

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

STANDARDS OF CONDUCT COMPLIANCE PROCEDURES

The Federal Energy Regulatory Commission (“FERC” or “Commission”) requires FERC-jurisdictional public utilities to comply with the Commission’s Standards of Conduct governing the relationship between certain employees of a public utility’s interstate transmission provider (“Transmission Function Employees”) and employees engaged in wholesale energy marketing and sales (“Marketing Function Employees”). To summarize, the FERC Standards of Conduct require that:

- (i) Transmission providers treat all transmission customers, affiliated and non-affiliated, in a fair, impartial, and not unduly discriminatory manner;
- (ii) All Transmission Function Employees operate independently from Marketing Function Employees; and
- (iii) Non-public transmission information is not provided, either by Transmission Function Employees or by other employees legally authorized to obtain such information, to Marketing Function Employees.

Background

Public Service Electric and Gas Company (“PSE&G”), a direct, wholly owned subsidiary of Public Service Enterprise Group Incorporated (“PSEG”), owns, among other things, facilities engaged in the interstate transmission of electricity. PJM Interconnection, L.L.C. (“PJM”), a FERC-approved Regional Transmission Organization (“RTO”), directs the operation of PSE&G’s transmission facilities. As a Transmission Provider under FERC rules, PSE&G has adopted these Standards of Conduct Compliance Procedures (“Procedures”) to govern the conduct of business between its Transmission Function Employees and its Marketing Function Employees.

For the purposes of FERC’s Standards of Conduct, various PSEG subsidiary companies employ Marketing Function Employees. Those employees currently are housed in the following two PSEG companies: (1) PSEG Energy Resources & Trade LLC (“PSEG ER&T”); and (2) PSE&G. PSEG maintains a list of Marketing Function Employees as described below.

I. DEFINITIONS (as defined in 18 CFR § 358.3)

The following definitions from the FERC Standards of Conduct regulations are applicable to PSE&G.

The **FERC Standards of Conduct** are the regulations included in 18 C.F.R. Part 358.

Marketing Functions means the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, of electric energy or capacity, demand response, virtual transactions, or financial or physical transmission rights.

Marketing Function Employee means an employee, contractor, consultant or agent of a transmission provider or of an affiliate of a transmission provider who actively and personally engages on a day-to-day basis in Marketing Functions.

Transmission means electric transmission, network or point-to-point service, ancillary services or other methods of electric transmission, or the interconnection with jurisdictional transmission facilities.

Transmission Customer means any eligible customer, shipper or designated agent that can or does execute a transmission service agreement or can or does receive transmission service, including all persons who have pending requests for transmission service or for information regarding transmission.

Transmission Functions means the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests.

Transmission Function Employee means an employee, contractor, consultant or agent of a transmission provider who actively and personally engages on a day-to-day basis in Transmission Functions.

Transmission Function Information means information relating to Transmission Functions.

Transmission Provider means any public utility that owns, operates or controls facilities used for the transmission of electric energy in interstate commerce.

Internet Web Site refers to the Internet location where a public utility posts the information, by electronic means, required under the FERC Standards of Conduct.

II. Compliance Resources

The FERC Standards of Conduct require a Transmission Provider to “designate a chief compliance officer who will be responsible for standards of conduct compliance.” The responsibilities of the Chief Compliance Officer also include ensuring employee training, answering employee questions, and coordinating audits and investigations, as well as other duties to ensure compliance with the FERC Standards of Conduct. For the purposes of these Procedures, PSEG designates as its Chief Compliance Officer Cara Lewis, Senior Director – Regulatory Compliance Counsel.

Questions or concerns regarding compliance with the FERC Standards of Conduct or these Procedures should be directed to Cara Lewis at (973) 430-8836 or by email at cara.lewis@pseg.com, or Pseg-regulatorycompliance@pseg.com.

PSEG employees may also contact the PSEG Integrity Line Service at 1-800-655-7269 or <https://pseg.alertline.com> to ask questions or report concerns (either anonymously, confidentially, or otherwise) regarding compliance with the FERC Standards of Conduct or these Procedures. The Integrity Line Service is available 24 hours a day, seven days a week.

Requests for anonymity or confidentiality will be respected to the extent possible. Questions or

concerns regarding compliance with the FERC Standards of Conduct and these Procedures will be reviewed, investigated, and resolved, as appropriate.

