



550 Meridian Avenue
San Jose, CA 95126
Phone: +1-408-938-5200
Fax: +1-408-790-3800
lonworks@echelon.com
www.echelon.com

News Information

For Immediate Release

Press Contacts

Julia O'Shaughnessy
Echelon Corporation
+1 (408) 938-5357
joshoughnessy@echelon.com

Allyson Stinchfield
Atomic Public Relations
+1 (415) 402-0230
allyson@atomicpr.com

T-Mobile Media Relations
T-Mobile USA
+1 (425) 378-4002
mediarelations@t-mobile.com

Echelon and T-Mobile Announce Alliance to Reduce the Cost of a Secure Smart Grid Network for Utilities

SAN JOSE, Calif., and BELLEVUE, Wash. — April 23, 2009 — Echelon Corp. (NASDAQ: ELON) and T-Mobile USA, Inc., today announced an alliance to accelerate the adoption of the smart grid in the North American market by reducing the communications cost of smart meters through the deployment of Echelon's Networked Energy Services (NES) system over T-Mobile's GSM cellular network. As part of the agreement, Echelon will utilize a first-of-its-kind embedded T-Mobile SIM within a cellular radio module to enable all the Echelon smart meters on a given low voltage transformer to communicate back to the utility over the smart grid, and T-Mobile will offer users of Echelon's NES system innovative and cost-effective pricing plans for data usage.

Many advanced metering infrastructure (AMI) systems in the North American market require utilities to deploy their own wireless communications infrastructure, encumbering the utility with the initial cost of building the network and with the ongoing maintenance costs required to keep it operating reliably. Public wireless telecommunications networks have been built to sustain the high-traffic needs of the consumer market and are very reliable. This joint announcement allows electric utilities using Echelon's NES system to take advantage of the enormous investment that T-Mobile has made in its network and to leverage the 24/7 maintenance commitment of T-Mobile to keep its network operating at maximum efficiency.

Echelon's NES advanced metering infrastructure is leading the worldwide transformation of the electricity grid into a smart energy network, and T-Mobile USA's nationwide

network serves more than 32 million customers with reliable wireless voice and data services.

“We believe the initiative we have announced today with T-Mobile should fundamentally change the way utilities in North America think about deploying AMI systems,” said Jim Andrus, Echelon vice president of NES Sales Americas. “While the investment in coverage, reliability and security of carriers such as T-Mobile is unmatched by what a utility could do on their own, the operating costs of public networks have traditionally limited their use in the North American market. In contrast, aggressive pricing plans have made the use of the public cellular networks as the backhaul of smart grid systems the norm in Europe. We believe the programs we have put in place with T-Mobile can have the same impact on the North American market.”

John Horn, national director for M2M, T-Mobile USA, said, “Utilizing T-Mobile’s robust wireless network allows Echelon and its clients to focus on smart grid solutions rather than on building and maintaining a costly and complex private communications infrastructure. Through this agreement and the exciting introduction of our new pricing plans and embedded SIM — which will deliver a very small, durable solution built to withstand challenging environmental factors such as temperature and humidity — we expect innovation and adoption of smart grid solutions to accelerate.”

“T-Mobile is excited to play a meaningful role in providing the communications infrastructure for these innovative services to flourish,” Horn added.

About the Solution

The NES advanced metering infrastructure from Echelon 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. More than a simple AMI system focused on billing related services, the NES system enables the backbone of the smart grid, providing utilities with a wealth of information about the status, operation and health of the grid that enables them to reduce operating costs while increasing service quality.

Unlike systems with a dedicated, proprietary radio per metering point, multiple NES meters can share a single IP connection among all the meters on a given low voltage transformer, driving down the per-point connection cost and eliminating the need for the utility to build and maintain a dedicated private wireless network for their meters. When used on the T-Mobile network, one point per transformer will be equipped with T-Mobile’s innovative new embedded SIM card, eliminating the need for the utility to build and maintain a private network for backhaul communications.

By bringing the wide area network connection point down to the neighborhood transformer, this architecture allows a utility to pinpoint problems in its network at a very precise location, eliminating cost and time affiliated with outage detection and improving customer service.

About T-Mobile USA, Inc.

Based in Bellevue, Wash., T-Mobile USA, Inc. is the U.S. operation of Deutsche Telekom AG's Mobile Communications Business, and a wholly owned subsidiary of T-Mobile International, one of the world's leading companies in mobile communications. By the end of 2008, 128 million mobile customers were served by the mobile communication segments of the Deutsche Telekom group — 32.8 million by T-Mobile USA — all via a common technology platform based on GSM, the world's most widely used digital wireless standard. T-Mobile's innovative wireless products and services help empower people to connect to those who matter most. Multiple independent research studies continue to rank T-Mobile among the highest in numerous regions throughout the U.S. in wireless customer care and call quality. For more information, please visit <http://www.t-mobile.com>. T-Mobile is a federally registered trademark of Deutsche Telekom AG.

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. Such statements may involve risks and uncertainties, including risks associated with uncertainties pertaining to the development efforts to embed the T-Mobile SIM within the cellular radio module in Echelon meters, the timing and level of customer orders and demand for these Echelon meters and other products and services based on Echelon's Networked Energy Services System; risks that these products do not perform as designed, and that liability may accrue as a result of the use of Echelon products and services; risks relating to the growth of the NES industry; 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 and T-Mobile USA undertake 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.