Nova Scotia Energy Board

IN THE MATTER OF the *More Access to Energy Act, 1998*, SNS 2024, c 2, Sch B, (the "Act")

and

IN THE MATTER OF an application by the Nova Scotia Independent Energy System Operator for an Order or Orders made pursuant to Section 29 of the *Act* for the review of its proposed expenditure and revenue requirements for the fiscal year ending March 31, 2026

August 5, 2025

4469515

TABLE OF CONTENTS

EXHIBIT A-1 - EXECUTIVE SUMMARY

A. Overview

This is the initial revenue requirement application of the recently constituted Nova Scotia Independent Energy System Operator (the "NSIESO"), which is for the test period ending March 31, 2026. The NSIESO is a not-for-profit corporation established under the More Access to Energy Act (the "Act")[1]. The NSIESO has a statutory mandate that includes, among other aspects, the administering of the bulk power system and wholesale electricity markets in Nova Scotia. These functions have historically been under the responsibility of Nova Scotia Power Inc. ("NSPI") and are in the process of being transitioned to the NSIESO in a phased manner. In the first phase of the transition, the system planning, transmission interconnection and energy and capacity procurement functions will be assumed by the NSIESO. This phase is expected to occur during Q4 of 2025. The second phase involves the transfer of the real time dispatch operations, and is expected to occur in Q2 2027. As a consequence of the phased approach, we expect that the annual expenditure forecast and revenue requirement of the NSIESO will increase over the first three fiscal years reflecting the increasing scope during this period.

As part of this Application, the NSIESO is seeking approval from the Nova Scotia Energy Board for its ongoing OM&A expenses forecast for the test period to be $6.75M ("Ongoing OM&A"). Subject to a request for approval of a deferral and variance account, the NSIESO expects to ultimately seek to recover the forecast amount of $5.3M in rates ("Net Ongoing OM&A"). The difference of $1.44M between its forecast Ongoing OM&A and the Net Ongoing OM&A (i.e., the forecast amount for recovery) is the forecast amount remaining from a Provincial grant of $2.68M used to fund forecast one-time transition costs for the current fiscal period. Beyond its initial operating expenses, the NSIESO will incur one-time transition costs, such as costs to ramp-up its organizational capability and to transition responsibilities from NSPI. As these costs are expected to be fully funded from Provincial funding, the NSIESO is not seeking Nova Scotia Energy Board approval of the forecast one-time transition costs for the period ending March 31, 2026. The focus of this Application is the ongoing OM&A expenses, but the NSIESO notes that additional one-time transition costs beyond those forecasted could occur in the current or future financial periods.

[1] *More Access to Energy Act*, SNS 2024, c 2, Sch B; See Section 7.

If additional one-time transition costs occur in the current fiscal period, they will reduce the residual amount of Provincial funding available to offset the Ongoing OM&A expenses, and be reflected in the Net OM&A Deferral and Variance Account, as discussed in Section 7, below. If these additional one-time transition costs are forecasted for a future fiscal year, they may form part of approvals sought in the NSIESO's application for that year.

The NSIESO developed its OM&A forecast using a detailed bottom-up approach. However, the NSIESO does not have historical organizational experience and operational data. As a result, there may be circumstances that are not readily foreseeable to a degree that those circumstances could or should form the basis of its financial forecasting. In addition, the NSIESO is not yet in a position to propose a mechanism for rate recovery. It is the NSIESO's proposal to defer the approval of a rate recovery mechanism until its application for the period April 1, 2026 to March 31, 2027. Given the foregoing, the NSIESO is proposing to establish a symmetrical OM&A deferral and variance account referred to as the Net OM&A Deferral and Variance Account.

This account will serve three functions.

a. First, it will enable the NSIESO to record its approved forecast of Net Ongoing OM&A costs. Assuming all other aspects remain constant, this would be the amount the NSIESO expects to ultimately seek to recover once a rate recovery mechanism is established.

b. However, as the deferred amount reflects a forecast and unexpected circumstances can arise, the Net OM&A Deferral and Variance Account will permit the NSIESO to record the applicable variance to the Net Ongoing OM&A (i.e., the approved amount that is being deferred). A variance could occur if the NSIESO incurs a higher or lower actual Ongoing OM&A expenses than its approved OM&A envelope for the present test period.

c. Because the NSIESO will apply the $2.68M of Provincial funding against one-time transition costs first, a variance could also occur where one-time transition costs are higher than expected requiring a greater allocation of Provincial funding to pay those costs and leaving a lower amount of Provincial funding available to offset actual Ongoing OM&A costs. The opposite would occur if forecast one-time transition costs were lower than forecast. In the unlikely circumstance where the actual one-time transition costs exceeded available Provincial funding, the NSIESO proposes that the unfunded amount of one-time transition costs would also be recorded in the Net OM&A Deferral and Variance Account as one-time transition costs would typically be recoverable in the absence of Provincial funding. The implication of the foregoing is the account balance sought for recovery would reflect a balance that includes the total actual Ongoing OM&A amount (since in this circumstance there will be no Provincial funding available to deduct from this amount) and the incremental unfunded one-time transition costs.

B. BACKGROUND AND STATUTORY MANDATE

1. The Nova Scotia Independent System Energy System Operator

The NSIESO is a not-for-profit corporation established by the Act[2] on October 24, 2024. The NSIESO was created by the proclamation of the *Energy Reform (2024) Act* (Bill 404) which introduced a suite of fundamental reforms to the Province's energy sector, including by promulgating the Act. The NSIESO's fiscal year begins on April 1 and ends on March 31.

The NSIESO's mandate is central to Act's stated purposes which are as follows:[3]

a. to increase competition and innovation in the Province's energy sector;

b. to ensure the provision of a safe, secure, reliable and economical energy supply in the Province;

c. to ensure a transparent, efficient and coordinated approach to Provincial energy-supply planning;

d. to provide for competitive procurement practices for new energy-system resources;

e. to support the sustainable development, sustainable prosperity, energy efficiency and greenhouse gas emissions reduction goals of the Province articulated in the Environmental Goals and Climate Change Reduction Act; and

---

[2] *More Access to Energy Act*, SNS 2024, c 2, Sch B; See Section 7.

[3] *More Access to Energy Act*, SNS 2024, c 2, Sch B, Section 2.

f. to provide for a phased transition of the system operator from Nova Scotia Power Incorporated to an Independent Energy System Operator.

