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For Immediate Release

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Echelon and ELO Announce Second Meter Source for NES System

(San Jose, CA and Sao Paulo, Brazil – January 14, 2009) - Echelon Corporation ([NASDAQ: ELON](http://NASDAQ:ELON)) today announced that it has entered into a technology licensing agreement with ELO Sistemas Eletronicos (ELO) under which ELO will develop and market smart electricity meters based on Echelon's market-leading Networked Energy Services (NES) smart grid infrastructure solution. This new agreement expands on the NES value-added reseller relationship announced in November of last year.

The parties intend to initially focus on the Brazilian and select Latin American smart meter markets, representing over 100 million electricity meters. ELO is the leading supplier of digital electricity meters in the Brazilian market, with an estimated 40 percent market share.

In October of this year Brazil's energy regulator, Aneel, announced tentative plans for a nationwide rollout of smart metering, expecting to replace approximately 63 million electricity meters in the country with smart meters by 2021.

"Today's announcement is important for many reasons, and it represents a critical step forward in a large, emerging market with a market-leading partner," said Michael Anderson, Echelon's senior vice president, NES sales and market development. "With nearly 30 years of local experience and the largest meter market share in the country, ELO is an ideal partner for establishing the NES system as a market-leader in Brazil and throughout Latin America."

Anderson continued, "This announcement is also an important step into the enormous Latin American market for Echelon with an outstanding and proven partner and demonstrates the openness of our strategy. The NES system is an open, standards-based platform for the smart grid: open to application developers through web services; open to operate with any Internet protocol based network; open to expansion to in-home and other devices through the meter's secure expansion interface; and, as announced here today, NES is open for use with meters developed and sold by other manufacturers."

"The Brazilian market is on the verge of a very exciting transformation," said Marcos Rizzo, ELO's vice president of business development. "2010 will be an important year for development, and we plan to work aggressively to have meters approved and in production to support the large-scale rollouts that we see starting in 2011. And, as exciting a market as Brazil is, we believe it represents just the beginning of an opportunity that we see spreading throughout Latin America. Based on our experience of deploying utility-grade solutions to the leading energy suppliers in Latin America, we believe that basing our smart grid product line on the NES system will best serve the needs of our customers and best position us to maintain—and expand—our market leadership."

Echelon's NES smart metering infrastructure solution enables a highly scalable, feature-rich and integrated system of advanced electronic electricity meters accessed via a Web services based network operating system over an IP networking infrastructure. NES technology is used by utilities worldwide in Austria, Denmark, Finland, Germany,

Italy, The Netherlands, Russia, Sweden, Switzerland, the United States, and other countries.

For more information regarding Echelon's NES System visit www.echelon.com/nes.

ELO Sistemas Eletronicos

Founded in 1980, ELO Sistemas Eletronicos is a leading metering provider for the South America market. With offices in Brazil and Chile, ELO is recognized as a key supplier of quality electronic equipment and systems to the Brazilian and South American electricity supply market. ELO provides integrated product and system packages to utilities to automate processes, such as the collection and treatment of metering data.

In 1993, ELO introduced the concept of electronic metering for C&I applications to energy metering in Brazil and is a recognized leader and innovator in the Brazilian energy market. More information about ELO can be found at <http://www.elonet.com.br>.

About Echelon Corporation

Echelon Corporation ([NASDAQ](http://www.nasdaq.com): [ELON](http://www.elon.com)) is leading the worldwide transformation of the electricity grid into a smart, communicating energy network, connecting utilities to their customers, enabling networking of everyday devices, and providing customers with energy aware homes and businesses that react to conditions on the grid.

Echelon's [NES System – the backbone for the smart grid](#) – is used by utilities to replace existing stand-alone electricity meters with a network infrastructure that is open, inexpensive, reliable, and proven. The NES System helps utilities compete more effectively, reduce operating costs, provide expanded services and help energy users manage and reduce overall energy use. Echelon's [LonWorks® Infrastructure products](#) extend the smart grid, powering tens of millions of energy aware, everyday devices made by thousands of companies – connecting them to each other, to the electricity grid and to the Internet. LonWorks based products work together to monitor and save energy; lower costs; improve productivity; and enhance service, quality, safety, and convenience in utility, municipal, building, industrial, transportation, and home area networks.

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. Such statements may involve risks and uncertainties, including risks associated with uncertainties pertaining to ELO's development of NES-compatible meters, the timing of receipt of regulatory approval for ELO's NES-compatible meters, the timing and level of customer orders, demand for products and services, and development of markets for Echelon's NES System and NES-based products; risks associated with market acceptance of the NES System in the markets targeted by ELO; risks associated with the ability of the NES System and NES meters to perform as designed and potential production or shipment delays for NES components; 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.