Doane Grant Thornton

Nova Scotia Energy Board

Review of an application by the Nova Scotia Independent Energy System Operator for approval of its proposed expenditure and revenue requirement for the test year ending March 31, 2026

Board Matter M12412

Report date: October 28, 2025

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1. Executive summary

1.1 Purpose and scope

Doane Grant Thornton LLP ("we", "us", "our", or "Doane Grant Thornton") has been engaged by the Nova Scotia Energy Board ("NSEB" or the "Board"). The purpose of our engagement was to present our observations, findings, and recommendations in connection with an application by the Nova Scotia Independent Energy System Operator ("NSIESO") for approval of its proposed expenditure and revenue requirement for the test year ending March 31, 2026 (the "Application" or "M12412").

Our review was carried out in accordance with the following scope of services:

- Review of the Application, submission of information requests ("IRs"), preparation of an expert) report, and responding to information requests pertaining to our report.
- Our report will include observations and recommendations pertaining to the following:
    1. Reasonableness of the test year budget presented by the NSIESO;
    2. Benchmarking information presented on pages 18-19 of the Application pertaining to administration salaries and wages;
    3. Organizational structure and size in comparison to the proposed first-year work plan; and,
    4. Reasonableness of the proposed deferral account and any associated accounting policy considerations.

1.1 Restrictions and limitations

Our scope of work is as set out throughout this report. The procedures undertaken in the course of our review do not constitute an audit of NSIESO's financial information and consequently, we do not express an audit opinion on the financial information provided by NSIESO. Our opinions on other matters are outlined throughout this report.

We acknowledge that our report will be communicated to the parties to the matter and may become a public document accessible through the Board's website. We have given the Board our consent to use our report for this purpose. Our report is not to be reproduced or used for any purpose other than that outlined above without prior written permission in each specific instance. Doane Grant Thornton LLP recognizes no responsibility to any third party who may rely on this report or other material provided to the Board.

Unless stated otherwise in this report, Doane Grant Thornton LLP has relied on information provided by NSIESO, the Board's website and third-party sources in preparing this report, whom Doane Grant Thornton LLP believes is reliable. We are not guarantors of the information upon which we have relied in preparing the report and, except as stated, we have not audited or otherwise attempted to verify any of the underlying information or data contained in this report. We have made efforts to ensure a conservative, realistic and transparent approach, however, some of the analysis depends on the input from third parties whose opinions may influence the conclusions. All analysis, information and recommendations contained herein are based on the information available to Doane Grant Thornton LLP as of this report's date.

1.2 Summary of findings, observations and conclusions

The following represents a summary of our key findings and recommendations based on the procedures outlined throughout the report:

Figure 1 – Summary of findings, observations and conclusions

#	Section title	Findings, observations, and conclusions
4.	Test year budget	Overall, based upon our review of the NSIESO's test year budget and all available information, we offer the following findings and recommendations: • Based upon our review of the proposed expenses, nothing has come to our attention that would deem the cost categories or expense amounts unreasonable; • Based on the information available, the expense categories included in the NSIESO's proposed revenue requirement appear to be aligned with standard practice; • Based on our understanding of the bottom-up methodology applied by the NSIESO, we believe the forecasting approach used to derive their test-year budget is appropriate and aligned with standard practice; • We have reviewed the supporting financial model provided by the NSIESO for mathematical accuracy and internal consistency and found no errors. However, it is important to note that the underlying detail in the financial model was not supported by additional documentation to confirm the accuracy of the hardcoded inputs. It is recommended that for future filings the NSIESO should at minimum include supporting evidence for all significant assumptions in their application; and, • Similarly, throughout the Application the NSIESO stated that quotes and supporting documentation had been obtained for a number of proposed expense categories. When this support was requested throughout the information request ("IR") process, the NSIESO clarified that this was not the case and that the majority of current assumptions were not based on formal quotes or estimates but instead on generic market information and informal discussions, with emphasis placed on the fact that any variances from the forecast will be recorded and reconciled through the Net OM&A Deferral and Variance Account. Overall, this increases risk of inaccurate budgeting and excess use of the deferral account as no evidence of the market data or discussions relied upon have been provided at the time of this report. Therefore, while nothing specific has come to our attention that would deem the proposed test year budget unreasonable, it is recommended that the NSEB implement minimum filing requirements prior to submission of NSIESO's next application. The filing requirements for future applications should require the NSIESO to produce formal support for all significant budget items such as quotes, any referenced market information, correspondence from discussions surrounding estimates, etc. This will help to create transparency and confirm the prudence of the proposed revenue requirement calculation.

#	Section title	Findings, observations, and conclusions
5.	Benchmarking – administration salaries and wages	Based upon our review of administration salaries and wages, we can provide the following conclusions and recommendations: • Nothing has come to our attention to suggest that the proposed salaries and wages are unreasonable; • As a percentage of total expenses, the proposed budgeted salaries and wages appear to be slightly on the lower end but are relatively aligned with salary costs incurred by comparable organizations across Canada; • Based on our knowledge of typical compensation within the industry as well as general wage ranges published on common recruitments sites for similar roles, the proposed base salaries and 50th percentile benchmark appear reasonable. Adopting a 50th percentile benchmark avoids incurring salary costs at the top of the market range and is therefore aligned with the industry's guiding principle of cost effectiveness; • The assumed fringe rate is relatively aligned with fringe rates we have seen implemented across similar utilities and organizations; • The assumed annual Canada Pension Plan ("CPP") and Employment Insurance ("EI") contributions appear to be reasonable in comparison to current Canada Revenue Agency ("CRA") maximum contribution amounts; and, • Overall, supporting market information relied on by the NSIESO in the determination of their salaries and related benchmarks including KBRS recruiters and HUB International information has not been provided at the time of this report. As a result, we are unable to comment on all underlying benchmark data and calculations.
6.	Organizational structure	While our review has not covered a detailed analysis at the organizational Full-Time Equivalent ("FTE") level, we are able to offer the following observations regarding the NSIESO's proposed organizational structure: • The executive functions and structure proposed by the NSIESO is comparable to other executive teams of Canadian Independent System Operators ("ISO"), relative to its size; • The governance structure proposed by the NSIESO appears to be reasonable and consistent with other Canadian ISOs; and, • Based on the information available, the key responsibilities covered by the proposed organizational structure are aligned with the budgeted organizational needs and expenses as outlined in **Section 4** of this report.

#	Section title	Findings, observations, and conclusions
7.	Deferral account	Overall, the implementation and use of deferral accounts and mechanisms is a common practice among utilities and ISOs across Canada. They are important to help ensure stabilization of rates, alignment of cost recovery with service delivery, and for compliance with regulatory frameworks. Therefore, the NSIESO's proposal to implement the concept of a Net OM&A Deferral and Variance Account is aligned with standard industry practice. However, our key findings and recommendations that should be considered prior to the commencement of NSIESO operations are as follows: • While the NSIESO has basic financial controls in place, they do not have established cost management controls for monitoring expenditures. While the Net OM&A Deferral and Variance Account will allow the NSIESO to defer any variances to future years, if cost overruns are not adequately managed, this could place an excessive burden on ratepayers. Therefore, creation of these specific cost management controls should be a priority. Specifically, cost categories which exceed budget should require a prudence review of all costs within that category to ensure the underlying cause of overrun is adequately understood. The NSIESO should work to define specific prudence review and approval requirements to ensure processes are defined to foster efficiency and transparency; • At the time of this report, the NSIESO has not yet developed accounting policies. It is recommended that the NSIESO prioritize the development of these policies to ensure that specific accounting standards have been implemented prior to the recovery of Net Ongoing OM&A amounts in the April 2027 test year application. Ensuring applicable standards have been implemented and are properly followed from the beginning will ensure revenue and expenses are appropriately recognized, avoiding potential misrepresentation of periodic deferral amounts. Specifically, accounting policies should address capitalization criteria and thresholds, revenue recognition, as well as recognition policies for the deferral account. Consideration should be given to the accounting standards currently applied by NSPI to create reporting consistency between both entities; • There is currently no identified threshold for overrun or limit on the amount of costs that can be recovered from ratepayers through the Net OM&A Deferral and Variance Account. While the purpose and technicalities of deferral accounts and mechanisms can differ depending on the specific organization, it is evident from our jurisdictional review that having thresholds, limits, and/or specific approval requirements is a key feature of many regulatory deferral tools. To create accountability and minimize excess and uncontrolled cost overruns, it is recommended that the NSIESO work to develop more clearly defined thresholds, to limit amounts recoverable from ratepayers; and, • Finally, as demonstrated by jurisdictional research, it is important to have specific guidelines surrounding regulatory approval, scope, eligibility requirements, and time limits for deferral accounts. Therefore, it is recommended that specific account scoping details be defined and communicated for review at the end of the first fiscal period.

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2. Good Utility Practice

2.1 Good Utility Practice overview

Good Utility Practice ("GUP") serves as a foundational framework, including commonly accepted techniques, processes, and standards used across the utility industry to ensure effective, safe, and sustainable operation of utility services. It encompasses the range of practices, procedures, and standards widely recognized and consistently applied by competent utility operators to ensure the reliable delivery of essential services such as electricity, water, and natural gas.

Rooted in industry experience, regulatory expectations, and evolving technological capabilities, GUP provides a benchmark for prudent decision-making and operational excellence. It plays a critical role in system planning, asset management, maintenance, emergency response, and customer service. Adherence to GUP minimizes operational risks, enhances system resilience, and maintains public trust.

GUP is not limited to a single best method; rather, it encompasses a range of effective approaches that achieve the desired outcomes while adhering to industry regulations and sound business practices. Its purpose is to guide utility companies in making well-informed and responsible choices when managing infrastructure, delivering services, and addressing operational issues.

2.2 Guiding principles

A summary of the key themes which guide GUP and have been considered throughout our review have been detailed below:

Figure 2 – GUP guiding principles

Theme	Description
Safety	Safety is a foundational element of GUP. Utilities are expected to implement and maintain rigorous safety protocols to protect employees, customers, and the public. This includes compliance with health and safety standards, and adherence to industry best practices in the operation and maintenance of facilities such as substations, transmission lines, and power plants.
Reliability	GUP emphasizes the importance of delivering consistent and uninterrupted utility services. This is achieved through preventive maintenance, timely infrastructure upgrades, and rapid response to service disruptions. Utilities are also encouraged to adopt smart grid technologies and maintain system redundancy to enhance reliability.
Efficiency	Operational efficiency is a core principle of GUP. Utilities are expected to optimize resource use, reduce waste, and minimize environmental impact. This includes investing in modern, energy-efficient technologies and reducing transmission and distribution losses to ensure cost-effective service delivery.
Regulatory compliance	Utilities must operate in full compliance with applicable laws and regulations. GUP ensures adherence to environmental laws, emissions standards, and reliability requirements established by regulatory bodies.

Theme	Description
Cost-effectiveness	GUP promotes sound financial management by encouraging utilities to make prudent investments and allocate resources efficiently. The goal is to balance service quality with affordability, ensuring that infrastructure investments provide long-term value to both the utility and its customers.
Transparency and supporting documentation	Documentation received throughout the regulatory process forms the evidentiary basis for review and decision-making. Therefore, at the core of GUP lies clear and transparent data access and supporting information. Transparency is essential to ensure that stakeholders can fully understand and evaluate the rationale behind the proposed changes and allows for meaningful participation in the regulatory process. The format and manner of which information is provided can also impact on the level of clarity and transparency.