To implement these statutory purposes, the Act mandates the NSIESO to further the following objects: [4]

a. exercise and perform the powers, duties and functions assigned to the IESO under this Act, the market rules and its licence;

b. enter into agreements with transmitters giving the IESO the authority to direct the operations of their transmission systems;

c. direct the operation of the IESO-controlled grid;

d. establish and enforce criteria and standards relating to the reliability of the integrated electricity system;

e. maintain the adequacy and reliability of the bulk electricity system;

f. procure ancillary services;

g. enter into interconnection agreements with transmitters;

h. work with responsible authorities outside the Province to coordinate the IESO's activities with their activities;

i. participate with any standards authority in the development of standards and criteria relating to the reliability of transmission systems;

j. undertake and coordinate power system planning and development responsibilities to maintain and ensure the adequacy and reliability of the bulk electricity system for present and future needs and for the efficient operation of a competitive market;

k. facilitate the operation of a competitive electricity market;

---

[4] *More Access to Energy Act*, SNS 2024, c 2, Sch B, Section 9.

l. engage in activities related to settlements, payment under a contract entered into under the authority of this Act and payments provided for under this Act, the Electricity Act or the Public Utilities Act;

m. conduct procurements for energy resources, including (i) electricity supply, (ii) electricity capacity, (iii) energy storage, (iv) ancillary services, and (v) hybrid peaking resources;

n. engage in activities to facilitate the diversification of sources of electricity supply by promoting the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources;

o. engage in activities in support of system-wide goals for the amount of electricity to be produced from different energy sources;

p. forecast electricity demand and the adequacy and reliability of electricity resources for the Province for the short, medium and long terms;

q. conduct independent planning for energy resources, demand-side management and transmission;

r. collect and make public information relating to the short, medium and long term electricity needs of the Province and the adequacy and reliability of the integrated electricity system to meet those needs;

s. perform any other function or engage in any activity the IESO considers necessary or advisable to exercise its powers and carry out its duties, responsibilities and functions under this Act and the regulations; and

t. perform any other duties prescribed by the regulations.

Some of these objects are not yet in force at the time of this Application (i.e., those mentioned in items (b) to (e)). The NSIESO intends to pursue a phased transition of the System Operator functions from NSPI to the NSIESO, commencing with the energy procurement, system planning and transmission interconnection functions, which is anticipated to occur in Q4 2025, followed by the NSIESO – controlled grid and energy dispatch operations, in Q2 2027.

In furtherance of its statutory objects, the Act mandates the NSIESO to carry out the following activities:[5]

a. develop terms of reference for and carry out an integrated resource planning exercise as required;

b. carry out competitive procurements of energy resources consistent with the results of the integrated resource planning exercises referred;

c. issue administrative penalties in accordance with the Market Rules and Procedures; and

d. carry out transmission interconnection studies and implement transmission connected generation interconnection procedures in a timely manner and in accordance with the regulations to support the purpose of this Act.

The NSIESO's control and management is vested in its initial Board of Directors, which the Governor-in-Council appointed in February 2025. The Board of Directors intends to delegate its management and authorities to an executive team to oversee the day-to-day management of the NSIESO, as permitted by the Act.[6] This includes a Chief Executive Officer ("CEO"), which, at the time of this application, the Board of Directors is in the process of recruiting. The Board of Directors is intending to establish a management team sized appropriately to reflect the size and mandate of the organization and necessary to deliver the value expected by ratepayers.

2. Statutory Context of Application

This initial revenue requirement application is being made pursuant to Subsections 29(1) and (2) of the Act. The Act requires the NSIESO to submit its proposed expenditures and revenue requirement for the fiscal year at least 90 days before the beginning of each fiscal year.[7] Where the NSIESO is unable to make submissions with this timeline, the Act contemplates that the NSIESO is required to submit proposed expenditures and revenue requirements for the fiscal year as soon as possible. Because the NSIESO is a newly constituted corporation without an executive or

[5] *More Access to Energy Act*, SNS 2024, c 2, Sch B, Section 10.
[6] *More Access to Energy Act*, SNS 2024, c 2, Sch B, Section 25.
[7] *More Access to Energy Act*, SNS 2024, c 2, Sch B, Section 29(1),(2).

employees, and was required to undergo extensive bottom up financial forecasting without the benefit of any historical information, it was not able to carry out the financial forecasting necessary to support a revenue requirement application until the present time.

The Act also requires the NSIESO to obtain approval from the Nova Scotia Energy Board of the fees (referred to in this application as a "rate") that it proposes to charge during the fiscal year, consistent with the above timelines.[8] As noted above, because the NSIESO does not yet have an approved mechanism to recover rates from customers, the NSIESO is not seeking approval for any such fee as part of this application and intends to record the Net Ongoing OM&A costs (and any one-time transition costs that exceed the provincial funding) in the Net OM&A Deferral and Variance Account. As part of the future application, the NSIESO will seek approval for the mechanism to allow for the recovery of its revenue requirement from rates. The rate recovery mechanism will be in place when the NSIESO applies to clear the above deferral and variance account as part of a future application.

3. Phased-Approach to Organizational Functions

As a newly constituted organization, the NSIESO is in the early stages of setting up its internal capabilities to perform its executive, administrative and operational functions. The NSIESO is in the process of scaling as an organization, including by building out its executive and various business units and coordinating the transition of certain operational functions from NSPI.

Since April 2025, NSIESO's initial activities have been focused on establishing governance, leadership, and financial readiness. These one time activities necessary to stand up the NSIESO are expected to be fully funded through financial assistance from the Province and are being executed by the Board of Directors with the assistance of a project management consultant. To this end, in May 2025, the NSIESO retained various consulting services to assist the Board of Directors to develop organizational workplans and to ensure that the NSIESO's set-up and transition activities are executed in an organized and responsible manner that is informed by robust financial forecasting, and to assist the Board of Directors with technical matters.

[8] *More Access to Energy Act*, SNS 2024, c 2, Sch B, Section 29(1),(2).

The NSIESO is currently in the early stages of establishing a plan to transition the planning and operational responsibilities from NSPI to the NSIESO. To implement this transition, the NSIESO and NSPI are in the process of developing a Transition Committee to facilitate coordination between the two organizations. Further specifications of this transition may be informed by any Transfer Orders that the Minister may issue pursuant to the Act,[9] which are binding on the NSIESO and NSPI. At the time of this application, no such Transfer Order has been issued.

In the first phase of the transition, the system planning, transmission interconnection and energy and capacity procurement functions will be assumed by the NSIESO. This phase is expected to occur during Q4 of 2025. The second phase involves the transfer of the real time dispatch operations, and is expected to occur in Q2 2027. As a consequence of the phased approach, we expect that the annual expenditure forecast and revenue requirement of the NSIESO will increase over the first three fiscal years reflecting the increasing scope during this period.

4. Provincial Funding

In March 2025, the Province provided the NSIESO with a grant of $2.68M to fund the NSIESO to transition its functions from the NSPI before such time as it has secured necessary funding from rates**.** The NSIESO is using these funds to pay for the $1.23M of identified one-time transition costs which include costs to ramp-up its organizational capabilities. These costs pertain to the initial activities to establish governance, leadership, and financial readiness. Key transition activities that have been completed or are underway to date include the following:

a. recruiting and onboarding a CEO;

b. financial planning and budgeting;

c. developing by-laws and corporate governance regimes; and

d. initiating stakeholder engagement.