III. Procedures to Ensure Non-Discrimination

Each section below opens with an excerpt of the relevant FERC Standards of Conduct regulation(s), and is followed by a description of PSE&G's procedures for compliance.

A. "Non-discrimination requirements" (18 CFR § 358.4):

(a) A transmission provider must strictly enforce all tariff provisions relating to the sale or purchase of open access transmission service, if the tariff provisions do not permit the use of discretion.

(b) A transmission provider must apply all tariff provisions relating to the sale or purchase of open access transmission service in a fair and impartial manner that treats all transmission customers in a not unduly discriminatory manner, if the tariff provisions permit the use of discretion.

(c) A transmission provider may not, through its tariffs or otherwise, give undue preference to any person in matters relating to the sale or purchase of transmission service (including, but not limited to, issues of price, curtailments, scheduling, priority, ancillary services, or balancing).

(d) A transmission provider must process all similar requests for transmission in the same manner and within the same period of time.

B. Method for Compliance

PJM administers the Open Access Transmission Tariff ("OATT") applicable to the transmission facilities owned by PSE&G; provides the services thereunder, such as transmission service, including network and point-to-point service and ancillary services; processes requests for all interconnections with transmission facilities in the PJM Control Area; and makes all decisions for scheduling services and for processing interconnection requests. This FERC-approved, contractually memorialized arrangement assures that PSE&G complies with the non-discrimination requirements of the FERC Standards of Conduct.

IV. Procedures to Ensure Independent Functioning

A. "Independent functioning rule" (18 C.F.R. § 358.5):

(a) General rule. Except as permitted in this part or otherwise permitted by Commission order, a transmission provider's transmission function employees must function independently of its marketing function employees.

(b) Separation of functions.

(1) A transmission provider is prohibited from permitting its marketing function

employees to:

(i) Conduct transmission functions; or

(ii) Have access to the system control center or similar facilities used for transmission operations that differs in any way from the access available to other transmission customers.

(2) A transmission provider is prohibited from permitting its transmission function employees to conduct marketing functions.

B. Methods for Compliance

PSEG conducts its business to ensure the independent functioning of its Transmission Function Employees from its Marketing Function Employees by having in place the following:

1. Identification of Transmission Function Employees and Marketing Function Employees

PSEG maintains a list of employees identified as Transmission Function Employees and a separate list of employees identified as Marketing Function Employees. Those lists are maintained by an individual designated by Chief Compliance Officer (the “List Administrator”). The List Administrator maintains those lists as follows. Individuals in cost centers likely to employ Marketing Function Employees or Transmission Function Employees are instructed to contact the List Administrator in either of the following circumstances: (i) when there is a new Marketing Function or Transmission Function Employee, and (ii) when a current Marketing or Transmission Function Employee is terminated or changes roles and is no longer a Marketing or Transmission Function Employee. In addition, and on a monthly basis, the List Administrator circulates these lists to those individuals in cost centers likely to employ Marketing Function Employees or Transmission Function Employees with a request for those individuals to review and update. Further, and on a monthly basis, the PSEG Human Resources department sends the List Administrator a list of employees who have transferred out of Marketing and/or Transmission Functions.

In PSEG’s internal electronic contact directory, Transmission Function Employees are identified with “(Tran Function)” following their names, and Marketing Function Employees are designated with “(Mktg Function)” following their names. If the List Administrator is informed that an employee’s job responsibilities change such that the employee no longer qualifies as either a Transmission Function Employee or a Marketing Function Employee, the List Administrator coordinates with the PSEG Information Technology department to remove that electronic identification.

2. Physical Separation

PSEG has established procedures to ensure the physical separation of the employees engaged in Transmission Function activities from those engaged in the Marketing Function activities to avoid the inadvertent or intentional disclosure of non-public transmission information to Marketing Function Employees. To assure separation, PSEG has physically secured the

following areas:

PSE&G's bulk electric system is monitored and controlled from the PSE&G Electric System Operations Center ("ESOC"), which is located at a geographically remote location from the Marketing Function Employees.

The Senior Director of ESOC maintains a master list of persons authorized to have access to the ESOC and is responsible for adding and removing individuals from the list as necessary. Any person not identified on the master list who seeks access to the ESOC Building is considered a visitor and must be logged and escorted at all times after entry by the employee being visited or a surrogate.