We reviewed the Application in the context of GUP. Where practices differ from GUP or standard industry practice, we have noted those differences throughout.

3. Overview

3.1 Background on the NSIESO

Established on October 24, 2024, the NSIESO is a not-for-profit corporation created under the More Access to Energy Act (the "Act") (SNS 2024, c 2, Sch B). The creation of an independent system operator in Nova Scotia transitions key responsibilities from Nova Scotia Power Inc. ("NSPI") to an independent body.

The NSIESO was established following the proclamation of the Energy Reform (2024) Act (Bill 404). The key drivers behind its creation were:

- To increase competition and innovation and introduce competitive procurement and market practices;
- To improve transparency and coordination, creating a more transparent and efficient approach to energy planning and operations;
- To support environmental goals and align with the province's climate change and sustainability objectives; and,
- To enable independent oversight.

As the independent operator of Nova Scotia's bulk power system and wholesale electricity markets, the NSIESO's core responsibilities will include:

- System planning;
- Transmission interconnection;
- Energy and capacity procurement;
- Real-time dispatch operations;
- Facilitation of competitive electricity markets; and,
- Ensuring reliability and adequacy of the electricity system.

To allow for a gradual build-up of organizational capacity and minimized disruption, a phased approach will be taken to transition responsibilities from NSPI to the NSIESO. This is to be carried out in two phases:

- **Phase 1 (Q4 2025)** – The NSIESO assumes system planning, transmission interconnection, and energy/capacity procurement. At the time of this report, this phase is currently in progress with a status update detailed in **Section 6** of this report.
- **Phase 2 (Q2 2027)** – The NSIESO takes over real-time dispatch operations and full control of the grid. At the time of this report, this phase has not yet commenced.

Currently, the NSIESO is in the process of assuming responsibilities from NSPI and will be incurring costs to build its internal capabilities, hire staff, and begin operations. The NSIESO submitted the Application to the NSEB for approval of its proposed expenditures and revenue requirement for the test year ending March 31, 2026. The following sections of this report detail our analysis of the various components of the Application.

3.2 Independent Systems Operators across Canada

System operations in Canada involve continuous real-time monitoring, demand forecasting, and grid stability management. ISOs play a critical role in these operations, coordinating with various stakeholders to maintain a stable and reliable electricity supply. The independent operators across Canada have been summarized in the following table by jurisdiction.

Figure 3 – Summary of ISOs across Canada

Jurisdiction	Independent operator
NL	Newfoundland & Labrador System Operator ("NLSO") – within Newfoundland and Labrador Hydro, a crown corporation.
PEI	None noted
NS	NSIESO in progress
NB	None noted - ***Note 1***
QC	None noted – functions administered by Hydro Quebec, a crown corporation.
ON	The Independent Electricity System Operator ("IESO")
MB	Midcontinent Independent System Operator ("MISO")
SK	None noted – functions administered by SaskPower, a crown corporation.
AB	The Alberta Electric System Operator ("AESO")
BC	None noted – functions administered by BC Hydro, a crown corporation.
YT	None noted
NT	None noted
NU	None noted

Note 1 – While NB did have an independent operator in the past, restructuring eliminated the New Brunswick System Operator as a separate entity as of October 1, 2013. The majority of the operations of the system operator were

folded back into New Brunswick Power operations. The system operator's role ensuring that reliability standards are followed was transferred to the Board.[1]

We have considered the practices of the above noted ISOs across Canadian jurisdictions throughout our report and analysis of the Application.

[1] New Brunswick Energy and Utilities Board – Electricity - Acts and Regulations - https://nbeub.ca/electricity-home. Accessed October 8, 2025.

4. Test year budget

4.1 Scope

Review and analyze the reasonableness of the test year budget presented by the NSIESO for the test year ending March 31, 2026.

4.2 Procedures

Our review of NSIESO's test year budget for the test year ending March 31, 2026 included the following specific procedures:

- Reviewed all operating expense cost categories detailed in the Application and prepared IRs. Cost categories include:
    - Administrative Salaries and Wages;
    - NSPI Employee Transfers and Integrated Resource Planning ("IRP") Consulting;
    - Corporate Administration;
    - Governance;
    - Legal and Regulatory;
    - Procurement;
    - Facilities and Technology;
    - Finance; and,
    - Transition and Operational Planning (one-time costs).
- Reviewed additional and supporting information provided in responses to IRs ("RIR");
- Recalculated the underlying test-year forecast;
- Cross-referenced the underlying test-year forecast with the Application for internal consistency;
- Compared the test-year budget to GUP and other comparable organizations; and.
- Concluded on the reasonableness of the test year budget.

4.3 Analysis

4.3.1 **Good utility practice and comparable organizations**

There are many key principles and common technical concepts that form the foundation of test year budgeting in the regulatory sector. These elements have been discussed below.

4.3.1.1 Common budgeting methodology

For new ISOs, utilities, or organizations in general, bottom-up budgeting is commonly used as they lack historical data and rely heavily on input from other resources. Bottom-up budgeting starts at the operational level and moves upward and is typically based on actual needs and insights from those closest to the individual workstreams. In general, this budgeting practice is typically implemented for newer organizations for the following reasons:

- It allows for stakeholder engagement;
- It can improve forecast accuracy and flexibility by using real-time data and departmental knowledge; and,
- It fosters collaboration which is useful for ISOs who often operate in participative environments involving utilities, regulators, market participants, etc.

4.3.1.2 Calculation of revenue requirement

Revenue requirement reflects the amount of revenue a utility must collect each year to cover the costs of providing service to its customers, inclusive of a fair return for the utility's shareholders. A standard revenue requirement calculation that aligns with GUP would be as follows:

- Operating and maintenance costs;
- Plus: Depreciation and amortization;
- Plus: Taxes and other costs;
- Plus: Return on rate base;
- Equals: Revenue Requirement.

Given the NSIESO is a non-profit organization, it is reasonably expected that their proposed revenue requirement will be focused mainly on the operating and maintenance costs required to operate as they will not earn a return on rate base. Therefore, this is the key focus of the Application and of our corresponding review.

4.3.1.3 Operating expenses of comparable organizations

For comparison purposes, we have reviewed actual operating expense results for other ISOs across Canada. While we recognize these expenses will differ in dollar value due to varying scales of operations, we have considered the general expense categories as a percentage of total operating expenses to gauge a typical breakdown for comparable organizations.

4.3.1.3.1 IESO – Ontario

Per their 2024 annual report, the IESO's actual expenses for their core operations are summarized below for 2023 and 2024:

Figure 4 – Ontario - IESO expenses ($000s)[2]

Expenses - core operations (000s)	2024	2023
Compensation and benefits	170,153	166,189
Professional and consulting	19,996	18,712
Operating and administration	47,946	41,714
Amortization	23,507	20,578
Interest	2,770	1,040
Foreign exchange loss	102	(148)
Recoveries	(4,953)	(5,299)
Total expenses for core operations	**259,521**	**242,786**

These expense categories have been summarized on a percentage basis in the following table:

Figure 5 – Ontario - IESO expenses (% basis)

Expenses - core operations (% breakdown by category)	2024 % breakdown	2023 % breakdown	Average % breakdown
Compensation and benefits	65.56%	68.45%	**67.01%**
Professional and consulting	7.70%	7.71%	**7.71%**
Operating and administration	18.47%	17.18%	**17.83%**
Amortization	9.06%	8.48%	**8.77%**
Interest	1.07%	0.43%	**0.75%**
Foreign exchange loss	0.04%	-0.06%	**-0.01%**
Recoveries	-1.91%	-2.18%	**-2.05%**

As shown above, the most significant expense categories incurred by the IESO are:

- Compensation and benefits – 67% of total expenses; and,
- Operating and administration – 18% of total expenses.

[2] Independent Electricity System Operator - *Independent Electricity System Operator 2024 Annual Report* - page 41.

4.3.1.3.2 Midcontinent Independent System Operator – Manitoba

Per their 2024 annual report, the MISO's actual general and administrative expenses are summarized below for 2023 and 2024:

Figure 6 – Manitoba - MISO expenses ($000s)[3]

General & administrative expenses (000s)	2024	2023
Salaries and benefits	243,372	219,694
Depreciation and amortization	34,950	30,369
Outside services	81,463	67,225
Occupancy/telecommunications	18,523	17,430
Insurance	4,054	3,394
FERC assessment	76,080	67,380
Computer maintenance	39,634	31,321
Other	17,652	12,558
Total expenses	**515,728**	**449,371**

These expense categories have been summarized on a percentage basis in the following table:

Figure 7 – Manitoba - MISO expenses (% basis)

General & administrative expenses (% breakdown by category)	2024 % breakdown	2023 % breakdown	Average % breakdown
Salaries and benefits	47.19%	48.89%	**48.04%**
Depreciation and amortization	6.78%	6.76%	**6.77%**
Outside services	15.80%	14.96%	**15.38%**
Occupancy/telecommunications	3.59%	3.88%	**3.74%**
Insurance	0.79%	0.76%	**0.77%**
FERC assessment	14.75%	14.99%	**14.87%**
Computer maintenance	7.69%	6.97%	**7.33%**
Other	3.42%	2.79%	**3.11%**

As shown above, the most significant expense categories incurred by the MISO are:

- Salaries and benefits – 48% of total expenses;
- Outside services - 15% of total expenses; and,
- FERC assessment expenses – 15% of total expenses.

[3] Midcontinent Independent System Operator Inc. - *Midcontinent Independent System Operator Inc. Financial Statements As of and for the Years Ended December 31, 2024 and 2023, and Independent Auditor's Report* - page 4, - March 28, 2025.

4.3.1.3.3 AESO – Alberta

Per their 2024 annual report, the AESO's total costs are summarized below for 2023 and 2024:

Figure 8 – Alberta - AESO total costs (millions) [4]

Total costs ($millions)	2024	2023
Transmission operating costs	2,449.4	2,580.5
Other industry costs	24.9	22.2
General and administrative costs	131.8	102.8
Amortization and depreciation	25.0	23.0
Borrowing costs	0.6	0.6
Total costs	**2,631.7**	**2,729.1**

Total costs have been summarized on a percentage basis in the following table:

Figure 9 – Alberta - AESO total costs (% basis)

Total costs (% breakdown by category)	2024 % breakdown	2023 % breakdown	Average % breakdown
Transmission operating costs	93.07%	94.55%	**93.81%**
Other industry costs	0.95%	0.81%	**0.88%**
General and administrative costs	5.01%	3.77%	**4.39%**
Amortization and depreciation	0.95%	0.84%	**0.90%**
Borrowing costs	0.02%	0.02%	**0.02%**

As shown above, transmission operating costs make up the majority of the AESO's total costs. Transmission operating costs are comprised of wire costs, operating reserves, transmission line losses, and other ancillary service costs. Given these expenditures are not a relevant comparison for the NSIESO's initial test year budget, we have focused on the general and administrative cost categories which have been broken down below:

Figure 10 – Alberta - AESO general and administrative costs (millions) [5]

General and administrative costs ($millions)	2024	2023
Staff costs	97.7	78.1
Contract services and consultants	9.4	3.3
Facilities	5.5	4.8
Administration	5.1	4.4
Computer services and maintenance	12.6	10.9
Telecommunications	1.5	1.3
Total costs	**131.8**	**102.8**

[4] Alberta Electric System Operator - *Alberta Electric System Operator 2024 Annual Report* - page 4.

[5] Alberta Electric System Operator - *Alberta Electric System Operator 2024 Annual Report* - page 8.