The NSIESO proposes to use the forecasted surplus of Provincial funds against the NSIESO's OM&A envelope approved in this revenue requirement application to reduce the burden on

[9] *More Access to Energy Act*, SNS 2024, c 2, Sch B, Section 35.

ratepayers. The NSIESO forecasts that once it applies the Provincial funding to its one-time transition costs of $1.23M, there will be a surplus of $1.44M to be applied to Ongoing OM&A costs. There may be additional one-time transition costs that are identified during the transition period, and any such costs would be added to the Variance and Deferral Account.

5. Operational, Maintenance & Administration

The forecast funding necessary for the NSIESO to carry out its statutory mandate for the period ending March 31, 2026 is reflected in the following OM&A cost categories set out in Table 1 below. The Total OM&A costs include both one-time transition costs and Ongoing OM&A costs; however, as noted above, in this Application the NSIESO is not seeking approval for or recovery of known one-time transition OM&A costs which will be fully paid for by Provincial funding:

Table 1: Summary of OM&A Cost Categories

OM&A Cost Category	Total OM&A Costs ($)(Millions)	One-Time Transitional Costs ($) (Millions)	Ongoing O&M Costs ($) (Millions)
Administration Salaries and Wages	1.57	0.00	1.57
NSPI Employee Transfers and IRP Consulting	1.61	0.00	1.61
Corporate Administration	0.29	0.06	0.23
Governance	0.52	0.01	0.51
Legal and Regulatory	0.81	0.00	0.81
Procurement	0.99	0.00	0.99
Facilities and Technology	1.00	0.14	0.87
Finance	0.16	0.00	0.16
Transition and Operational Planning (one time costs)	1.02	1.02	0.00
Total OM&A Expenses (Gross)	7.98	1.23	6.75
OM&A After Provincial Funding	5.31	0	5.31

6. *Capital Costs*

The NSIESO is not seeking capital funding as part of this revenue requirement Application. The NSIESO contemplates that separate application(s) may be made to the Nova Scotia Energy Board by the NSIESO for approval of capital projects, including:

a. For capital funding required to fulfil the NSIESO's core functions; and

b. To support energy and capacity procurement initiatives and preserve project timelines.

7. *Deferral and Variance Accounts*

The NSIESO is requesting to establish the Net OM&A Deferral and Variance Account as described in section A above and in Exhibit C-1. This account will be comprised of the following sub-accounts:

Table 2: Net OM&A *Deferral and Variance Account – Sub-Accounts*

Sub-Account Name	Description of recorded funds
Net OM&A Deferral Account, Sub-Account No. 1	Records the approved forecast Net Ongoing OM&A costs for the period ending March 31, 2026 resulting from the application of Provincial funding.
Net OM&A Variance Account, Sub-Account No. 2	Records the variance between balance of Sub-Account No. 1 (i.e., the approved Ongoing Net OM&A expenses) and actual Ongoing Net OM&A costs for the present test year. A positive balance in this sub-account indicates that the NSIESO's actual Net Ongoing OM&A expenses are less than the approved forecast. A negative balance in this sub-account indicates that the NSIESO's actual Net Ongoing OM&A expenses are greater than the approved forecast. In addition, in the event that the NSIESO incurs one-time transition costs during the test period in an amount that exceed the Provincial funding, the unfunded amounts would be reflected as a positive amount in this sub-account.
Actual Net OM&A Account, Sub-Account No. 3	Records the trued-up actual Net Ongoing OM&A expenses, which is the difference between Sub-Account No.1 and Sub-Account No. 2.)

8. Rate and Bill Impacts

Because the NSIESO does not yet have a mechanism in place that is approved by the Nova Scotia Energy Board to recover fees from customers, the NSIESO is not seeking approval for any such fees as part of this application. As part of a future rate fiscal year application, the NSIESO will seek approval for the mechanism to allow for the recovery of its fees from rates.

EXHIBIT B-1 - OM&A OVERVIEW

A. Operating, Maintenance and Administration (OM&A) Overview

The NSIESO's initial OM&A budget for the period ending March 31, 2026, is comprised of both ongoing OM&A expenses ("Ongoing OM&A") and one-time transition OM&A expenses. In this application, the NSIESO seeks approval of Ongoing OM&A costs of $6.75M. The NSIESO does not expect to seek recovery of any one-time transitional OM&A expenses because these amounts are forecasted to be wholly funded from Provincial funding. Any residual Provincial funding remaining, after applying Provincial funding to one-time transition costs, will be applied to Ongoing OM&A such that the NSIESO expects to ultimately seek to recover only a part of Ongoing OM&A in the amount of $5.30M (the "Net Ongoing OM&A"). The Net Ongoing OM&A will be recorded in a deferral account referred to as the Net OM&A Deferral and Variance Account, the disposition of which will be sought in the future application. A further description of the Net OM&A Deferral and Variance Account and a true-up mechanism to the recorded amount are set out at Exhibit C-1. As such, Ongoing OM&A expenses are the focus of this exhibit.

Table 3: Summary of OM&A Expenses

OM&A Cost Category	Total OM&A Costs ($)(Millions)	One-Time Transitional Costs ($) (Millions)	Ongoing O&M Costs ($) (Millions)
Administration Salaries and Wages	1.57	0.00	1.57
NSPI Employee Transfers	1.61	0.00	1.61
Corporate Administration	0.29	0.06	0.23
Governance	0.52	0.01	0.51
Legal and Regulatory	0.81	0.00	0.81
Procurement	0.99	0.00	0.99
Facilities and Technology	1.00	0.14	0.87
Finance	0.16	0.00	0.16
Transition and Operational Planning (one-time costs)	1.02	1.02	0.00
Total OM&A Expenses (Gross)	7.98	1.23	**6.75**
OM&A After Provincial Funding	**5.31**	0	**5.31**

As a newly established corporation without historical financial or operational information, the NSIESO prepared its forecast using a bottom-up approach. The forecasting was informed by information that includes an organizational workplan that identifies activities that the NSIESO will carry out during test period. The NSIESO's ongoing OM&A expenses are organized into various cost categories representing the different functions of the NSIESO during the test period.

The NSIESO Ongoing OM&A costs include the costs required for the NSIESO to carry out its statutory mandate, including the salaries and fees for internal and external resources to perform executive and administrative functions, as well as to carry out those operational functions that have historically been performed by NSPI that will transition to the NSIESO during the test period, including System Planning and Grid Interconnection. The NSIESO Ongoing OM&A cost category budgets and their associated work are set out in Exhibit B-2.

The one-time transition costs are costs to transition functions from NSPI to the NSIESO and to set up the NSIESO's organizational capabilities. These costs are expected to be in the amount of $1.23M during the test period and be funded in full using $2.68M of Provincial funding. The NSIESO is not expecting the Nova Scotia Energy Board's approval for these expenses since these expenses are not forecasted to be funded by ratepayers. However, if the NSIESO incurs one-time transition costs during the test period in the amount that exceed the Provincial funding of $2.68M – which the NSIESO does not expect based on its financial forecasting – the NSIESO will record the shortfall in the Net OM&A Deferral and Variance Account, and will seek to recover the shortfall in a future application, subject to a prudence review. If additional one-time transition costs are forecasted for a future fiscal year, they may form part of approvals sought in the NSIESO's application for that year. The NSIESO one-time transition OM&A expenses are set out in Exhibit B-3.

