October 16, 2008) - Echelon Corporation (NASDAQ: ELON) announced today that the Danish utility NRGi has chosen Echelon's Networked Energy Services (NES) Systems for its advanced metering infrastructure project. NRGi awarded the project to Echelon's NES value-added reseller partner, Eltel Networks A/S, with meter data management system (MDMS) and enterprise software tools from NES VAR partner Görlitz AG. Under the project, which is targeted to begin in the fourth quarter of 2008 and be complete by the end of 2011, Eltel will deploy NES advanced metering infrastructure, initially to approximately 50,000 of NRGi's 200,000 customers. Revenue to Echelon over the life of the project is expected to be between approximately \$5 and \$20 million.

NRGi is the fourth Danish utility to select Echelon's NES system, bringing the total number of Echelon NES meters in Denmark to 810,000, including all options. Denmark is one of the fastest growing markets in Europe for smart metering systems.

“Over the course of the last six months Echelon has been awarded every major project in Denmark, establishing the NES system as the market leader in advanced metering infrastructure in Denmark,” said Mark Ossel, Echelon's vice president, NES business development, North-West Europe. “While every market has its own unique attributes, most economies worldwide are facing similar challenges of rising costs, disparities between supply and demand, and the need to better modernize the energy infrastructure—all factors driving utilities to deploy a ‘smart grid’. Utilities have begun to look beyond meters as simple cash registers, to making them intelligent nodes in their smart grid network. As a result, there is a growing opportunity for utilities to demonstrate to their customers and the regulators the value and power that the NES system can bring.”

“A strategic goal for NRGi is to deliver products and services to our customers that contribute to energy savings and CO2 reductions,” said Poul Berthelsen, Project Manager at NRGi. “While metering alone does neither of these, the NES system can enable us to do both. With NES, we have the ability to download new tariff plans into our meters over the network enabling us to offer incentives to reward our customers for shifting demand to off peak times. Similarly, the ability to deliver energy information and energy services into our customers’ homes through the NES communications infrastructure is a powerful tool for energy management and conservation. We selected the NES system because it is truly a network. Unlike other systems, it is not focused simply on the meter, but on providing the foundation of a smart grid. This solid platform gives us the ability to solve problems we know we have today, and an expandable platform and grid management tools to extend our services in the future.”

Echelon’s NES advanced metering infrastructure consists of a family of highly integrated, advanced electronic electricity meters, accessed via a web services based network operating system over an IP networking infrastructure. Unlike systems with a dedicated radio per metering point, multiple NES meters can share a single IP connection through the use of Echelon's proven standards-based power line networking technology. This decreases the per-point connection cost, enabling the system to easily and cost-effectively incorporate new wide area networking technologies over the life of the system. Echelon’s open system interfaces allow the system to be cost-effectively expanded, adapted, and customized in ways unlike any competing system.

NES' powerful web services based network operating system provides a standards-based platform for enterprise applications that enables quick and cost-effective integration with MDMS software systems, such as the EDW3000 system from Görlitz. Open interfaces within NES meters enable a market for third-party add-ons that can expand and enhance the functionality of the meters, much as open interfaces in personal computers have led to an explosion of plug-in and external devices that transform the functionality of PCs.

About NRGi

NRGi is one of Denmark's largest utility companies. The company provides services within the fields of energy, technical solutions and communication, earning value for its customers and owners. Further to supplying more than 200,000 households with electricity, the company employs approximately 1,200 people with activities that ensure energy retrenchments and CO2 reductions. Consequently the company runs one of Denmark's largest departments within energy counseling. The company's head quarters are situated in Århus, and has departments spread all over the country.

More information about NRGi can be found at <http://www.nrgi.dk>.

About Eltel Networks

Headquartered in Helsinki, Finland, Eltel Networks is the InfraNet Company™ in Europe, specializing in the construction, maintenance, and upgrading of electricity and telecommunications networks. The Group, with its 8,500 employees, has operations in the Nordics, Poland, the Baltics, and Germany. More information about Eltel Networks can be found at <http://www.eltelnetworks.com>.

About Görlitz AG

Görlitz is one of the leading companies in the European market with devices and systems for energy data management and data services. More than 800 European utilities and industry customers have installed systems and devices from Görlitz. More information about Görlitz can be found at <http://www.goerlitz.com>.

About Echelon Corporation

Echelon Corporation (NASDAQ:ELON) is a networking company that provides products and systems that can monitor and save energy; lower costs; improve productivity; and enhance service, quality, safety, and convenience by connecting everyday devices in utility, buildings, industrial, transportation, and home control systems. Tens of millions of smart devices based on Echelon's LonWorks® products and Networked Energy Services (NES) systems are used around the world today, bringing benefits to consumers and industry. This year, Echelon and LonWorks technology celebrate its 20th anniversary. More information about 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, including statements regarding the size and timing of the NRGi project with Eltel. Such statements may involve risks and uncertainties, including risks associated with the ability of Eltel's system, and the NES system on which it is based, to perform as designed and contribute to energy savings; the risk that the NRGi project is cancelled or reduced in scope; risks associated with potential production or shipment delays for NES meters and other components; risks that the deployment and system integration activities with Eltel or other partners in the project are not successful or do not meet their target dates; the risk that the application of U.S. generally accepted accounting principles could affect the timing of NES revenues that Echelon expects to recognize under the project; 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.