General and administrative costs have been summarized on a percentage basis in the following table:

Figure 11 – Alberta - AESO general and administrative costs (% basis)

General and administrative costs (% breakdown by category)	2024 % breakdown	2023 % breakdown	Average % breakdown
Staff costs	74.13%	75.97%	**75.05%**
Contract services and consultants	7.13%	3.21%	**5.17%**
Facilities	4.17%	4.67%	**4.42%**
Administration	3.87%	4.28%	**4.07%**
Computer services and maintenance	9.56%	10.60%	**10.08%**
Telecommunications	1.14%	1.26%	**1.20%**

As shown above, the most significant general and administrative expense categories incurred by the AESO is:

- **Staff costs** – 75% of total general and administrative costs. However, when compared to total costs per Figure 8, staff costs make up approximately 3.7% of the AESO's total costs in 2024 and 2.9% in 2023 for an average of approximately 3.3% of total costs. We do note that a significant portion of AESO's total costs is the transmission operating costs; when compared to total costs excluding transmission operating costs, salaries make up approximately 54% in 2024 and 53% in 2023.

4.3.1.3.4 Overall trends

The above Canadian ISOs all have different markets, operating scales, and environments as well as differing accounts and expense types and groupings. Therefore, they are not direct comparisons. However, one thing that all ISOs appear to have in common is that the majority of their general operating expenses are driven by compensation and administration costs. All other expense types are relatively minor and insignificant as a percentage of total costs.

The organizations discussed above are fully operational and therefore would not be incurring the level of planning costs necessary in the NSIESO's first year. However, the core cost categories incurred by other ISOs appear to be reasonably consistent with those forecasted by the NSIESO which have been detailed in the following report section.

4.3.2 The NSIESO's test year budget

4.3.2.1 The NSIESO's budgeting process

Per the Application, the NSIESO prepared its forecast using a bottom-up approach, informed by information that includes an organizational workplan identifying activities that the NSIESO will carry out during test period. Per the NSIESO's response to Doane Grant Thornton LLP's ("DGT") IR-4, we understand that they used a bottom-up forecasting methodology where the forecast was built starting at a granular level for each major category of expenditures. The experience and knowledge of industry experts retained by the NSIESO was used to build out the assumptions and requirements for each category to develop estimates. The NSIESO further clarified that the organizational work plan identifying activities that the NSIESO will carry out during the test period is embedded in the assumptions of their underlying forecast and a separate workplan has not been created.

4.3.2.2 Overview of OM&A budget

Per the Application, the NSIESO is seeking approval for its ongoing Operations, Maintenance, and Administration ("OM&A") expenses forecast for the test period of $6,750,000 **(**"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 $5,300,000 in rates ("Net Ongoing OM&A"). The difference of $1,440,000 between its forecast Ongoing OM&A and the Net Ongoing OM&A is the forecast amount remaining from a Provincial grant of $2,680,000 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. As these costs are expected to be fully funded from Provincial funding, the NSIESO is not seeking NSEB approval of the forecast one-time transition costs for the period ending March 31, 2026.

The forecast funding necessary for the NSIESO to carry out its statutory mandate for the period ending March 31, 2026 has been summarized by OM&A cost category in the following table:

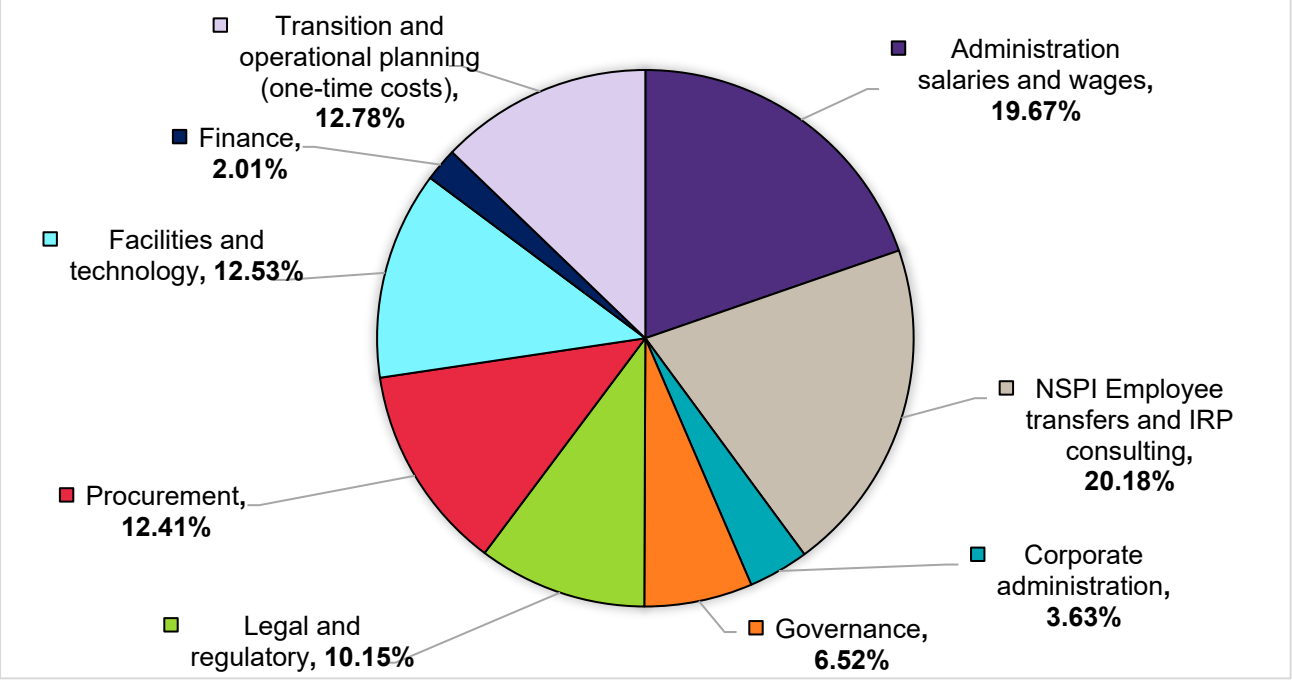
Figure 12 – Summary of forecast OM&A costs

OM&A summary ($millions)	Total OM&A Costs	One-Time Transitional Costs	Ongoing O&M Costs
Administration salaries and wages	1.57	-	**1.57**
NSPI Employee transfers and IRP consulting	1.61	-	**1.61**
Corporate administration	0.29	0.06	**0.23**
Governance	0.52	0.01	**0.51**
Legal and regulatory	0.81	-	**0.81**
Procurement	0.99	-	**0.99**
Facilities and technology	1.00	0.14	**0.86**
Finance	0.16	-	**0.16**
Transition and operational planning (one-time costs)	1.02	1.02	**-**
Total OM&A expenses	7.98	1.23	**6.75**
Application of provincial funding	(2.68)	(1.23)	**(1.44)**
OM&A after provincial funding	5.31	-	**5.31**

Please note that due to the rounding of numbers throughout the Application, the above table and others throughout the report show minor differences due to rounding. We have presented tables as shown in the Application for consistency.

We have broken down the above costs based on percentage of total OM&A costs, as follows:

Figure 13 – Percentage breakdown of OM&A by category



As demonstrated by the above chart, the following categories are the most significant, therefore yielding a higher risk:

- NSPI employee transfers and IRP consulting; and,
- Administration salaries and wages.

Although the comparable organizations discussed previously are fully operational and therefore would not be incurring the level of planning costs necessary in the NSIESO's first year, all ISOs appear to have administration salaries which comprise a large majority of total expenses, as demonstrated above.

Our review throughout this section of our report will touch on the assumptions and details behind all forecasted costs, with additional emphasis placed on the above-mentioned cost categories as well as the one-time transitional and operational planning costs. Please note that our analysis of the administration salaries and wages category has been detailed in **Section 5** of this report.

4.3.2.3 Provincial funding

Per the Application, the NSIESO received Provincial funding in March 2025 in the amount of $2.68M which they will apply to one-time transition costs. As provided in the NSIESO's response to DGT IR-5, the following funding agreements have been reviewed to confirm amounts received:

- Contribution Agreement dated March 10, 2025, providing $2,500,000 to support the NSIESO for costs associated with the transition and startup phase; and,
- Contribution Agreement dated March 21st, 2025, providing $175,000 for costs associated with transitioning work in progress and system operator technical advisory services.

Per the NSIESO's response to the Industrial Group's ("IG") IR-2, we understand that the NSIESO expects that the one-time transition costs may exceed the budget of $1.23 million, but the total is not known at this time as the NSIESO is still in the process of preparing its Phase 1 and Phase 2 transition plans. Per the NSIESO, the Provincial grant does not limit the one time transition costs incurred by the NSIESO to $2.68 million, rather it is intended to offset the costs of effecting the transition of responsibilities contemplated by the More Access to Energy Act. Further discussion surrounding the treatment of cost overruns can be found in **Section 7** of this report.

In contrast, as stated in the NSIESO's response to DGT-IR-35, if one-time transition costs end up being less than the funding available, the NSIESO intends to use the available funds to offset the initial year OM&A costs.

It is important to note that per the above-mentioned funding agreements, if the NSIESO is unable to complete the Transition of Work in Progress or the Startup Phase, the funding amounts of $175,000 and $2,500,000, respectively, must be returned to the Province.

According to their response to IG IR-2, at the time of this report, the NSIESO does not expect to apply for or receive any other grants between now and 2027, but if government funding opportunities arise which might be available to the NSIESO, then they will be explored. If additional funding is received, it is recommended that the NSIESO use the amount to offset any variances if possible.

4.3.2.4 NSPI employee transfers (including IRP consulting costs)

Per the Application, the NSIESO is forecasting $1,610,000 in expenses as part of the transitioned operations cost category. These expenses are the portion of NSPI operational costs that will be transitioned to the NSIESO during the test period. 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.

Per the NSIESO's response to NSEB-IR-15, the costs are not incremental in the sense that they have already been approved by NSEB. Responsibility for certain costs, in particular the employees performing the roles being

transferred as part of Phase 1, will be assumed by the NSIESO upon the Phase 1 transition date. NSPI confirmed in their pre-filed evidence in M12451 [Exhibit N-3, P. 75, lines 3-12], that it:

> *"has forecast costs to be removed from its revenue requirement, totaling $1.6 million in 2026 and $4.5 million in 2027, due to the transition of some current NS Power responsibilities to the NSIESO. The forecast assumes this will occur in a phased approach with a January 1, 2026 transition of responsibilities for generation interconnection requests and system planning activities and a January 1, 2027 transition of Control Centre responsibilities for the day-to-day operations of the transmission system. The timing of this transition is largely out of NS Power's control and will continue to evolve over 2025 as NSIESO Management is appointed and a transition plan is refined. NS Power plans to apply to the NSEB for recovery or refund of the difference in actual operating expense, as compared to forecast, associated with the NSIESO transition once it is complete."*[6]

A breakdown of the forecasted NSPI employee transfer cost per the Application is as follows:

Figure 14 – NSPI employee transfer costs

NSPI employee transfers ($millions)	Ongoing OM&A Costs
Salaries and wages	1.11
Consulting fees	0.50
Total NSPI employee transfers	**1.61**

Further detail on the assumptions used to forecast the above NSPI employee transfer cost categories are detailed below.