EXHIBIT B-2 - ONGOING OM&A COST CATEGORY DETAIL

The forecast funding necessary for the NSIESO to carry out its statutory mandate for the period ending March 31, 2026 is reflected in the following OM&A cost categories set out in Table 1 below. The Total OM&A costs include both one-time transition costs and Ongoing OM&A costs:

Table 4: Summary of Ongoing OM&A Cost Categories

Ongoing OM&A Cost Category[10]	**Ongoing O&M Costs ($)**
Administration Salaries and Wages	1.57M
NSPI Employee Transfers	1.61M
Corporate Administration	0.23M
Governance	0.51M
Legal and Regulatory	0.81M
Procurement	0.99M
Facilities and Technology	0.87M
Finance	0.16M
Total Ongoing OM&A Expenses (Gross)	**6.75M**
Ongoing OM&A After Provincial Funding	**5.31M**

As noted in the Notice of Application, while the NSIESO is forecast to incur costs of $7.98M for the period ending March 31, 2026, it is not seeking approval of total costs. NSIESO has the benefit of Provincial funding in the amount of $2.68M which the IESO will apply to one-time transition costs forecast to be $1.23. As the one-time transition costs are forecast to be less than the $2.68M funding, the NSIESO will apply the remaining amount to the total Ongoing OM&A costs, meaning that the net amount of $5.30M will be recorded in the 2025/2026 Net OM&A Deferral and Variance Account. However, as the NSIESO has forecast On-going OM&A costs in this Application that will form part of the OM&A costs in future periods, the NSIESO has requested the approval of the total forecast Ongoing OM&A costs of $6.75M and the approval of the recording of the Net Ongoing OM&A approved amount of $5.31 in the deferral account proposed.

[10] Excludes Transition and Operational Planning costs which are one-time costs.

As the one-time transition costs are not forecast to be sought for approval or recovery as part of this Application (i.e., because they are expected to be fully funded from Provincial funding), the evidence that follows focuses only on the forecast On-going OM&A cost categories.

NSIESO notes that its forecast expenditures for internal labour resources have been allocated only in the "Administration Salaries Wages" and "NSPI Employee Transfers" cost categories. In other words, the forecasted amounts in the other OM&A cost categories for which the NSIESO is requesting funding do not include costs for allocated internal labour needs, which have been wholly allocated to the above two cost categories.

A. Administration Salaries and Wages ($1.57M)

The NSIESO is forecasting $1.57M in ongoing expenses as part of the Administration Salaries and Wages cost category. This cost category consists of salaries and wages for the NSIESO's senior leadership and for non-unionized administrative positions, which are not of a technical nature as well as costs associated with recruiting and relocating employees. These include senior leadership roles such as the Chief Executive Officer ("CEO"), along with non-unionized, non-technical roles to support the executive and administrative activities of the NSIESO.

Table 5: OM&A Expenses for Administration Salaries Wages Cost Category

	Gross Ongoing OM&A Forecast ($)
Administration Salaries and Wages	**1.57M**
Compensation	1.45M
Recruitment	0.12M

As described in greater detail below, the forecast expenses for this cost category are based on the NSIESO's expectation that it will require 13 employees to be responsible for executive and administrative matters which are anticipated to include:

- Legal and Regulatory Compliance
- Procurement
- Human Resources Management

- Financial Management
- Stakeholder Engagement

These positions are expected to be onboarded commencing in October 2025, except for the CEO which is expected to be onboarded in September 2025. For the purpose of preparing its expenditure forecast, the NSIESO has assumed a start date of September 1, 2025, for the CEO, and October 1, 2025, for the balance of the employees.

As noted above, the Administration Salaries and Wages category is one of two cost categories that cover the costs for internal labour resources, and, as such, this cost category does not include all the NSIESO's internal labour costs. The labour resources part of the Administration Salaries and Wages cost category does not include non-unionized technical roles for functions currently assumed by NSPI which are subject to the process set out in Section 36 the Act and are included in the "NSPI Employee Transfers" cost category described in Section 2 below.

Staffing

The following table outlines the roles expected to be filled within the Administration Salaries and Wages cost category, and are subject to change as the NSIESO builds out its management team and organizational structure.

Table 6: FTE Positions under the Administration Salaries and Wages Cost Category

Positions	Description
CEO	The CEO role reports to the Board of Directors and is responsible for building a purpose-driven organization from the ground up, establishing its vision, structure, and operational integrity; shaping the overall strategy and direction; providing visionary leadership to the organization to ensure the reliable, efficient, and sustainable operation of Nova Scotia's energy system. This role will consistently promote a culture rooted in safety, innovation, transparency, and public trust.
Vice President of Finance, Corporate Services & Market Services	This senior leadership role oversees financial operations, corporate governance, and market-related activities within the NSIESO. This role ensures financial health, efficient operations, and alignment with strategic goals.
Vice President of Operations, Planning,	This senior leadership role oversees all aspects of the NSIESO's operational activities, including system operations, grid management,

Positions	Description
Reliability & Procurement	strategic planning, resource allocation, supply chain management, and risk mitigation. This role focuses on ensuring the efficient and effective functioning of the organization, aligning operations with overall statutory objectives, and driving continuous improvement.
Vice President of Regulatory Compliance, & Stakeholder Engagement/Chief Legal Counsel	This senior leadership position is responsible for overseeing all aspects of a company's regulatory compliance, legal matters, and stakeholder relationships. This role requires a strategic thinker with strong legal and communication skills, adept at navigating complex regulatory landscapes and building positive relationships with various stakeholders.
EA/Board Secretary	This role provides high-level administrative support to the CEO and the senior leadership team and also acts as the Secretary for the Board of Directors. This role involves managing schedules, coordinating meetings, preparing documents, and ensuring the smooth operation of both the executive office and the board. It acts as a liaison between the CEO, Directors, and other stakeholders, often handling confidential and sensitive information.
HR Manager	This role will be responsible for talent acquisition and management, learning and development, performance management, succession planning, compensation and benefits, and employee and labour relations.
Policy/Regulatory Specialist	This role ensures that the NSIESO complies with relevant laws, regulations, market rules and policies. This involves researching and interpreting regulations, developing and implementing compliance strategies, and monitoring adherence thereto as well as to policy and regulatory developments. It may also be involved in developing and maintaining internal policies, providing training, and managing regulatory proceedings on behalf of the NSIESO.
Director, Market Operations	This role is responsible for developing and executing strategies to ensure efficient operation of Nova Scotia's energy market. This includes navigating complex regulatory landscapes, establishing relationships with key stakeholders and analyzing market outcomes.
IT and Cybersecurity Specialist	This role is responsible for the maintenance, configuration, and reliable operation of the NSIESO's computer systems and networks. It ensures the smooth and secure functioning of hardware, software, and network infrastructure, and provide technical support to end-users. Its duties include troubleshooting issues, installing updates, and implementing security measures.
Financial Analyst	This role involves collecting, analyzing, and interpreting financial data to provide guidance on financing and other financial decisions.

