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Echelon Announces IP Connected Smart Meter for North American Market

(San Jose, CA – September 9, 2009) - Echelon Corporation (NASDAQ: ELON) announced today the introduction of an IP-based smart meter for the North American market that brings IP connectivity inside a meter for smart grid metering systems. The new meter is a powerful, intelligent end-point for the smart grid and an integral part of Echelon's enhancements to its Networked Energy Services (NES) smart metering infrastructure.

The new NES Smart IP Meters combine three key elements of an intelligent grid infrastructure in a single ANSI standard-based meter – IP-based wide-area network (WAN) connection, extremely reliable power line-based communications, and neighborhood meter network management. The new meters can increase a utility's installation flexibility and lower cost by allowing them to locate the backhaul connection for each neighborhood at the side of a single home.

"IP-based meters are an integral part of our strategy to keep the NES System at least a generation ahead of other solutions," said Jim Andrus, Echelon's vice president of

North American Sales, NES Products. “The IP meter provides increased connectivity and deployment options, which gives utilities new ways to drive down deployment and lifecycle costs. The combination of open IP communications with embedded grid intelligence offers utilities the ability to move beyond basic advanced metering infrastructure (AMI) and onto the smart grid.”

The NES System embeds communications and intelligence directly into the power grid itself, enabling utilities to use a single network for electricity and communications. By leveraging the utility’s existing assets it eliminates the burden and on-going cost of AMI systems that bypass the grid and require utilities to install and maintain a redundant and costly RF network solely dedicated to communications.

With the NES System, backhaul providers such as T-Mobile North America supply and maintain the backhaul network and the meters utilize the existing low voltage power lines to provide high speed, reliable and secure neighborhood communications with no new network build-out. The new IP meters have an open interface designed to accept any IP-capable WAN card, such as GPRS, UMTS, LTE, CDMA, EV-DO, WiMAX®, fiber optic, DSL, and Wi-Fi® – giving utilities the ability to work with any mobile carrier or WAN service provider in North America.

The powerful data concentrator built into the NES Smart IP Meter serves as the intelligent hub for the neighborhood meter network by providing management services, including meter and smart device discovery, mesh communications management, and operations monitoring.

“Many ‘smart meters’ and AMI systems on the market are still focused around the meter simply generating billing data, a limited role that it has played for the last century. With the NES System, we have focused on meters as integral components in a smart grid that not only need to provide a market-leading set of services and information related to billing, but that also can provide previously unavailable power quality and system information to help utilities drive down costs and increase the quality and reliability of service,” continued Andrus.

“At a meter level and a system level, the NES System provides enhanced functionality and grid intelligence to utilities. We believe that this combination of hardware, software, and system capability raises the bar for what smart metering systems

can do. With the addition of our new NES Smart IP Meters, we believe we have made the best meters and best system in the business even better."

Grid Intelligence Provided by the NES Smart Meter Family

The intelligence provided by the NES Smart Meter is designed to enable and accelerate key smart grid applications including:

- Time of Use Metering;
- Load Profiling;
- Demand Metering;
- Power Quality Analysis and Verification;
- Prepaid Metering;
- Integration with Home Area Network via RF such as ZigBee; and
- Micro-generation/renewable energy metering (e.g., solar).

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

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, 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 the development efforts relating to NES IP and other meters and the NES system; risks associated with the ability of NES IP and other meters and the NES System to perform as designed; 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.