4.3.2.4.1 Salaries and wages

Overview

Per the Application, this cost category covers expenses required by the Act for a group of non-unionized technical employees transitioning from NSPI to NSIESO. The forecast assumes 23 employees will begin on October 1, 2025, to support the first phase of work, focused on System Planning, through March 2026. These roles differ from newly created non-technical positions under the administration salaries and wages category. A breakdown of the FTEs expected to be transferred from NSPI is as follows:

Figure 15 – FTE transfers from NSPI

Position	# of FTEs
Director, System Planning and Grid Integration	1
Sr. Engineering Specialist	3
Engineering Specialist, Transmission Planning	1
Engineering Specialist, Interconnection	1
Engineer, Specialist, Resource Planning	1
Manager, Sr. Project	1
Sr. Engineer	4
Engineer	5
Business Analyst	1
Engineer in Training	5
Total FTEs under NSPI transitioned employees	**23**

[6] Nova Scotia Energy Board - Nova Scotia Power Inc. 2026 General Rate Application - M12451 - Exhibit N-3 – page 75, lines 3-12 - UARB15 (APUARB11) – Accessed October 14, 2025.

Per the NSIESO's response to IG-IR-6, offers of employment by the NSIESO to the employees presently in the roles being transferred are expected to be made over the next several weeks.

Basis for forecasted salaries and wages

Per the Application, forecasted compensation for the above positions 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 their base salaries, bonuses, benefits, pensions, and other cash/non-cash components.

We have reviewed the NSIESO's underlying supporting forecast (as provided in the confidential attachment for RIR-DGT-1) for the $1,100,000 in salaries and wages forecasted per **Figure 14**. The forecasted salaries and wages amount consists of the following:

Figure 16 – Breakdown of salaries and wages

Salaries and wages ($millions)	Cost
Salaries and wages - ***Note 1***	1.65
Third-party recoveries - ***Note 2***	(0.54)
Total salaries and wages	**1.11**

Note 1: The $1,650,000 in salaries and wages were calculated based on $275,000 in estimated monthly compensation costs multiplied by 6 months (October 2025 – March 2026). The total annual compensation estimate for these positions is $3,300,000 and is comprised of approximately $2,800,000 in staff compensation; $400,000 is a fringe load factor of 14.75% (covers employers costs such as WCB, Health, Dental, Life Insurance, LTD, ADD, Pension Plans, Education Fund, apprentice programs, taxable parking, employer RRSP, 4% and other fringe benefits); and CPP & EI employer deductions of approximately $100,000. Details behind the estimated compensation costs was reviewed. The total annual estimate for these transferred salaries and wages is approximately 2.91% higher than 2024 actuals for these transfer positions. Please note that per the NSIESO's response to NSEB IR-15, the current target date at the time of this report for the transfer of Phase 1 roles is December 1, 2025.

Note 2: Expected third-party recoveries have been deducted from salaries and wages. However, no further detail behind this assumption has been provided at the time of this report.

4.3.2.4.2 Consulting fees

Overview

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

Current status of IRP

Per the NSIESO's response to NSEB-IR-17, they have yet to complete high-level and detailed planning of activities to complete its first IRP. A typical long-term planning process takes about a year to complete. However, given the significant work to transition staff, hardware, software and data from NS Power, it may take longer. It is reasonable to estimate that the first system planning modeling results will not be available before July 1, 2026, and, subject to stakeholder engagement and feedback, the NSIESO expects to complete the first IRP exercise by the end of 2026.

They also stated that they plan to commence the first IRP exercise by October 24, 2025, with the posting of an RFP to acquire consulting services to support IRP development. During the period October 2025 to March 2026, the NSIESO will: transfer staff, hardware, software and data from NSPI as appropriate; engage stakeholders for feedback; conduct detailed planning; create and publicly share a stakeholder engagement plan; and commence IRP work including development of a long-term demand forecast, assessment of the state of the current generation fleet and resource and transmission gap assessment.

Basis for forecasted consulting fees

Per the NSIESO's response to NSEB-IR-17, the breakdown of the consulting fees and scope is not known at the time of this report and was a reasonable estimate based on consultation with NSPI. An RFP for consulting services to support the IRP project has not yet been issued.

The NSIESO also stated in their response to Synapse Energy Economics' ("SEE") IR-3, that they have not identified the consulting firm(s) and modeling package(s) to be used for the forthcoming IRP. The NSIESO is in the early stages of planning the work, which will include an assessment of potential consultant needs and modelling package(s) to be used. At this time, the NSIESO has not yet incorporated IRP modeling software fees into its cost estimates.

4.3.2.5 Corporate administration

Per the Application, the NSIESO is forecasting $230,000 in ongoing expenses for corporate administration. This cost category primarily consists of various types of insurance products and the expenses associated with communicating with third parties, including stakeholder engagement initiatives.

A breakdown of the forecasted corporate administration cost is detailed below:

Figure 17 – Corporate administration

Corporate administration ($millions)	Ongoing OM&A Costs
Directors errors and ommissions insurance	0.03
General liability insurance	0.005
Property insurance	0.005
Cybersecurity insurance	0.05
Communications plan	0.07
Stakeholder engagement	0.05
Other administrative	0.002
Total corporate administration	**0.23**

Detail on the basis for the forecasted corporate administration cost categories above have been detailed below:

- **Directors errors and omissions insurance** – Per the Application, these costs were 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 with premium quotes expected to be finalized in August of 2025. However, upon further inquiry with the NSIESO, their response to DGT-IR-12 clarified that benchmarking data from specific independent public agencies was not shared at the time of budgeting and that the estimate was informed by general market knowledge of premiums for comparable $7 million per-claim coverage carried by similar public-sector entities in Nova Scotia and informal discussions with insurance providers. At the time of this report, premium quotes are not yet finalized.

- **General liability insurance** – Per the Application, general liability costs are estimated based on commercial quotes for office-based operations with a $5 million occurrence limit, assuming that NSIESO's low physical risk environment supports a modest premium level. However, upon further inquiry with the NSIESO, their response to DGT-IR-13 clarified that at the time of budgeting, formal written quotes were not obtained. The $0.005 million estimate was information by high-level indicative market information and informal discussions with insurance providers regarding office-based operations with a $5 million occurrence limit. These indicative inputs were used to develop a forecast of $0.005 million, recognizing the NSIESO's low physical risk profile. The NSIESO plans to go to market for formal quotes prior to binding coverage.

- **Property insurance** – Per the Application, property insurance costs are to insure the leased office space and associated property, estimates for which are based on standard coverage for leased commercial property. However, upon further inquiry with the NSIESO, their response to DGT-IR-14 clarified that the estimate of $0.005 million was informed by general market knowledge of typical property insurance premiums for leased office space in Nova Scotia and informal discussions with insurance providers. At the time of this report, the NSIESO has not yet gone to market for quotes to confirm actual coverage requirements and premium levels.

- **Cybersecurity insurance** – Per the Application, the $0.05 million cybersecurity insurance is based on an estimate of $5,000/month for the first 10 months, 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 with more robust coverage being required once real-time operations begin. However, upon further inquiry with the NSIESO, their response to the Small Business Advocate's ("SBA") IR-3 clarified that the $0.05 million estimate was informed by high-level market information and informal discussions with insurance providers regarding coverage for small to mid-sized organizations handling sensitive information. These preliminary inputs were used to develop an estimate of $0.05 million, recognizing that more robust coverage may be required once real-time operations commence but at the time of this report, the NSIESO has not yet gone to market for formal quotes.

- **Communications plan** – Per the Application, communications plan 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 which is based on the NSIESO's assessment of the average rates in Nova Scotia for experienced communication professionals. Per the NSIESO's response to DGT-IR-16, it is understood that the 300 billable hours was primarily based on 20 hours of work over 15 weeks, with an expectation that some weeks would require more hours, some less during the startup phase.

- **Stakeholder engagement –** Per the Application, 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. From their response to DGT-IR-17, we understand that the budget assumes a monthly cost of $5,000 per month for the remaining 10 months of fiscal 2025-26, with up to 10 hours per week of activity. The NSIESO also clarified in their response to SBA-IR-3 that these costs are not one-time in nature and represent ongoing costs to support communications and engagement activities, such as costs related to renting space for engagement sessions, and similar costs expected in future years. Per the NSIESO's response to NSEB-IR-9, at the time of this report, the following stakeholder engagement has been conducted:

- The board chair met with Wskijnu'k Mtmo'taqnuow Agency ("WMA") on July 18, 2025. The President and Chief Executive Officer has communicated in writing to Indigenous leadership, in particular Kwilmu'kw Maw-klusuaqn, with a request to meet in person.

- The President and CEO has communicated with other system operators in the region and plans additional engagement with system operators in the Maritimes, across Canada and the United States, as well as the Northeast Power Coordinating Council Inc. ("NPCC"), in October-December 2025.

- The NSIESOs response to NSEB-IR-2 explains that their resources have had contact with other electric system operators such as the Ontario ISO, New Brunswick Power, the National Energy System Operator (UK), and NSPI, along with external experts to discuss organizational experience and operational data. Per the NSIESO, these conversations will continue and expand throughout the transition, particularly as to the unique differences for the NSIESO from other provinces regarding different market, regulatory, supply and demand environments.

In their response to NSEB-IR-9, the NSIESO stated that early feedback from stakeholder engagement has been supportive of the new system operator structure being established by the NSIESO, most notably the organization operating as an independent, not-for-profit.

4.3.2.6 Governance

Per the Application, the NSIESO is forecasting $0.51 million in ongoing expenses as part of the Governance OM&A cost category.

A breakdown of the forecasted governance costs is detailed below:

Figure 18 – Governance

Governance ($millions)	Ongoing OM&A Costs
Board compensation	0.48
Board expenses	0.03
Total governance	**0.51**

Detail on the basis for the forecasted governance cost categories above have been detailed below:

- **Board compensation** – Per the Application, 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. Further detail behind the board compensation assumptions as explained in the NSIESO's response to NSEB-IR-18 is as follows, along with our comments regarding reasonability:

  - Each Director shall receive an annual retainer of $25,000, and the Chair shall receive an annual retainer of $70,000 (in the case of the Chair, inclusive of meeting fees).

  - It is assumed that once the NSIESO is fully operational the full Board are anticipated to meet 5 - 7 times per year, and each committee is anticipated to meet 4 - 5 times per year. Each Board member in attendance will be remunerated $1,000 for a full day Board or Committee meeting, and $500 for a half day meeting while the Chair will not receive meeting fees. During the initial year, in recognition of the frequency of committee meetings of shorter duration, during this phase, directors in attendance will be remunerated at the rate of $200 per hour for meeting time (not preparation time, up to a maximum of $1,000 per meeting day). Out-of-town directors will be remunerated $250 for each day where they are required to travel two time zones or more.

  - The Board will initially have 2 standing committees; the Human Resources and Governance Committee, and the Audit and Risk Committee. The Board on the recommendation of the Chair

may establish special and ad hoc committees from time to time. The Chair of each standing, special or ad hoc committee will receive $5,000 per year for acting in that capacity.

- During the initial fiscal year of the NSIESO ending March 31, 2026, in recognition of the extensive time that each director is committing to the organization in the start-up year, each Director will be paid a $25,000 additional stipend to recognize the additional efforts required by each Board member while the organization is being established.
- There is an annual cap of $25,000 on meeting fees payable to any one director.