Positions	Description
Accounting Specialist	This role manages and reports the NSIESO's financial information, ensuring accuracy and compliance with accounting standards and relevant regulations. Key responsibilities include preparing financial statements, analyzing data, reconciling accounts, and providing financial advice. They play a vital role in financial planning, budgeting, and risk management for businesses.
Legal Counsel	This role is responsible to promote compliance with applicable laws and Regulations; manage development of commercial arrangements, including as part of procurement initiatives.
Government & Stakeholder Engagement Specialist	This role involves building and maintaining relationships with government officials, policymakers, and other key stakeholders to receive stakeholder input on issues and initiatives and build support for the ongoing and future initiatives of the NSIESO. This includes monitoring legislative developments, developing and implementing strategies, and managing communication with stakeholders.

Compensation

The NSIESO's forecast for the Administration Salaries and Wages cost category was established on the basis of the following assumptions pertaining to FTE compensation:

a. For the CEO role, compensation for similar roles at peer organizations were reviewed.

b. The base salary mid-points for the 50th percentile of market comparators for base salary and potential for annual performance bonus.

c. The total base salaries of the 13 roles were multiplied by a "fringe rate" or "fringe load factor" of 14.75%. This represents an estimate to cover the NSIESO's costs for Worker's Compensation Board, insurance for health, dental, life, long-term disability, accidental death and dismemberment, pension, Education Fund & apprentice, Taxable Parking, RRSP, and a 4% adder for vacation. The NSIESO understands that this fringe rate is consistent with that used by NSPI.

d. The amount calculated for the Maximum Employer Contribution to the Canadian Pension Plan and Employment Insurance for the 13 roles using the published CRA table for 2025, was added to the total compensation costs.

Recruitment

This cost category also includes recruitment costs which primarily consist of HR consulting fees to manage recruitment and contract negotiations with prospective employees, and related costs.

B. NSPI Employee Transfers (including IRP consulting costs) ($1.61M)

The NSIESO is forecasting $1.61M in expenses as part of the Transitioned Operations cost category. These expenses are the portion of NSPI operational costs that will be transitioned to NSIESO during the test period. These functions primarily pertain to System Planning. While the majority of these costs are for internal labour resources, which are distinct from the resources that are part of the Administration Salaries and Wages cost category, a portion of the forecast is based on the costs to carry out integrated resource planning, which primarily consist of engineering consulting fees.

Given that the costs under this category are to pay for functions that are currently carried out by NSPI, these costs have already been approved by the Utility and Review Board and are recovered in NSPI's rates. Therefore, upon transfer, these costs do not reflect an incremental cost to customers because they represent a currently funded and continuing function.

Table 7: OM&A Expenses for the NSPI Transitioned Employees Cost Category

	Gross Ongoing OM&A Forecast ($)
NSPI Employee Transfers	**1.61M**
Salaries and Wages	1.11M
Consulting Fees	0.50M

Salaries and Wages

The cost category primarily consists of expenses mandated by the Act for a first group of non-unionized employees with technical roles that will be transitioned from NSPI. The forecast expenses for this cost category are based on the NSIESO's expectation that an estimated 23 employees for the relevant roles will transition to the NSIESO. As with the Administration Salary and Wages described above, while it is expected that the transition will occur during Q4

2025, for financial forecasting purposes we have assumed a start date of October 1, 2025. These employees are distinct from the group of employees that will be hired as part of the Administration Salaries and Wages cost category, which are new positions of a non-technical nature.

The NSIESO is required by the Act to offer employment to all non-unionized NSPI employees for positions or roles that have been transferred to the IESO, and for the terms and conditions of employment to remain the same as their NSPI employment.[11] The employees that will be hired under this cost category are limited to roles that are currently held by NSPI employees and that are required for the NSIESO to carry out its first phase of work between October 2025 and March 2026. This first phase of work has roles related to System Planning. The NSIESO anticipates that in its subsequent revenue requirement applications, it will seek funding for additional positions for roles that will be transitioned.

Staffing

The following table outlines the roles expected to be filled within the Transferred Operations Wages cost category commencing in Q4 2025.

Table 8: FTE Positions under the NSPI Transitioned Employees Cost Category

Position	No. of FTEs
Director, System Planning and Grid Integration (1)	1
Sr. Engineering Specialist (3)	3
Engineering Specialist, Transmission Planning (1)	1
Engineering Specialist, Interconnection (1)	1
Engineer, Specialist, Resource Planning (1)	1
Manager, Sr. Project (1)	1
Sr. Engineer (4)	4
Engineer (5)	5
Business Analyst (1)	1
Engineer in Training (5)	5

[11] *More Access to Energy Act*, SNS 2024, c 2, Sch B, Sections 36, 40(1)(b).

Total no. of FTEs under NSPI Transitioned Employees Cost Category	**23**

Compensation

The NSIESO's forecast for the Transitioned Operations cost category was established on the basis that the Act mandates the NSIESO to make an offer of employment to applicable NSPI employees on the same terms and conditions as their current employment arrangements. As such, the forecast compensation expense is based on the total compensation packages of the NSPI employees, including with regard to their base salaries, bonuses, benefits, pensions, other cash/non-cash components).

Consulting Fees

The forecast for this cost category includes consulting fees primarily related to Integrated Resource Planning, including to support pre-integrated resource plan studies, forecasting and modelling. The responsibility for conducting Integrated Resource Planning will be transitioned to the NSIESO by October 2025 as the Act requires that the NSIESO commence its first integrated resource planning exercise by October 24, 2025.[12] Additionally, the cost forecast also assumes that external consultants may occasionally be required to perform transmission studies, wind integration studies and storage studies.

C. **Corporate Administration ($0.23M)**

The NSIESO is forecasting $0.23M in ongoing expenses as part of the Corporate Administration OM&A cost category. This cost category primarily consists of various types of insurance products and the expenses associated with communicating with third parties, including as part of stakeholder engagement initiatives.

Table 9: OM&A Expenses for the Corporate Administration Cost Category

Cost Category	Gross Ongoing OM&A Forecast ($)

[12] *More Access to Energy Act*, SNS 2024, c 2, Sch B, Section 11.

