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Andrew L. Ott
President and CEO
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May 11, 2017

Mr. Jorge L. Cardenas
Vice President Asset Management & Centralized Services – PSE&G
80 Park Plaza T-14
Newark, NJ 07102

Dear Mr. Cardenas:

Re: Capacity Emergency Transfer Limits (CETL) Calculations

We received your letter expressing concern with respect to PSEG's CETL values. The Board takes reliability matters seriously. I have discussed your concerns with our VP of System Planning and I appreciate the opportunity to respond to these concerns.

PJM's Load Deliverability analysis is one of the tests applied to validate the deliverability of PJM capacity resources to PJM load. Outlined in PJM's Manual 14 B Attachment C, PJM's load deliverability philosophy is such that the CETL analysis simulates PJM emergency scenarios (or procedures) but does not simulate all emergency scenarios. On the other hand, PJM designed the load deliverability process to serve as a reliability measure beyond Resource Adequacy that ensures PJM operators, during a real-time emergency, have resources available to them to manage such events. The CETL values in question were established after PJM conducted additional analysis subsequent to the initial posting of the values in February, having acknowledged that there was the potential for overdependence on generation in southeastern New York. PJM did not wait for stakeholders to react to the February posting and conducted the analysis that resulted in the revised CETL values posted in April which PJM believes are correct. We are also confident that there is not a NERC violation of the planning standards relative to loss of load expectations because these requirements are specific to how PJM evaluates Resource Adequacy and, as explained above, CETL and load deliverability go beyond the minimum requirements to ensure a more robust system.

As to the coordination between PJM and the NYISO, we have made significant strides in improving this coordination but recognize there is more work to do. Nonetheless, PJM believes that in this case the appropriate modeling of assumptions required to perform these calculations correctly are in place between PJM and the NYISO.

Finally, PJM has committed to work, through the Planning Committee beginning in June, on exploring changes to the load deliverability methodology to improve the overall process and to review interregional modeling assumptions. I welcome your participation in the discussions.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew L. Ott", written in a cursive style.