PSE&G maintains an Emergency ESOC Back-Up Facility. PSE&G maintains security controls at the back-up facility, including requiring badge access for entry, camera surveillance, and the same visitor requirements with respect to logging and escorting.

3. Information Security Controls

Within the PSEG computer network, firewalls and other security measures are in place to prevent unauthorized access to Transmission information by Marketing Function Employees. Each business unit that stores Transmission information on the PSEG network is responsible for identifying the storage location of that Transmission information. That business unit is responsible for identifying the set of employees eligible to access that information, and for ensuring that no Marketing Function Employees are included in that set. The business unit is required to coordinate with the PSEG Information Technology department to establish controls that restrict access to that storage location to only designated users, and to update that user set as necessary. The controls include the use of user accounts and passwords as well as the assignment of access profiles. The user accounts and passwords restrict access to the systems, while the profiles provide restrictions to the information accessible within the systems. Additionally, enterprise-wide information security practices identify business controls and provide general systems configuration guidance to be followed when developing and operating information systems to assure implementation of these controls.

Regarding the communication of information via email, the parenthetical designations in PSEG's internal electronic contact directory make PSEG employees immediately aware of which employees are Transmission Function Employees or Marketing Function Employees and who are not allowed to receive certain information.

4. Training

PSEG conducts an annual compliance training program for employees regarding its expectations for behavior under PSEG's internal Standards of Conduct (the "PSEG Standards of Conduct"), which include expectations for behavior for all PSEG employees regarding compliance with the FERC Standards of Conduct. The PSEG Standards of Conduct reflect PSEG's core commitment to integrity and communicate a common set of expectations for employee behavior while conducting PSEG business. The PSEG Standards of Conduct articulate PSEG's expectation that employees comply with applicable laws as well as an expectation that they comply with specific requirements when engaging with individual stakeholders including, among others, customers,

investors and regulators in the conduct of PSEG's business. The PSEG Standards of Conduct further require employees to report violations of the PSEG Standards of Conduct and provide resources that are available 24 hours a day, seven days a week for advice and/or reporting misconduct anonymously or with attribution. The PSEG Standards of Conduct are issued to all employees and posted on the Company's internal and external websites. They were also provided to new employees upon hire. PSEG also provides this training to new non-represented employees and provides targeted training to all Transmission Function Employees, Marketing Function Employees, any other employees likely to become privy to Transmission information, and relevant contractors.

V. Information Disclosure Rules

A. Standards of Conduct Requirements (18 CFR Sections 358.6 and 358.7):

1. "No conduit rule" (18 C.F.R. § 358.6):

(a) A transmission provider is prohibited from using anyone as a conduit for the disclosure of non-public transmission function information to its marketing function employees.

(b) An employee, contractor, consultant or agent of a transmission provider, and an employee, contractor, consultant or agent of an affiliate of a transmission provider that is engaged in marketing functions, is prohibited from disclosing non-public transmission function information to any of the transmission provider's marketing function employees.

2. "Transparency rule" (18 C.F.R. § 358.7) (excerpt):

(h) Exclusion for and recordation of certain information exchanges.

(1) Notwithstanding the requirements of §358.5(a) (i.e. Paragraph IV hereof) and 358.6 (i.e. Paragraph V. 1 hereof), a transmission provider's transmission function employees and marketing function employees may exchange certain non-public transmission function information, as delineated in §358.7(h)(2), in which case the transmission provider must make and retain a contemporaneous record of all such exchanges except in emergency circumstances, in which case a record must be made of the exchange as soon as practicable after the fact. The transmission provider shall make the record available to the Commission upon request. The record may consist of hand-written or typed notes, electronic records such as e-mails and text messages, recorded telephone exchanges, and the like, and must be retained for a period of five years.

(2) Non-public information subject to the exclusion in §358.7(h)(1) is as follows:

(i) Information pertaining to compliance with Reliability Standards approved by the Commission, and

(ii) Information necessary to maintain or restore operation of the transmission system or generating units, or that may affect the dispatch of generating units.

B. Methods for Compliance

The measures and procedures set forth in Paragraph IV.B. above also serve to assure compliance with the Information Disclosure Rules set forth in the FERC Standards of Conduct.