Corporate Administration	**0.23M**
Directors Errors and Omissions Insurance	0.03M
General Liability Insurance	0.005M
Property Insurance	0.005M
Cybersecurity Insurance	0.05M
Communications Plan	0.07M
Stakeholder Engagement	0.05M
Other Administrative	0.002M

Further details regarding the expenses forecasted as part of this cost category are as follows:

a. **Directors Errors and Omissions Insurance:** These costs are estimated for a $7 million per-claim E&O policy, based on benchmarking with other independent public agencies of a similar size in Nova Scotia. Premium quotes are expected to be finalized in August of 2025.

b. **General Liability Insurance**: These costs are estimated based on commercial quotes for office-based operations with a $5 million occurrence limit. The NSIESO's low physical risk environment supports a modest premium level.

c. **Property Insurance:** These costs are to insure the leased office space and associated property. Estimates are based on standard coverage for leased commercial property.

d. **Cybersecurity Insurance:** The estimate of $5,000/month for the first 10 months is intended to cover the NSIESO’s initial phase of operations during the test year. This amount was estimated based on the coverage for small to mid-sized organizations handling sensitive information. More robust coverage will be needed once real-time operations begin.

e. **Communications Plan:** These costs are to engage a senior communications consultant to develop and oversee the implementation of a public and stakeholder engagement plan, messaging framework, media strategy, aligned with the branding, website and stakeholder engagement consultant. This forecast was derived based on an estimate of 300 billable hours at $150/hour. This is based on the NSIESO's assessment of the average rates in Nova Scotia for experienced communication professionals.

f. **Stakeholder Consultation/Engagement:** These costs are for a stakeholder engagement specialist with energy sector experience to develop NSIESO's stakeholder engagement plan and to advise and plan NSIESO's early stakeholder outreach activities.

g. **Other Administrative Costs:** These costs are for immaterial miscellaneous administrative costs.

D. Governance ($0.51M)

The NSIESO is forecasting **$0.51M** in ongoing expenses as part of the Governance OM&A cost category. This cost category primarily consists of costs incurred in respect of the NSIESO's Board of Directors, including its compensation.

Table 10: OM&A Expenses for the Governance Cost Category

Cost Category	Gross Ongoing OM&A Forecast ($)
Governance	**0.51M**
Board Compensation	0.48M
Board Expenses	0.03M

Further details regarding the expenses forecasted as part of this cost category are as follows:

a. **Board Compensation:** These costs are for compensation for seven directors between March 2025 and March 2026, which excludes one unpaid government representative. The forecast assumes an annual retainer and meeting fees for each director, with additional fees for Committee Chairs, and per diems for special projects directed by the Chair, subject to an annual cap for each director.

b. **Board Expenses:** The costs are for travel, lodging, and meal costs for quarterly in-person meetings for the Board of Directors. This estimates $2,500-$3,000 per meeting per out-of-province Board Member (2), with allowance for ad-hoc committee activity.

E. Legal and Regulatory ($0.81M)

The NSIESO is forecasting $0.81M in ongoing expenses as part of the Legal and Regulatory OM&A cost category. This cost category primarily consists of costs incurred for legal advice, including in respect of regulatory proceedings, HR, and contractual matters.

Table 11: OM&A Expenses for the Legal and Regulatory Cost Category

Cost Category	Gross Ongoing OM&A Forecast ($)
Legal and Regulatory	**0.81M**
Regulatory Proceedings and Assessments	0.55M
Legal and Compliance	0.26M

Further details regarding the expenses forecasted as part of this cost category are as follows:

a. **Regulatory Proceedings and Assessments:** These costs include the legal support to prepare and to participate in regulatory proceedings before the Nova Scotia Energy Board during the forecast period and includes an estimate of the costs to be covered by the NSIESO for the Energy Board and certain participants. This also includes the costs that the Nova Scotia Energy Board may order that NSIESO pay for intervening parties to participate in such proceedings. The general estimate was based on input from Energy Board staff. The regulatory applications contemplated include the revenue requirement application for the period between April 1, 2026 and March 31, 2027. The NSIESO is required under the Act to file a revenue requirement application at least 90 days before the beginning of each fiscal year. Other regulatory applications could include an application for approval of one or more capital expenditures. In addition, the forecast includes the costs associated with an Energy Board assessment as the Act permits the Nova Scotia Energy Board to assess expenses against the NSIESO, and deems those expenses to be recoverable through its rates, tolls and charges.[13]

[13] *More Access to Energy Act*, SNS 2024, c 2, Sch B, Section 86.

b. **Legal and Compliance:** These costs are for advice from external legal counsel regarding legal compliance and in connection with various agreements that the NSIESO expects to develop and enter into as part of its day-to-day functions.

F. Procurement ($0.99M)

The NSIESO is forecasting $0.99M in ongoing expenses as part of the Procurement cost category. This cost category primarily consists of costs incurred to fulfill its statutory object of carrying out competitive energy and capacity procurements, including for developing and implementing procurement initiatives. Expenses under this cost category do not include project development costs which will be capitalized under a capital program.

Table 12: OM&A Expenses for the Procurement Cost Category

Cost Category	Gross Ongoing OM&A Forecast ($)
Procurement	**$0.99M**
Procurement and Project Management (50%)	0.19M
300MW RFP	0.36M
Other Capacity Contract Opportunities	0.43M

This category comprises various expenses related to the development and execution of capacity procurements to satisfy the requirements identified in the 2030 Clean Power Plan which identifies the need for 300MW of fast acting generation by 2030 as well NSPI's 2023 Evergreen IRP which also identifies the need for 300MW by 2027, with additional fast-acting capacity required shortly thereafter. Further details regarding the expenses forecasted as part of this cost category are as follows:

a. **Procurement and Project Management (50%)**: These costs are for procurement strategy development, procurement process management and management of specific resources engaged to achieve procurement objectives and are primarily for consulting fees to assist the NSIESO to perform these services, including for vendor selection, bid review, and RFP execution. The costs under this cost category represent 50% of the total costs pertaining to these activities, as the NSIESO proposes to capitalize the other 50% of these costs as part of a subsequent application for approval of a capital project to support and address schedule risks with the RFP.

b. **300 MW RFP**: These costs are for the NSIESO to develop and carry out a competitive 300 MW RFP. The RFP is expected to be issued in early Fall of 2025, the successful proponent is expected to be selected in late Fall of 2025. The costs associated with this procurement also include $75,000 for documentation development and RFP process execution, legal support for $50,000, $50,000 for third party technical and commercial bid evaluation support services, consulting fees for $34,000 for engineering services to analyze which technology types that should participate in the procurement, $30,000 for support relating to stakeholder and engagement and communications, and a 20% contingency fee. To reduce costs with respect to document development, these costs also include $62,500 to acquire the right to use procurement documents developed by New Brunswick Power in respect of its recent Single Cycle Combustion Turbine procurement RFP.

c. **Other Capacity Contract Opportunities:** These costs are to develop a capacity contract to procure additional fast acting generation. The NSIESO is currently investigating an opportunity to enter into such an arrangement.

G. Facilities and Technology ($0.87M)

The NSIESO is forecasting $0.87M in ongoing expenses as part of the facilities cost category. This cost category consists of costs incurred in respect of its physical premises and technology needs.