- **Board expenses –** Per the Application, board expense 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, with allowance for ad-hoc committee activity. Per the NSIESO's response to DGT-IR-19, the estimate of $2,500-3,500 per out-of-province board member for quarterly in-person board meetings reflects several things, including the following:
  - The meetings are held over 2 full business days and require one director to travel from Calgary, Alberta and one from Thornhill, Ontario. These directors will be reimbursed for reasonable out-of-pocket costs for flights, transportation to and from airports, hotel accommodation for 2-3 nights, as well as meals.
  - The cost estimate also includes catering for the meetings, and incidental expenses, such as parking, for other directors. For example, the March 24-25, 2025, in-person board meeting incurred approximately $5,600 in expenses (these meeting costs were paid by the Nova Scotia Department of Energy).

Please note that while the majority of comparable organizations across Canada have not published board remuneration details publicly, the above assumptions regarding governance costs appear to be aligned with the IESO's Board Remuneration Framework, excerpted from the Director Compensation and Expense Policy as at December 30, 2019. However, we recognize that the publicly available data for the IESO was published in 2019, therefore inflationary impacts would apply.[7]

Further discussion surrounding the governance structure can be found in **Section 6** of this report.

4.3.2.7 Legal and regulatory

Per the Application, 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 regulatory proceedings, HR, and contractual matters.

A breakdown of the forecasted legal and regulatory costs is detailed below:

Figure 19 – Legal and regulatory

Legal and regulatory ($millions)	Ongoing OM&A Costs
Regulatory proceedings and assessments	0.55
Legal and compliance	0.26
Total legal and regulatory	**0.81**

[7] Independent Electricity System Operator - *Board Remuneration Framework – excerpted from the Director Compensation and Expense Policy* - December 30, 2019.

Detail on the basis for the forecasted legal and regulatory cost categories above have been detailed below:

- **Regulatory proceedings and assessments** – Per the Application, these costs include legal support to prepare and to participate in regulatory proceedings before the NSEB during the forecast period and includes an estimate of the costs to be covered by the NSIESO for the NSEB and certain participants. It also includes the costs that NSEB may order the NSIESO to pay for intervening parties to participate in such proceedings. Per the NSIESO's response to DGT-IR-21, we understand that a specific breakdown of the portion of the costs that may be allocable to Intervenors is not available at this time. However, NSEB staff provided a global estimate of approximately $200,000 for a full regulatory proceeding, including payments for intervening parties to participate in such proceedings. The general estimate for regulatory proceedings costs was based on input from NSEB staff and included cost for revenue requirement applications, capital expenditure applications, and potential NSEB assessments. Per the NSIESO's response to NSEB-IR-19, the regulatory applications assumed in the proposed revenue requirement include the current application for approval of a revenue requirement for the fiscal year ending March 31, 2026, and an anticipated application for approval of a revenue requirement for the 2026/27 fiscal year. However, the specific capital project requirements for the NSIESO have not yet been determined, nor have the timing and amount of any required capital applications.

- **Legal and compliance** – Per the Application, 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. However, in the NSIESO's response to DGT-IR-22, it was clarified that specific legal and compliance requirements are not known at this time, so the forecast represents the best estimate of the NSIESO at this time of the costs of procuring general legal services and supporting compliance obligations. Per the NSIESO's response to DGT-IR-23, details regarding legal firms, hourly rates, or retainer agreements have also not been provided at the time of this report due to solicitor client privilege.

4.3.2.8 Procurement

Per the Application, the NSIESO is forecasting $0.99 million 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 developing and implementing procurement initiatives. Expenses under this cost category do not include project development costs which will be capitalized under a capital program.

Per the Application, 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 as NSPI's 2023 Evergreen IRP which also identifies the need for 300MW by 2027, with additional fast-acting capacity required shortly thereafter.

A breakdown of the forecasted procurement costs is detailed below:

Figure 20 – Procurement

Procurement ($millions)	Ongoing OM&A Costs
Procurement and project management (50%)	0.19
300MW RFP	0.36
Other capacity contract opportunities	0.43
Total procurement	**0.99**

Detail on the basis for the forecasted procurement cost categories above have been detailed below.

4.3.2.8.1 Procurement and project management

Per the Application, 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 Request for Proposal ("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% as part of a subsequent application for approval of a capital project to support and address schedule risks with the RFP. Per the NSIESO's response to NSEB-IR-20 regarding this capital project, it is understood that:

- This capital project involved the NSIESO hiring various consulting and environmental assessment firms to perform site development work at candidate sites suitable for hosting at least a 300MW SCCT powerplant, to de-risk the projects and advance the schedule in parallel with the RFP. Per the NSIESO, these scopes enable the powerplant's construction and operation and therefore the NSIESO is capitalizing these costs, which may be included in a future capital application request to the NSEB or passed onto the successful proponent of an RFP.

- The firm providing the services above noted that half of the overall cost of procurement and project management services would be directly attributed to the development of the project.

- The NSIESO plans to develop a policy for capitalizing the assets associated with the project above as part of its holistic organizational capitalization policies, likely instituted in advance of the designation of capital assets associated with other organizational functions. It is important that such policies be implemented and are properly followed from the beginning to ensure consistent capitalization criteria – the importance of accounting policies is further discussed in **Section 7** of this report.

4.3.2.8.2 300MW RFP

Per the Application, 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 and the successful proponent is expected to be selected in late Fall of 2025. Per the NSIESO's response to DGT-IR-25, deliverables resulting from the RFP allocation will include long-term power purchase agreements for fast-acting capacity and replicable RFP documentation and processes for the NSIESO's ongoing use. Per the NSIESO, the firm providing procurement and project management services developed the budget based on its experience. Per the Application, the costs associated with this procurement also include:

- $75,000 for documentation development and RFP process execution;

- $50,000 for legal support;

- $50,000 for third party technical and commercial bid evaluation support services;

- $34,000 for engineering consulting fees;

- $30,000 for support relating to stakeholder and engagement and communications;

- $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; and,

- A 20% contingency fee - per the NSIESO's response to SBA-IR-6, all components of the 300MW RFP apply this contingency fee which is based on the range for a Class C estimate, generally corresponding to the preliminary design stage for most budgeting classifications. This is aligned with our expectations for a standard Class C contingency estimate. The Government of Canada considers a contingency of approximately 16% to 20% to be applicable for Class C.[8]

[8] Government of Canada – Housing, Infrastructure and Communities Canada – Green and Inclusive Community Buildings - Housing, Infrastructure and Communities Canada - Resources. Accessed October 17, 2025.

Current status and timeline for the 300MW RFP

Per the NSIESO's response to SEE-IR-4, the intention is to open the RFP in calendar Q1 2026 and provide eight weeks for bid submission. The NSIESO decided to use calendar Q4 2025 to further develop the RFP documentation by:

1. Hiring an engineering firm with regional single cycle combustion turbine ("SCCT") technical design experience to update the functional specifications and site characteristics;
2. Incorporating the feedback from an engineering consulting firm different than the above mentioned firm that reviewed the New Brunswick Power procurement documentation;
3. Hiring an advisory firm with extensive North American procurement and market experience to refine the NSIESO RFP strategy and execution plans given the current SCCT market; and,
4. Incorporating stakeholder feedback during calendar Q4 2025.

At the time of this report, the NSIESO has contracted all the support functions necessary to execute the RFP except 1) and 2) above.

4.3.2.8.3 Other capacity contract opportunities

Per the Application, 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. As clarified in the NSIESO's response to SEE-IR-4, the type of resource is a 100MW SCCT with an expected commercial operations date of Fall 2028, the budget was based on the following assumptions:

- $50,000 for legal support during contractual negotiations;
- $302,083 for credit support ($30,208 monthly for 10 months, for the posting of two USD $25 million letters of credit, at 0.5% annual carrying cost each and assuming 1.45 CAD/USD);
- $10,000 for technical support during contractual negotiations; and,
- $72,417 contingency (20%).

4.3.2.9 Facilities and technology

Per the Application, the NSIESO is forecasting $0.87M in ongoing expenses as part of the facilities and technology cost category, consisting of costs incurred in respect of its physical premises and technology needs.

A breakdown of the forecasted facilities and technology costs is detailed below:

Figure 21 – Facilities and technology

Facilities and technology ($millions)	Ongoing OM&A Costs
Technology needs assessment and business case	0.50
Office lease	0.14
Cybersecurity and monitoring	0.18
Other facilities and technology	0.05
Total facilities and technology	**0.87**

Detail on the basis for the forecasted cost categories above have been detailed below.

- **Technology needs assessment and business case** – Per the Application, 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 as well as 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. As clarified in the NSIESO's response to DGT-IR-26, the exact scope of work is not known at this time and will be finalized as planning continues. At the time of this report, the $0.50 million forecast represents a planning estimate rather than an itemized proposal of consultant fees. The NSIESO plans to go to market for formal quotes prior to commencing the technology needs assessment and business case(s).

- **Office lease** – Per the Application, these costs are to lease approximately 5,250 square feet of temporary office space in downtown Halifax as of August 1, 2025. It is expected to house between 30-35 employees and the NSIESO expects to upgrade its office space to accommodate its growing workforce as its ramps up its responsibilities from NSPI. Per the NSIESO's response to DGT-IR-27, we understand that the average rental rate per square foot in downtown Halifax was estimated at $40 per square foot with rent abatement estimated for a few months. This assumption is slightly above the average asking rent for Halifax per the Office Q3 2025 Marketbeat report published by Cushman & Wakefield which states the average asking rent for the central business district was $33.02 for Q3 2025. [9] However, on an overall basis and factoring in inflation and market increases, the $40 estimate appears reasonable.

- **Cybersecurity and monitoring** – Per the Application, the NSIESO stated that these costs are for external cybersecurity monitoring and response services, based on vendor quotes. However, in the NSIESO's response to NSEB-IR-23, it was clarified that the $0.18 million estimate for cybersecurity and monitoring was developed using preliminary information obtained from informal discussions with vendors experienced in cybersecurity monitoring, threat detection, incident response, and advisory services. These services are intended to support compliance with applicable cybersecurity requirements, including the North American Electric Reliability Corporation ("NERC") and Critical Infrastructure Protection ("CIP") standards that will apply to the NSIESO once operational control transitions. At the time of this report, the NSIESO has not yet selected a cybersecurity vendor. Vendor quotes are not yet available and will be obtained when the NSIESO goes to market to finalize costs. Per the NSIESO's response to SBA-IR-7, once they assume operational control of the bulk power system, cybersecurity and monitoring costs are expected to increase to include expanded monitoring activities, dedicated staffing, and enhanced insurance coverage.

- **Other facilities and technology** – Per the Application, 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. Upon further inquiry with the NSIESO, it is understood from their response to DGT-IR-29, that the other facilities and technology forecast reflects initial set-up and operating expenses that are distinct from control center planning and are intended to cover day-to-day operational needs rather than initial office setup.

4.3.2.10 Finance

Per the Application, the NSIESO is forecasting $0.16M in ongoing expenses as part of the finance cost category, primarily consisting of costs incurred in respect of financial services other than insurance which are covered within the corporation administration cost category.

[9] Cushman & Wakefield – Marketbeat Halifax Office Q3 2025 - halifax_americas_-office_marketbeat-office-q3-2025.pdf. Accessed October 20, 2025.

A breakdown of the forecasted facilities and technology costs is detailed below:

Figure 22 – Finance

Finance ($millions)	Ongoing OM&A Costs
Financing	0.10
External financial audit	0.04
Other financial	0.02
Total finance	**0.16**

Detail on the basis for the forecasted cost categories above have been detailed below.