Transmission Function Employees and Marketing Function Employees periodically meet to discuss matters other than those related to Transmission Function activities or Marketing Function activities. Special procedures are employed for these meetings to ensure compliance with the Independent Functioning and Information Disclosure Rules in the FERC Standards of Conduct. The procedures set forth below cover both Cross-Function Meetings as well as Cross-Function Communications, such as telephone conferences that take place between such employees in lieu of a meeting. Specifically, these procedures are as follows:

An agenda, including a list of attendees, must be prepared. The agenda must contain a legend that notifies participants that any discussion that includes non-public transmission information may not be discussed in the presence of Marketing Function Employees and any related written materials may not be provided to Marketing Function Employees. The legend must also make clear that Marketing Function Employees must leave the room when PSE&G non-public transmission is discussed. The legend should read as follows:

Non-public information concerning PSE&G's transmission system or the transmission system of another transmission provider may not be discussed during any Cross-Function Meeting in the presence of any Marketing Function Employee. Marketing Function Employees must leave the room if such non-public transmission information is to be discussed. Written materials containing non-public transmission information may also not be distributed to Marketing Function Employees.

Should non-public Transmission Function Information be exchanged between Transmission Function Employees and Marketing Function Employees in accordance with the two exclusions above (in 18 C.F.R. § 358.7(h)(2)), a record of such disclosure will be made contemporaneously. If such disclosure occurred during "emergency circumstances" as defined above, a record will be created as soon as practicable following the exchange. Records will be kept by the Office of Ethics & Compliance for five years.

VI. Procedural Requirements

A. Standards of Conduct Procedural Requirements (Excerpts of 18 CFR § 358.7)

(a) Contemporaneous disclosure.

(1) If a transmission provider discloses non-public transmission function information, other than information identified in paragraph (a)(2) of this section, in a manner contrary to the requirements of § 358.6, the transmission

provider must immediately post the information that was disclosed on its Internet Web site.

(2) If a transmission provider discloses, in a manner contrary to the requirements of § 358.6, non-public transmission customer information, critical energy infrastructure information (CEII) as defined in § 388.113(c)(1) of this chapter or any successor provision, or any other information that the Commission by law has determined is to be subject to limited dissemination, the transmission provider must immediately post notice on its Web site that the information was disclosed.

[. . .]

(d) Posting written procedures on the public Internet. A transmission provider must post on its Internet Web site current written procedures implementing the standards of conduct.

(e) Identification of affiliate information on the public Internet.

(1) A transmission provider must post on its Internet Web site the names and addresses of all its affiliates that employ or retain marketing function employees.

(2) A transmission provider must post on its Internet Web site a complete list of the employee-staffed facilities shared by any of the transmission provider's transmission function employees and marketing function employees. The list must include the types of facilities shared and the addresses of the facilities.

(3) The transmission provider must post information concerning potential merger partners as affiliates that may employ or retain marketing function employees, within seven days after the potential merger is announced.

(f) Identification of employee information on the public Internet.

(1) A transmission provider must post on its Internet Web site the job titles and job descriptions of its transmission function employees.

(2) A transmission provider must post a notice on its Internet Web site of any transfer of a transmission function employee to a position as a marketing function employee, or any transfer of a marketing function employee to a position as a transmission function employee. The information posted under this section must remain on its Internet Web site for 90 days. No such job transfer may be used as a means to circumvent any provision of this part. The information to be posted must include:

(i) The name of the transferring employee,

(ii) The respective titles held while performing each function (i.e., as a

transmission function employee and as a marketing function employee), and

(iii) The effective date of the transfer.

(g) Timing and general requirements of postings on the public Internet.

(1) A transmission provider must update on its Internet Web site the information required by this part 358 within seven business days of any change, and post the date on which the information was updated. A public utility may also post the information required to be posted under part 358 on its OASIS, but is not required to do so.

(2) In the event an emergency, such as an earthquake, flood, fire or hurricane, severely disrupts a transmission provider's normal business operations, the posting requirements in this part may be suspended by the transmission provider. If the disruption lasts longer than one month, the transmission provider must so notify the Commission and may seek a further exemption from the posting requirements.

(3) All Internet Web site postings required by this part must be sufficiently prominent as to be readily accessible.

B. Methods for Compliance

1. Contemporaneous Disclosure

As described above, PSEG conducts an annual compliance training program for employees that includes the requirement that employees report any wrongdoing to their manager or to the Chief Compliance Officer designated above. The Chief Compliance Officer designated above is responsible for determining the appropriate action to be taken, including contemporaneous disclosure on PSEG's Internet Web Site if required.