Table 13: OM&A Expenses for the Facilities and Technology Cost Category

Cost Category	Gross Ongoing OM&A Forecast ($)(Millions)
Facilities and Technology	**$0.87M**
Technology Needs Assessment and Business Case	0.50M
Office Lease	0.14M

Cybersecurity and Monitoring	0.18M
Other Facilities and Technology	0.05M

Further details regarding the expenses forecasted as part of this cost category are as follows:

a. **Technology Needs Assessment and Business Case:** These costs are for internal asset and systems inventory reviews to be conducted by an external consultant to assess systems currently in-use by NSPI and a needs assessment for technology requirements for the NSIESO. This includes conducting a current state assessment for all current state technology and a future state assessment for the NSIESO to determine its technology needs required to support the needs of the organization.

b. **Office Lease:** These costs are to lease approximately 5,250 square foot temporary office space in downtown Halifax as of August 1, 2025. These premises are expected to house between 30-35 employees. The NSIESO expects to upgrade its office space to accommodate its growing workforce as its ramps up its responsibilities from NSPI.

c. **Cybersecurity and Monitoring:** These costs are for external cybersecurity monitoring and response services, based on vendor quotes. This real-time observation of systems, networks, and applications to detect suspicious activities or potential security breaches. This work may be informed by the results of the Energy Board Enquiry into Nova Scotia Power's Cybersecurity Incident (M1227).

d. **Control Center Planning:** These costs are for consulting services to assess control center location options and requirements, in preparation for the NSIESO to carry out its system operations functions.

H. Finance ($0.16M)

The NSIESO is forecasting $0.16M in ongoing expenses as part of the Finance cost category. This cost category primarily consists of costs incurred in respect of financial services other than insurance which are covered within the Corporation Administration Cost Category.

Table 14: OM&A Expenses for the Finance Cost Category

Cost Category	Gross Ongoing OM&A Forecast ($)
Finance	**$0.16M**
Financing	$0.10M
External Financial Audit	$0.04M
Other Financial	$0.02M

Further details regarding the expenses forecasted as part of this cost category are as follows:

a. **Financing Costs:** These costs are for interest expenses and other financing costs during the test period relating to a line of credit that the NSIESO is in the process of finalizing. The NSIESO will address the Net OM&A Deferral and Variance Account for the 2025/2026 test year and will seek a revenue requirement and a recovery mechanism in place for 2026 to 2027 to repay the line of credit to be funded through rates.

b. **External Financial Audit:** These costs are for services for external financial auditors, which have been estimated based on quotations from accounting firms that have experience auditing public sector organizations of a similar size.

c. **Other Financial:** These costs are for other immaterial costs, including payroll and accounting software subscriptions and banking fees such as account fees, wire transfers, and cash management services.

EXHIBIT B-3 - OM&A ONE-TIME TRANSITION COSTS

The NSIESO received Provincial funding in March 2025 in the amount of $2.68M which the NSIESO will apply to one-time transition costs forecast to be $1.23M. The NSIESO's forecast one-time transition costs are summarized as follows:

1. *Table 15: Summary of One-Time Transition Cost Categories*

One-Time Transition Costs Category	Ongoing O&M Costs ($)
HR Transition Planning, Change Management	0.31M
Program and Project Management, and Financial Advisory	0.41M
Accounting Set-Up and Bookkeeping	0.02M
Operational Planning and Strategy	0.30M
Branding and Web Development	0.06M
Governance	0.01M
Office and Employee Technology Hardware and Software	0.14M
Total One-Time Transition Costs	**1.23M**
Provincial Funding	2.68M
Provincial Funding Surplus	1.44M

The NSIESO is not forecasting to seek the Nova Scotia Energy Board's approval for these one-time costs which pertain to the one-time OM&A costs to transition functions from NSPI to the NSESO and to set up the NSIESO's organizational capabilities. This is because the NSIESO forecasts its one-time costs to be covered by the Provincial funding of $2.68M. However, as further discussed in Exhibit C-1, if one-time costs incurred during the test period exceed the Provincial funding, the NSIESO proposes to record the unfunded amount in the Net OM&A Deferral Account. Further, because the NSIESO is applying the expected residual amount of Provincial funding to Ongoing OM&A to further offset the rate impact as part of this Application, any such residual Provincial funding will no longer be available if unexpected one-time transition costs are incurred during subsequent fiscal years. Therefore, should further one-time costs be incurred in future fiscal years, the NSIESO will seek their recovery as part of a future revenue requirement application.

The following provides a summary of the one-time costs that the NSIESO expects to incur during the test period.

A. HR Transition Planning and Change Management ($0.31M)

These costs are to plan, manage and execute the recruitment of the NSIESO's initial labour force. This includes retaining HR consultants to recruit NSIESO employees, including executive leadership, design and implement employee benefits and pension plans, as well employment legal support. These costs also cover change management expertise.

B. Program and Project Management ($0.41M)

These costs are for project management consulting of Barrington Consulting Group to manage the NSIESO developing its organizational governance and capabilities, including with respect to interdependency management, scheduling, financial planning and advisory, and risk oversight.

C. Accounting Set-Up and Bookkeeping ($0.02M)

These costs are to set up the NSIESO's financial operations, including designing and implementing the systems and processes through which financial data is collected, analyzed, and communicated within the organization, and monthly processing.

D. Operational Planning and Strategy ($0.30M)

These costs are for planning for and executing the NSIESO's operational capabilities and the transition from NSPI, including system planning, interconnection, and regulatory interface setup, NERC compliance, and control system strategy. These costs include to advisory services to advise the Board of Director on such operational matters.

E. Branding and Web Development ($0.06M)

These costs are for the NSIESO to develop its corporate branding to create its public-facing website, including logo, templates, and hosting setup. This estimation is based on projects completed for entities of a similar size.

F. Governance ($0.01M)

These costs are for consulting fees to benchmark and validate appropriate remuneration levels for the Board of Directors.

G. Employee Technology Hardware and Software ($0.11M)

These costs are to equip the Board of Directors, consultants and employees with office equipment including hardware and software, such as laptops, monitors, headphones, computer equipment, and MS Office licenses.

EXHIBIT C-1 - DEFERRAL AND VARIANCE ACCOUNTS

Because this is the NSIESO's first revenue requirement application, no deferral or variance accounts currently exist. In the current Application, the NSIESO is seeking to establish a symmetrical OM&A deferral and variance account referred to as the Net OM&A Deferral and Variance Account.

A. Net OM&A Deferral and Variance Account

The NSIESO is seeking approval to establish the Net OM&A Deferral and Variance Account to defer the recovery of its approved and forecasted Net Ongoing OM&A costs (i.e., net of Provincial Funding). In addition, NSIESO seeks the above account to record any variance between that forecast and its actual Net Ongoing OM&A expenses during the period ending March 31, 2026, as well as any one-time transition costs that exceed the Provincial funding. NSIESO proposes that this account will be comprised of the following three subaccounts, as explained in greater detail below.