- **Financing** – Per the Application, the financing costs of $0.10M 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 intends to 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. As clarified by the NSIESO in their responses to DGT-IR-30 and NSEB-IR-12, the estimated financing costs include interest expense calculated based on the cash requirements forecasted at a rate of Prime + 0.75% as well as a financing costs of 1% of the transaction value. These costs assumed that a line of credit would be required until funding is received.

- **External financial audit** – Per the Application, 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. In the NSIESO's response to DGT-IR-31, it was clarified that the specific audit requirements were not known at the time of the forecast, so the estimate was informed by general market knowledge and represents the best estimate of the NSIESO for procuring similar audit services based on quotations from other organizations. Quotes from accounting firms specific to the NSIESO are not yet finalized at the time of this report.

- **Other financial** – Per the Application, 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.

4.3.2.11 One-time transition costs

Per the Application, the NSIESO received Provincial funding in March 2025 in the amount of $2.68M which they will apply to one-time transition costs forecast to be $1.23M. The NSIESO's response to NSEB-IR-25 clarifies that these one-time transition costs will not be accounted for in separate accounts from the ongoing OM&A costs. The NSIESO is planning to track the one-time transition costs against their budgeted line item and any additional one-time transition costs will be tagged as such for reporting purposes.

A breakdown of the forecasted one-time transition costs is detailed below:

Figure 23 – One-time transition costs

One-time transition costs ($millions)	OM&A Costs
HR transition planning, change management	0.31
Program and project management, and financial advisory	0.41
Accounting set-up and bookeeping	0.02
Operational planning and strategy	0.30
Branding and web development	0.06
Governance	0.01
Office and employee technology hardware and software	0.14
Total one-time transition costs	**1.23**

Detail on the basis for the forecasted cost categories above have been detailed below.

- **HR transition planning and change management** – Per the Application, these costs are to plan, manage and execute the recruitment of the NSIESO's initial labour force including HR consultant fees and costs to cover change management expertise.

- **Program and project management, and financial advisory** – Per the Application, 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.

- **Operational planning and strategy** – Per the Application, 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 advisory services to advise the Board of Directors on such operational matters.

- **Branding and web development** – Per the Application, these costs are for the NSIESO to develop its corporate branding to create its public-facing website, including logo, templates, and hosting setup. Costs are based on projects completed for entities of a similar size. Per the NSIESO's response to DGT-IR-32, we understand that the cost estimates were solicited from the market.

- **Governance** – Per the Application, these costs are for consulting fees to benchmark and validate appropriate remuneration levels for the Board of Directors. Per the NSIESO's response to DGT-IR-32, we understand that the cost estimates were solicited from the market.

Office and employee technology hardware/software – Per the Application, 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 Microsoft Office licenses.

4.3.2.11.1 Transition cost overruns

The NSIESO is not forecasting to seek NSEB 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, 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, 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 plans to seek their recovery as part of a future revenue requirement application.

According to their response to NSEB-IR-11, the NSIESO anticipates the total one transition costs will exceed the $1.23 million estimate outlined above. However, at the time of this report the NSIESO was unable to provide an estimate of the expected overrun but stated that as additional one-time transition costs are identified, any differences from forecast will be captured in the Net OM&A Deferral and Variance Account. This deferral account is further discussed in **Section 7** of this report.

4.3.2.12 Costs incurred prior to the test period

Given the NSIESO was established on October 24, 2024 but the Application covers only the test period ending March 31, 2026, we inquired with the NSIESO in DGT-IR-2 to determine whether there were costs incurred prior to the test period (October 2020 - March 2025) that have not been accounted for in the forecasted amounts.

Per their response, the only OM&A costs incurred for the year ended March 31, 2025 are the pro-rata remuneration for the Board of Directors who were appointed on February 18, 2025. However, the NSIESO is not seeking the recovery of these pre-April 1, 2025 costs through the Application.

4.4 Conclusion

Overall, based upon our review of the NSIESO's test year budget and all available information, we offer the following findings and recommendations:

- **Based upon our review of the proposed expenses, nothing has come to our attention that would deem the cost categories or expense amounts unreasonable;**
- **Based on the information available, the expense categories included in the NSIESO's proposed revenue requirement appear to be aligned with standard practice;**
- **Based on our understanding of the bottom-up methodology applied by the NSIESO, we believe the forecasting approach used to derive their test-year budget is appropriate and aligned with standard practice;**
- **We have reviewed the supporting financial model provided by the NSIESO for mathematical accuracy and internal consistency and found no errors. However, it is important to note that the underlying detail in the financial model was not supported by additional documentation to confirm the accuracy of the hardcoded inputs. It is recommended that for future filings the NSIESO should at minimum include supporting evidence for all significant assumptions in their application; and,**
- **Similarly, throughout the Application the NSIESO stated that quotes and supporting documentation had been obtained for a number of proposed expense categories. When this support was requested throughout the IR process, the NSIESO clarified that this was not the case and that the majority of current assumptions were not based on formal quotes or estimates but instead on generic market information and informal discussions, with emphasis placed on the fact that any variances from the forecast will be recorded and reconciled through the Net OM&A Deferral and Variance Account. Overall, this increases risk of inaccurate budgeting and excess use of the deferral account as no evidence of the market data or discussions relied upon have been provided at the time of this report. Therefore, while nothing specific has come to our attention that would deem the proposed test year budget unreasonable, it is recommended that the NSEB implement minimum filing requirements prior to submission of NSIESO's next application. The filing requirements for future applications should require the NSIESO to produce formal support for all significant budget items such as quotes, any referenced market information, correspondence from discussions surrounding estimates, etc. This will help to create transparency and confirm the prudence of the proposed revenue requirement calculation.**

5. Benchmarking – administration salaries and wages

5.1 Scope

Review and analyze the benchmarking information presented on pages 18-19 of the Application pertaining to administration salaries and wages.

5.2 Procedures

Our review of NSIESO's benchmarking information pertaining to administration salaries and wages included the following specific procedures:

- Reviewed the presented benchmarking information per the Application and prepared IRs;
- Reviewed additional information provided in RIRs;
- Compared proposed salaries and benchmarks to other comparable organizations, standard industry practice, and other publicly available information; and,
- Concluded on the reasonableness of the benchmarking of administration salaries and wages.

5.3 Analysis

5.3.1 **The NSIESO's administration salaries and wages**

Per the Application, the NSIESO is forecasting $1,570,000 in ongoing expenses for administration salaries and wages. 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 CEO, along with non-unionized, non-technical roles to support the executive and administrative activities of the NSIESO. Please note that the labour resources that are part of the Administration Salaries and Wages cost category do not include non-unionized technical roles for functions currently assumed by NSPI as these are included in the "NSPI Employee Transfers" cost category described previously in **Section 4** of our report.

A breakdown of the forecasted administration salaries and wages is detailed below:

Figure 24 – Ongoing administration salaries and wages

Administration salaries and wages ($millions)	Ongoing OM&A Costs
Compensation	1.45
Recruitment	0.12
Total ongoing administration salaries and wages	**1.57**

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. These roles have been further discussed in **Section 6** of this report and include:

1) CEO
2) Vice President of Finance, Corporate Services, & Market Services
3) Vice President of Operations, Planning, Reliability & Procurement

4) Vice President of Regulatory Compliance, & Stakeholder Engagement/Chief Legal Counsel
5) EA/Board Secretary
6) HR Manager
7) Policy/Regulatory Specialist
8) Director, Market Operations
9) IT and Cybersecurity Specialist
10) Financial Analyst
11) Accounting Specialist
12) Legal Counsel
13) Government & Stakeholder Engagement Specialist

Per the NSIESO's response to NSEB-IR-14, the above positions are aligned with peer organizations with similar administrative functions for financial, legal, administrative, regulatory, compliance, HR, and communications/stakeholder engagement required in all energy sector, public sector, and regulated utility sectors such as NS Power, Ontario Power Generation ("OPG"), Newfoundland Power, AESO, and New Brunswick Power system operators. As thinking and planning for the set-up of the NSIESO continues to evolve, the administration functions required will also evolve over the next several months as the NSIESO is currently in the early start-up stages.

Further detail on benchmarking and the forecasted costs for the above have been detailed below.

5.3.1.1 Compensation

Per the NSIESO's response to NSEB-IR-2, NSPI has provided the initial transition information for Phase 1 and Phase 2 positions (from 2024) including average salaries, benefits plans and policies, pension plans, and high-level role profiles, etc. However, the below table further summarizes assumptions applied by the NSIESO in establishing its forecasted compensation.

Figure 25 – NSIESO administration salaries and wages assumptions

Compensation component	NSIESO assumption	Further benchmarking detail provided by the NSIESO upon inquiry
Base salary - CEO role	**Annual salary midpoint: $400,000.** Per the Application, for the CEO role, compensation for similar roles at peer organizations were reviewed.	The NSIESO's response to DGT-IR-7 provided the following details regarding base salary benchmarking for the President and CEO roles: KBRS recruiters were retained to conduct the search for the President & CEO of the NSIESO. They compiled publicly available data regarding national compensation for President & CEO roles within Crown corporations and the energy/utility sector, categorized into comparable regions (the Maritimes, Manitoba, and Saskatchewan) as well as a comprehensive national comparison. **Market scan:** The national comparators were included to ensure candidates from provinces such as Ontario, Alberta, and British Columbia could be recruited. Base salaries were as follows: • Comparable regions (Maritimes, Manitoba, Saskatchewan): **$370,500-$435,000**;

Compensation component	NSIESO assumption	Further benchmarking detail provided by the NSIESO upon inquiry
		• National (includes Ontario, Alberta, BC): **$480,000-$525,000** (including OPG) and **$405,000-$455,000** (without OPG). The data with and without OPG salaries heavily impacted the results. The market data (comparable regions and national) reflected only the base salary and does not account for additional bonuses or incentives, and if it had been included, the total compensation range would be higher. Short-term incentives ("STI") and long-term incentives ("LTI") vary in the private sector, but an executive-level annual bonus of **25- 40%** is not uncommon. **Outreach:** In addition to the market scan, the majority of the executive level candidates (VP or higher) that were contacted or applied to the NSIESO CEO position indicated that they were currently at a base salary in the range of **$380,000 - $450,000**. The lower end of the salary ranges came from smaller jurisdictions than Nova Scotia. Many of the candidates were not interested in moving forward for a base salary lower than **$400,000** (and a number did not proceed beyond the outreach stage because they were already over $500,000). The $400,000 annual salary assumed for the NSIESO CEO role was determined to be the 50th percentile target.
Base salary - all roles	The estimated annual salary midpoints assumed for the other 12 non-CEO roles have been reviewed as part of NSIESO's underlying forecast, but are confidential in nature and therefore have not been disclosed in this report. Per the Application, the base salary mid-points for the 50th percentile of market comparators for base salary and potential for annual performance bonus.	The NSIESO's response to NSEB-IR-14 provided the following detail regarding benchmarking for non-CEO roles: The compensation philosophy and structure for the NSIESO will target the 50th percentile of the market for the roles required to be attracted and retained in Atlantic Canada. The initial estimates provided were based on scans of recruitment sites and scans for similar roles within Atlantic Canada within similar size organization. These sites included *Career Beacon, LinkedIn, Zip Recruiter,* and *Indeed*, based on a point of time of open positions posted. Market information is being received by *HUB International* for the three (3) senior leadership roles, and from the KBRS recruiters for the administrative roles based on comparisons with other searches of similar roles and inclusive of candidate expectations throughout the recruitment processes. A summary of compensation expectations based on the search process for qualified candidates will be provided to NSIESO during the screening and interview processes. KBRS was retained to conduct the search for the President & CEO of NSIESO.
Fringe rate	**14.75% of base salaries.** Per the Application, this fringe load factor 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.	Per the NSIESO's response to DGT-IR-7, the 14.75% fringe rate is consistent with that used by NSPI. It is anticipated that the NSIESO, being a smaller organization with fewer headcount, will have higher premiums and transactional fees.