2. Postings of Procedures and Affiliate Information

PSE&G has posted these Procedures on its Internet Web Site. Moreover, PSE&G has posted the following information on its Internet Web Site to comply with the FERC Standards of Conduct: (i) the names and addresses of all affiliates that employ Marketing Function Employees; (ii) a list of the employee-staffed facilities shared by any Transmission Function Employees and Marketing Function Employees and addresses of the facilities; (iii) job titles and position descriptions for all PSE&G Transmission Function Employees; (iv) employee transfers between the Transmission and Marketing Functions and; (v) potential merger partners that employ Marketing Function Employees, within seven calendar days after the merger is announced. The Chief Compliance Officer designated above is responsible for ensuring that posted information is accurate and up to date.

3. Employee Transfers

Notices of employee transfers between Transmission and Marketing Functions are posted on PSEG's Internet Web Site and remain posted for 90 days. Human Resources representatives coordinate with the employee's current and future manager and with the Chief Compliance Officer designated above to ensure that a posting is made to the Internet Web Site in compliance with the FERC Standards of Conduct.

4. Timing and general requirements of posting

When required, the Chief Compliance Officer designated above updates the content of the Internet Web Site to ensure that that posted information is accurate and current.

VII. IMPLEMENTATION REQUIREMENTS

A. "Implementation requirements" (18 C.F.R. § 358.8):

The applicable provisions of the FERC Standards of Conduct Implementation Requirements are as follows:

(b) Compliance measures and written procedures.

(1) A transmission provider must implement measures to ensure that the requirements of §§ 358.5 and 358.6 are observed by its employees and by the employees of its affiliates.

(2) A transmission provider must distribute the written procedures referred to in § 358.7(d) to all its transmission function employees, marketing function employees, officers, directors, supervisory employees, and any other employees likely to become privy to transmission function information.

(c) Training and compliance personnel.

(1) A transmission provider must provide annual training on the standards of conduct to all the employees listed in paragraph (b)(2) of this section. The transmission provider must provide training on the standards of conduct to new employees in the categories listed in paragraph (b)(2) of this section, within the first 30 days of their employment. The transmission provider must require each employee who has taken the training to certify electronically or in writing that s/he has completed the training.

(2) A transmission provider must designate a chief compliance officer who will be responsible for standards of conduct compliance. The transmission provider must post the name of the chief compliance officer and provide his or her contact information on its Internet Web site.

(d) Books and records. A transmission provider must maintain its books of account and records (as prescribed under parts 101, 125, 201 and 225 of this chapter)

separately from those of its affiliates that employ or retain marketing function employees, and these must be available for Commission inspections.

B. Methods of Compliance

1. Compliance Measures and Written Procedures

PSE&G has developed these Procedures to ensure compliance. These Procedures are posted on PSEG's Internet Web Site.

2. Training and Compliance Personnel

PSEG conducts an annual compliance training program that includes a comprehensive module on the FERC Standards of Conduct. Completion of the training is tracked and evidence of completion is retained in a learning management system. Managers are able to access the training records of their direct teams. Certain new employees are trained on the FERC Standards of Conduct. Above, PSEG has designated a Chief Compliance Officer.

3. Books and Records

PSE&G's Transmission Function maintains separate books and records from its affiliates that employ or retain Marketing Function Employees, and these are available for inspection by the FERC.

STANDARDS OF CONDUCT VIOLATIONS

Expectations for behavior for all PSEG employees regarding compliance with the FERC Standards of Conduct are articulated in the PSEG Standards of Conduct. Employees are required to report violations or potential violations of the PSEG Standards of Conduct, including violations of the FERC Standards of Conduct. Violation of the FERC Standards of Conduct by any employee would constitute a violation of the PSEG Standards of Conduct. Suspected violations will be investigated and tracked for appropriate closure. Employees may be disciplined, up to and including discharge, for actions in violation of the FERC Standards of Conduct or these Procedures and for failing to report a violation where there is a reasonable basis to know that a violation is occurring or has occurred. Retaliation by an employee against another who in good faith reports a concern regarding a suspected violation of law, the PSEG Standards of Conduct, the FERC Standards of Conduct, or these Procedures is prohibited. Any employee engaging in such retaliation may be subject to discipline up to and including discharge.

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