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For Immediate Release

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Echelon Wins Smart Metering Project in France

**Project Includes First Sell-Back of Solar Produced Electricity in France
Using NES Meter**

(San Jose, CA – November 5, 2008) - Echelon Corporation (NASDAQ: ELON) announced today that the Group of Electricity Distributors in France (GAELD), a consortium of electricity distributors, has chosen Echelon's Networked Energy Services (NES) System for up to 90,000 homes. The project, awarded to Echelon partner Alter Way, is expected to begin within the next few months and to be completed by 2013. In the past two months the NES system has gained momentum across Europe, including projects in Germany, Denmark, and now France.

One of the utilities in the GAELD consortium, Régie d'électricité de Loos, is allowing homeowners to sell back solar produced electricity to the utility. They are doing so using the ability of NES meters to measure the amount of electricity produced separately from the energy consumed, as opposed to simple "net metering" in which the details of production versus consumption are lost, making this the first instance of

Echelon's meter to be used in an alternative energy application in France.

“We chose Echelon's NES system because we believe it is the most advanced, flexible, and cost-effective metering infrastructure solution available. The NES system provides a solid, reliable backbone for our smart metering system, and integrates easily with software and solutions from other providers, ensuring us that we're installing a truly future-proof solution,” said Michel Fruchart, managing director, GAELD. “While the French market has many unique requirements, because of its flexible design the NES system can be adapted to our market without a costly and time consuming effort, giving us a solution that is available and deployable today and that we expect will meet our needs for years into the future. We believe that it will allow us to extend our system based on future needs and offerings we might want to provide to our customers at a later date, such as prepayment, remote reading of both gas and water meters, and in-home services.”

“We are excited to increase our position in the French market, which has traditionally been difficult to enter due to strong local competition. We believe our success here, and recently in other countries such as Germany and Denmark, is a reflection of the growing awareness among utilities of the benefits that the NES system, together with 'smart grid' applications, bring to their operations,” said Frits Bruggink, Echelon's senior vice-president and general manager, service provider group.

According to Arnaud Duhamel of Alter Way, “We are impressed by the quality of Echelon's NES System and its high level of functionality. Its robust architecture allows us to focus on creating business processes and applications, using open source technologies. We believe this guarantees a durable, high-performance system that, when deployed, will bring a wide spectrum of capabilities and services to the utility. We are pleased to introduce open source software applications to the world of Echelon's NES users.”

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.

The NES system's powerful web services based network operating system provides a standards-based platform for enterprise applications that enables quick and cost-effective integration. 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 the Solution

Echelon's NES system will be integrated with a meter data management system (MDMS) application from Alter Way, who is also acting as the overall integrator for the project. Echelon will enhance the NES system to implement some unique features to enable billing plans mandated by French regulation. Because the NES system can be upgraded in place, the deployments of the GAELD project can begin immediately. However, until completion of the enhancements, which is expected by the end of 2009, Echelon will defer revenue from the GAELD project. Alter Way will install and maintain the overall IT infrastructure by hosting of the servers and providing dedicated personnel to oversee the project.

About The Group of Electricity Distributors in France (GAELD)

GAELD is a consortium of four local electricity distributors (ELD) who are joining efforts to develop this intelligent metering project. The four members are GAZELEC, Régie d'électricité de Loos, Energies et services de Creutzwald and, Energies et services de Lavaur. The consortium is open to additional electricity distributors. More information about GAELD can be found at <http://www.gazelec.fr/>

About Alter Way

Alter Way is an integrator of open source solutions for information systems,

including, content management, managed hosting, business intelligence, business applications, e-mail systems, and system and network infrastructure. It specializes in the integration of open source solutions including server maintenance, database integration, groupware, and network security systems. More information about Alter Way can be found at <http://www.alterway.fr>.

About Echelon Corporation

Echelon Corporation (NASDAQ: ELON) is leading the worldwide transformation of the electricity grid into a smart, communicating energy network, connecting utilities to their customers, 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 and the grid. 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, including statements regarding the size and timing of the GAELD project with Alter Way. Such statements may involve risks and uncertainties, including risks associated with the ability of Alter Way's system, and the NES system on which it is based, to perform as designed and contribute to energy savings; the risk that Echelon is not able to develop the enhancements required by GAELD within the expected timeframe or at all; the risk that the GAELD 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 Alter Way 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.