Compensation component	NSIESO assumption	Further benchmarking detail provided by the NSIESO upon inquiry
CPP and EI contributions	**Monthly CPP & EI of $480 ($5760 annually).** Per the Application, the amount calculated for the Maximum Employer Contribution to the Canadian Pension Plan and Employment Insurance for the roles using the published CRA table for 2025, was added to the total compensation costs.	The NSIESO referenced the CRA tables in the determination of CPP & EI amount in their response to DGT-IR-7.

5.3.1.1.1 Salary benchmarking observations

The following observations have been noted regarding the above benchmarking factors:

Figure 26 – Doane Grant Thornton comments re. NSIESO administration salaries and wages assumptions

Compensation component	Doane Grant Thornton comments
Base salary	Although the NSIESO has stated that a market scan has been conducted by KBRS with a summary of the key findings summarized, the actual data produced by KBRS was not provided. Therefore, our ability to understand the underlying basis and support for the base CEO salary was limited. Similarly, supporting documentation of outreach results was not provided to confirm the stated assumptions. Similarly, for non-CEO roles, the NSIESO stated that market information is being received from HUB International and KBRS recruiters for senior leadership and administrative roles. However, this supporting information has not been produced at the time of this report, therefore limiting our review. We have compared the provided base salaries to our knowledge of typical compensation based on industry experience as well as general wage ranges published on common recruitments sites for similar roles and found them to be reasonably consistent.
Fringe rate	We have compared the assumed fringe rate to fringe rates we have seen implemented across similar utilities and organizations and found it to be reasonably consistent.
CPP and EI contributions	We have reviewed the provided 2025 CRA tables and have calculated estimated CPP and EI as follows based on 2025 rates: • 2025 maximum annual CPP - $4,034.10 • 2025 maximum annual EI - $1,508.47 • Total annual CPP & EI = **$5,542.57** The 2025 CRA tables produce a slightly lower total annual amount than the total estimated by the NSIESO in their confidential forecast model. However, this difference is insignificant.
Total salaries and wages	As discussed in **Section 4** of this report, administration salaries and wages makes up approximately 20% of total NSIESO test year budgeted expenses. When coupled with the NSPI employee transfers of approximately 20% of total expenses, total salaries and wages represent approximately 40% of the NSIESO's total budgeted expenses in the test year. Based upon available results of other Canadian ISOs, while this appears to be slightly lower than the IESO's compensation costs which make up approximately 67% of total core expenses, the NSIESO's forecast is relatively aligned with the percentage of salary costs incurred by the MISO of 48% and staff costs.

5.3.1.2 Recruitment

Per the Application, recruitment costs primarily consist of HR consulting fees to manage recruitment and contract negotiations with prospective employees, and related costs.

5.4 Conclusion

Based upon our review of administration salaries and wages, we can provide the following conclusions and recommendations:

- **Nothing has come to our attention to suggest that the proposed salaries and wages are unreasonable;**
- **As a percentage of total expenses, the proposed budgeted salaries and wages appear to be slightly on the lower end but are relatively aligned with salary costs incurred by comparable organizations across Canada;**
- **Based on our knowledge of typical compensation within the industry as well as general wage ranges published on common recruitment sites for similar roles, the proposed base salaries and 50th percentile benchmark appear reasonable. Adopting a 50th percentile benchmark avoids incurring salary costs at the top of the market range and is therefore aligned with the industry's guiding principle of cost effectiveness;**
- **The assumed fringe rate is relatively aligned with fringe rates we have seen implemented across similar utilities and organizations;**
- **The assumed annual CPP and Employment Insurance contributions appear to be reasonable in comparison to current CRA maximum contribution amounts; and,**
- **Overall, supporting market information relied on by the NSIESO in the determination of their salaries and related benchmarks including KBRS recruiters and HUB International information has not been provided at the time of this report. As a result, we are unable to comment on all underlying benchmark data and calculations.**

6. Organizational structure and transition plan

6.1 Scope

Review and analyze the organizational structure and size in comparison to the proposed first-year work plan.

6.2 Procedures

Our review of NSIESO's organizational structure included the following specific procedures:

- Reviewed information provided in the Application on the organizational structure and size and prepared IRs;
- Reviewed additional information provided in RIRs;
- Compared the proposed executive organizational structure and governance board to that of other comparable organizations; and,
- Concluded on whether the current structure (and associated costs) are appropriately sized to meet the main organizational needs.

6.3 Analysis

6.3.1 **The NSIESO's organizational structure**

6.3.1.1 Transition timeline and status

As explained in the Application, functions relating to the administering of the bulk power system and wholesale electricity markets in Nova Scotia have historically been under the responsibility of 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 of 2027.

Phase 1

Upon further inquiry with the NSIESO, the below update on the phase 1 transition timeline has been provided in their response to NSEB-IR-1:

Figure 27 – Phase 1 transition timeline and status

Phase 1 transition task	Current status	Estimated completion date
People and roles		
Hiring CEO	Complete	*N/A*
Designing initial organizational structure	Complete	*N/A*
Procurement and selection of NSIESO employee benefits plan and pension arrangements	In progress	*November 1, 2025*
Recruitment of management and administrative team	In progress	*November 1, 2025*
Phase 1 transfers from NSPI - ***Note 1***	Not started	*December 1, 2025*
Facility readiness	Not started	*November 1, 2025*
Technology enablement		
Generic office capabilities	Not started	*November 1, 2025*
System planning capabilities	Not started	*December 1, 2025*
Assumption of resposibilities		
IRP commencement	Planning in progress	*Process to begin before October 24, 2025*
Resource procurement	Planning in progress	*First RFP release in January 2026*

Note 1 - Phase 1 Transition (system planning, generation interconnection planning and energy procurement) is planned to take place on December 1st 2025. However, there are a number of dependencies and risks that the NSIESO is managing that could result in the need to move that date to prudently support a successful transition. For example, as explained in the response to NSEB-IR-13, NSPI non-union employees will begin to transition to the NSIESO as transition plans are confirmed. The current target date for the transfer of Phase 1 roles is December 1, 2025 and under the More Access to Energy Act, s. 40, the NSIESO is obligated to offer Phase 1 employees' employment. However, non-union NSPI employees are not obliged to accept the offer so should that occur, the NSIESO will have to recruit for the vacant role which may extend the timelines.

Phase 2

Per the response to NSEB-IR-1, Phase 2 (real time dispatch operations) is notionally planned to take place in Q2 of 2027. As Phase 2 involves the real-time operations of the bulk electricity system it brings additional complexity and implications that require additional planning and implementation activities. There are a number of activities planned to refine the full scope (assuming the relevant sections of the More Access to Energy Act are proclaimed into force), identify the technology and process requirements, and develop a comprehensive transition plan and roadmap for Phase 2. Per the NSIESO, it is currently planned for this work to be completed by the end of June 2026.

6.3.1.2 Transition planning and communication

Information relied upon

Per the NSIESO's response to CA-IR-1, NSPI has provided the following initial transition information for Phase 1 and Phase 2 positions (from 2024 planning estimates):

- average salaries, incentive ranges, benefits plans and policies, and pension plans;
- high level role profiles;
- organization charts;
- the 14.75% fringe load factor; and,

- actual information on the employees presently filling confirmed transitioning roles including actual salaries, incentive eligibility level, age, years of service, benefit, and pension plan participation, vacation entitlements, etc.

Transition update process

As explained in the response to NSEB-IR-1, to provide transparency on progress, the NSIESO plans to implement the following:

- They produced their first stakeholder bulletin on September 23, 2025, to over 150 contacts, and plan to continue providing regular updates on progress with the next bulletin expected in October 2025; and,

- The NSIESO plans to produce a monthly report on the status of the transition to be provided to the NSEB on a one month lagging basis. The NSIESO proposes that the monthly report will provide a brief update on the status of transition in the following areas:

    - People and roles
    - Facilities and Technology
    - Compliance

6.3.1.3 Transition committee

Per the Application, to implement the 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, which are binding on the NSIESO and NSPI. At the time of the Application, no such Transfer Order had been issued.

However, the response to CA-IR-4 explains that at the time of this report, the Joint Transition Committee has recently been formalized through formal Terms of Reference and have been meeting informally since late July 2025. However, to date there have not yet been any formal agendas or meeting minutes.

Per the Terms of Reference provided by the NSIESO in their response to NSEB-IR-7, the Joint Transition Committee is comprised of a core team of 8 individuals (4 from the NSIESO and 4 from NSPI) as well as an “as needed” group covering HR, regulatory counsel, regulatory finance, and other responsibilities as required. The duties of the Joint Transition Committee include:

- Providing oversight and strategic direction;

- Reviewing transition work plans, milestones, and timelines;

- Resolving disputes and escalating issues as needed; and,

- Engaging relevant subject matters experts as needed to provide information to the Joint Transition Committee.

6.3.1.4 Employee roles

Per the Application, Administrative roles as discussed in **Section 5** will be recruited while technical roles will be transferred from NSPI as discussed in **Section 4**. A summary of employee roles within the NSIESO has been detailed below:

Figure 28 – Summary of employee positions

Position	Number of positions	Category
CEO	1	Administration
Vice President of Finance, Corporate Services & Market Services	1	Administration
Vice President of Operations, Planning, Reliability & Procurement	1	Administration
Vice President of Regulatory Compliance & Stakeholder Engagement/Chief Legal Counsel	1	Administration
Executive Assistant/Board Secretary	1	Administration
HR Manager	1	Administration
Policy/Regulatory Specialist	1	Administration
Director, Market Operations	1	Administration
IT and Cybersecurity Specialist	1	Administration
Financial Analyst	1	Administration
Accounting Specialist	1	Administration
Legal Counsel	1	Administration
Government & Stakeholder Engagement Specialist	1	Administration
Director, System Planning and Grid Integration	1	NSPI transitioned employee – ***Note 1***
Sr. Engineering Specialist	3	NSPI transitioned employee – ***Note 1***
Engineering Specialist, Transmission Planning	1	NSPI transitioned employee – ***Note 1***
Engineering Specialist, Interconnection	1	NSPI transitioned employee – ***Note 1***
Engineer, Specialist, Resource Planning	1	NSPI transitioned employee – ***Note 1***
Manager, Sr. Project	1	NSPI transitioned employee – ***Note 1***
Sr. Engineer	4	NSPI transitioned employee – ***Note 1***
Engineer	5	NSPI transitioned employee – ***Note 1***
Business Analyst	1	NSPI transitioned employee – ***Note 1***
Engineer in Training	5	NSPI transitioned employee – ***Note 1***