Table 16: Net OM&A Deferral and Variance Account – Sub-Accounts

Sub-Account Name	Description of recorded funds
Net Ongoing OM&A Deferral Account, Sub-Account No. 1	Records the approved forecast Net Ongoing OM&A costs for the period ending March 31, 2026 resulting from the application of Provincial funding.
Net OM&A Variance Account, Sub-Account No. 2	Records the variance between balance of Sub-Account No. 1 (i.e., the approved Ongoing Net OM&A expenses) and actual Ongoing net OM&A costs for the present test year after the application of actual Provincial funding and any unfunded one-time transition costs. A positive balance in this sub-account indicates that the NSIESO's actual Net Ongoing OM&A expenses and any unfunded one-time transition costs are less than the approved forecast. A negative balance in this sub-account indicates that the NSIESO's actual Net Ongoing OM&A expenses and unfunded one-time transition cost are greater than the approved forecast.

Sub-Account Name	Description of recorded funds
Actual Net OM&A Account, Sub-Account No. 3	Records the trued-up actual Net Ongoing OM&A expenses and any unfunded one-time transition costs, which is the difference between the approved Net Ongoing OM&A forecast and the variance Ongoing Net Ongoing OM&A expenses plus any in one-time transition costs that exceed Provincial funding (i.e. Sub-Account No.1 minus Sub-Account No. 2.)

The NSIESO is not yet in a position to propose a mechanism for rate recovery. It is the NSIESO's proposal to defer the approval of a rate recovery mechanism until a future application. In addition, the NSIESO developed its OM&A forecast using a detailed bottom-up approach. However, the NSIESO does not have historical organizational experience and operational data. As a result, there may be circumstances that may not be readily foreseeable to a degree that those circumstances could or should form the basis of its financial forecasting.

In light of the above, this account will serve three functions. First, it will enable the NSIESO to record its approved forecast of Net Ongoing OM&A costs. This amount will be recorded in Sub-Account No. 1. Assuming all other aspects remain constant, this would be the amount the NSIESO would ultimately seek to recover once a rate recovery mechanism is established.

However, as the deferred amount reflects a forecast and unexpected circumstances can arise, the Net OM&A Deferral and Variance Account will permit the NSIESO to record the applicable variance between the forecast and actual Net Ongoing OM&A together with any unfunded one-time transition costs. A variance could occur where the NSIESO incurs higher or lower actual Ongoing OM&A expenses than its approved OM&A envelope for the present test year.

Because NSIESO will apply Provincial funding against one-time transition costs first, a variance could also occur where one-time transition costs are higher than expected requiring a greater allocation of Provincial funding to pay those costs and leaving a lower amount of Provincial funding available to offset actual Ongoing OM&A costs. This would have the result of recording a positive balance in Sub-account No.2. The opposite would occur if forecast one-time transition costs were lower than forecast. In the unlikely circumstance where the actual one-time transition costs exceeded available Provincial funding, the NSIESO proposes that the unfunded amount of one-time transition costs would also be recorded in Sub-account No.2 as one-time transition costs would typically be recoverable in the absence of Provincial funding. The implication of the foregoing is that Sub-Account No.2 would reflect a balance that includes the total actual Ongoing OM&A amount (since in this circumstance there will be no funding available to deduct from this amount) and the incremental unfunded one-time transition costs. The NSIESO notes that to the extent one-time transition costs occur in future rate periods, the NSIESO will be seeking full recovery of those costs.

The NSIESO proposes to recover the actual Net Ongoing OM&A amount plus any one-time transition costs that exceed Provincial funding (i.e., the costs recorded in the Sub Account No. 3) as part of the April 2027 test year application made in the latter part of 2026 since applicable costs for the period ending March 31, 2026 will be final at that time.

The following illustrative examples show how the Net OM&A Deferral and Variance Account will function. In each scenario, the Nova Scotia Energy Board Approves a total forecast Ongoing OM&A of $150. Assuming a forecast residual Provincial funding of $50 after the funding of one-time transition costs, the Nova Scotia Energy Board approves the Net Ongoing OM&A amount of $100. This balance is recorded in Sub-account #1.

a. In the first scenario, during the test period, the NSIESO incurs lower Ongoing OM&A costs and incurs an actual Net Ongoing OM&A amount of $90. The variance balance of $10 (i.e., $100 − 90) is recorded in Sub-account #2. For purposes of clearing the final balance taking into account the deferral and variance, the difference between the deferred amount ($100 in Account #1) and the variance of approved Net Ongoing OM&A ($10 in Account #2) is recorded as a balance of $90 in Account #3 and will be sought for rate recovery.

b. In the second scenario, during the test period, the NSIESO incurs more Ongoing OM&A costs than approved and incurs an actual Net Ongoing OM&A amount of $110 and the variance balance of −$10 is recorded in Sub-account #2. For purposes of clearing the final balance taking into account the deferral and variance, the difference between the deferred amount and the variance of Net Ongoing OM&A $110 ($100 − (−10)) is recorded in Sub-account #3 and will be sought for rate recovery.

c. In the third scenario, during the test period, the NSIESO incurs more Ongoing OM&A costs than approved and incurs $20 more one-time transition costs than forecasted, such that only $30 of residual Provincial funding is available to offset Ongoing OM&A (rather than the forecast amount of $50). In this scenario, the balance in Account #2 reflects the reduction to Provincial funding applied against Ongoing OM&A (resulting in a higher Net Ongoing OM&A) and the overspend in OM&A. As the result the balance would reflect the total difference between (i) the approved Net Ongoing OM&A and the new post-funding Net Ongoing OM&A ($100 − $120 = −$20) and (ii) the incremental spending relative to approved Net Ongoing OM&A of $100 − $110 = −$10, resulting in a total net difference in Account #2 of −$30. The difference between the deferred approved Net OM&A and the variance (Account #1 and Account #2) is (100 − (−$30)) is $130 which is recorded in Account #3 and sought for recovery.

d. In the fourth scenario, during the test period, (i) the actual NSIESO one-time transition costs are such that all of the Provincial funding is used to fund those costs and there is no offset to Ongoing OM&A and (ii) the NSIESO incurs an additional $10 on one-time transition costs that will be unfunded by the Province. In addition, like in the second and third scenarios, the NSIESO incurs more actual Ongoing OM&A than expected of $10. As such the variance balance recorded in Account #2 would reflect (i) the difference between the approved Net Ongoing OM&A and the new post-funding Net Ongoing OM&A ($100 − $150 = −$50), (ii) the unfunded one-time transition amount of −$10; and (iii) the incremental spending relative to approved Net Ongoing OM&A of $100 − $110 = −$10, resulting in a total net difference in Account #2 of −$70. The difference between the deferred approved Net OM&A and the variance (Account #1 and Account #2) is (100 − (−$70) is $170 which is recorded in Account #3 and sought for recovery.

Example Summary Table

Forecasted cost		150	150	150	150
Less: PNS funding		- 50	- 50	- 30	-
Net Ongoing OM&A		100	100	120	150
Actual cost		90	110	130	170
Variance		- 10	10	10	20