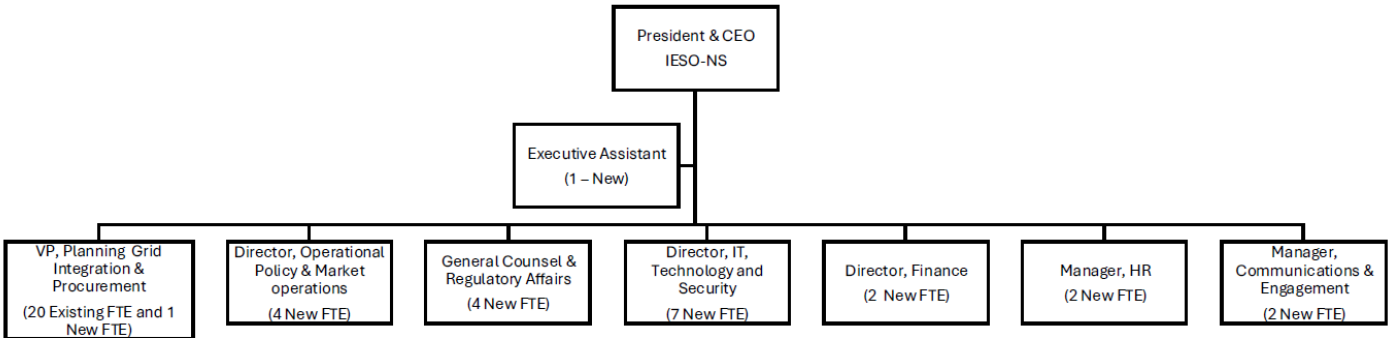
Note 1 – Per the NSIESO's response to NSEB-IR-16, the full scope of roles and responsibilities to be transferred to the NSIESO as part of Phase 2 has yet to be determined. Through the detailed planning it will be confirmed which roles are transferring and if there are any gaps which the NSIESO is required to fill. In addition, as explained in the response to DGT-IR-10, to ensure that transferred employees are not duplicating roles already budgeted under administrative staffing, only staff from NSPI that are in technical roles are to be transferred. The Administrative roles, except for the Vice-President of Planning, Grid Integration Management & Procurement, are either senior functional leadership or non-technical roles, therefore duplication of roles is not of concern.

6.3.1.5 NSIESO organizational chart

The organizational chart attached in **Appendix B** has been provided by the NSIESO in their response to NSEB-IR-13. However, the NSIESO notes that the roles outlined in the **Appendix B** will continue to evolve as the NSIESO builds out Phase 1. The attached organization chart reflects the current evolution of the organization as of October 2025. However, the NSIESO explained that the organization chart will be revisited regularly to ensure that it is fit-for-purpose and addresses the current state of organizational needs.

While the attached organizational chart provides greater detail on supporting roles, a summary of the proposed executive team for the NSIESO is as follows:

Figure 29 – Proposed NSIESO executive team



6.3.2 Good utility practice and comparable organizations

6.3.2.1 IESO – Ontario

6.3.2.1.1 Executive team

As one of the longest operating ISOs in Canada, the IESO was established in 1999 and therefore has many years of operational industry experience. Although the regulatory environment in Ontario operates on a larger scale, we have considered the current structure of their executive team for the scope of responsibilities covered. While a full staff listing was not publicly available, a summary of the current executive roles at the IESO along with their responsibilities has been detailed below:

Figure 30 – IESO executive team[10]

Role	Responsibilities
President & CEO	Leads the IESO and oversees strategic direction, reliability, innovation, and stakeholder engagement.
Chief Operating Officer & EVP, Markets & Reliability	Real-time system operations, market administration, reliability.
EVP, Power System Development	Long-term system planning, resource adequacy, conservation.
EVP, Corporate Relations, Engagement & Strategy	Stakeholder engagement, government affairs, corporate strategy.
EVP & General Counsel, Legal Resources & Corporate Governance	Legal services, market rules, board support.
Chief Financial Officer & VP, Corporate Services	Finance, risk, procurement, facilities, emergency preparedness.
Chief Information Officer & EVP, Information & Technology Services	IT strategy, cybersecurity, smart metering.
VP, Human Resources	Talent management, workforce planning, union relations.
VP, Market Assessment & Compliance	Market rule enforcement, reliability standards, market monitoring.
VP, Markets, Settlements & Sector Development	Market evolution, settlements, sector innovation.

[10] Independent Electricity System Operator – Corporate IESO – Leadership – Executive Team - Executive Team. Accessed October 16th, 2025.

6.3.2.1.2 Governance – board of directors

The IESO is governed by an independent board of directors that oversees its business and affairs. The IESO Board also approves the Market Rules, policies and guidelines that govern the IESO-administered markets. There are currently three committees of the board:

- Audit Committee;
- Human Resources and Governance Committee; and,
- Markets Committee.

The IESO Board of Directors currently has 7 directors, covering a variety of backgrounds.[11]

6.3.2.2 The AESO

6.3.2.2.1 Executive team

We have also considered the current executive team in place at the AESO, which has been summarized below:

Figure 31 – AESO executive team[12]

Position	Reports To	Key Functional Areas
President & CEO	AESO Board	
VP, Information Technology	President & CEO	Cybersecurity, Infrastructure, Applications
VP, Operations	President & CEO	System Operations, Reliability Coordination
VP, Market Design	President & CEO	Market Operations, Market Analysis
VP, Regulatory Affairs	President & CEO	Tariff Development, Compliance & Risk
VP, Corporate Services	President & CEO	Human Resources, Legal, Communications
VP, Planning & Forecasting	President & CEO	Transmission Planning, Load Forecasting

6.3.2.2.2 Governance – board of directors

The AESO's day-to-day work relies on the leadership and expertise of the AESO Board. Appointed by the Government of Alberta, the board members bring a diverse set of skills and experiences from a wide range of industries. The board currently operates through four standing committees as follows:

- **Audit Committee** – Oversees financial reporting, internal controls, and risk management;
- **Governance and Nominations Committee** – Handles board governance, recruitment, and ethics;
- **Human Resources Committee** – Manages executive compensation, succession planning, and HR strategy; and,
- **Power System Committee** – Focuses on market design, transmission planning, and tariff oversight.

[11] Independent Electricity System Operator – Corporate IESO – Leadership – Board of Directors - Board of Directors. Accessed October 16th, 2025.

[12] Alberta Electric System Operator – About the AESO – AESO Executive - AESO Executive » AESO. Accessed October 17th, 2025.

The AESO Board of Directors currently has 7 directors, covering a variety of backgrounds.[13]

6.3.3 Comparison of executive structure and responsibility areas

While we recognize that an expert is to be engaged for review of the technical FTE level, we have noted that the following core areas are similar and consistent between the executive roles proposed by the NSIESO and other Canadian ISOs with publicly available information:

- Executive leadership
- Functional divisions
- Legal & regulatory oversight
- Planning & grid integration
- Market operations
- IT & Cybersecurity
- Stakeholder engagement

In addition, the NSIESO's proposed board of directors, as discussed in **Section 4.3.2.6** of this report, appears to be of similar size and structure to boards of other Canadian ISOs based on the information available.

The key difference between the NSIESO's proposed organizational structure and the information available for other ISOs such as the IESO and the AESO appears to be the size and scale. The NSIESO is proposing approximately 45 FTEs and although exact staffing details are not available publicly for other ISOs, the scale appears to be much larger overall. However, given the size and operational capacity of the Nova Scotia grid in comparison to that of Ontario and Alberta, this is to be expected.

6.4 Conclusion

While our review has not covered a detailed analysis at the organizational FTE level, we are able to offer the following observations regarding the NSIESO's proposed organizational structure:

- **The executive functions and structure proposed by the NSIESO is comparable to other executive teams of Canadian ISOs relative to its size;**
- **The governance structure proposed by the NSIESO appears to be reasonable and consistent with other Canadian ISOs; and,**
- **Based on the information available, the key responsibilities covered by the proposed organizational structure are aligned with the budgeted organizational needs and expenses as outlined in Section 4 of this report.**

[13] Alberta Electric System Operator – About the AESO – AESO Board - AESO Board » AESO. Accessed October 17th, 2025.

7. Deferral account

7.1 Scope

Review and analyze the reasonableness of the proposed deferral account and any associated accounting policy considerations.

7.2 Procedures

Our review of NSIESO's deferral account included the following specific procedures:

- Reviewed the information in the Application on the proposed deferral account and prepared IRs;
- Reviewed additional information provided in RIRs;
- Considered controls, accounting policies, and thresholds in place to limit risk surrounding the proposed deferral account;
- Compared the proposed deferral account to similar mechanisms applied by other comparable organizations; and,
- Concluded on whether the proposed deferral is reasonable and aligned with accounting policies.

7.3 Analysis

7.3.1 **Good utility practice and comparable organizations**

Deferral accounts and adjustment mechanisms are a commonly used practice amongst utilities and ISOs across Canada. They are typically implemented to stabilize rates, align cost recovery with service delivery, and to comply with regulatory frameworks.

The following report sections outline the purpose and functionality of the deferral mechanisms implemented by other ISOs and similar organizations across Canada.

7.3.1.1 The IESO - Ontario

The IESO currently uses a Forecast Variance Deferral Account ("FVDA") to manage financial variances between forecasted and actual revenues and expenditures.

7.3.1.1.1 Purpose and functionality

The FVDA is an operating reserve that the IESO uses to fund activities in the event of revenue shortfalls or unanticipated expenditures.[14]

The FVDA balance increases when actual revenues exceed forecasted revenues or actual expenses are lower than forecasted expenses and decreases when actual revenues fall short of forecasts, or actual expenses exceed forecasts.

If the balance drops below $0, meaning actual expenses significantly exceed forecast or actual revenues fall short of forecast, the IESO may be required to:

- Assess its business needs and economic factors;
- Submit a revised business plan to the Minister of Energy; and/or,
- Seek Ontario Energy Board ("OEB") approval to adjust its expenditures, revenue requirement, and fees.[15]

7.3.1.1.2 Limitations and thresholds

Currently, if the FVDA balance exceeds $15,000,000, the excess must be rebated to market participants to return the account balance to $10,000,000, which is the target operating reserve level. A summary of the account's features and thresholds have been detailed below:

FVDA features and thresholds	Detail[16]
Operating Reserve Level	Maintained at $10 million within the FVDA.
Threshold for Rebates	If the FVDA balance exceeds $15 million, the excess is rebated to market participants.
Annual Rebate Process	Rebates are issued to bring the balance back to $10 million if the threshold is exceeded in 2023 or 2024.
Deficit Contingency	If the FVDA falls below zero meaning there were notable cost overruns, the IESO may seek approval to adjust its expenditures, revenue requirement, and fees.
Ministerial Approval	Before applying to the OEB for adjustments, the IESO must submit a revised business plan to the Minister of Energy.
Reporting Requirements	The IESO must report to the OEB and stakeholders by May 31 each year if the balance exceeds $15 million, explaining the drivers.
Rebate Timeline	Rebates must be issued within three months of filing the report unless otherwise directed by the OEB.

The above features and thresholds, specifically the deficit contingency and ministerial approval requirements, help to keep the IESO accountable to ensure they are monitoring results and expenditures in comparison to their approved budget or forecast. This increases transparency and helps limit the burden to ratepayers.

[14] Ontario Energy Board – Backgrounder – Decision and Order EB -2022-0318 – Independent Electricity System Operator – August 29, 2023 - Backgrounder - DECISION AND ORDER - EB-2022-0318 - August 29, 2023. Accessed October 17th, 2025.

[15] Ontario Energy Board - Independent Electricity System Operator - Decision and Order EB-2022-0318 - *Application for Approval of 2023, 2024, and 2025 Expenditures, Revenue Requirement, and Fees* - August 29, 2023.

[16] Ontario Energy Board - Independent Electricity System Operator - Decision and Order EB-2022-0318 - *Application for Approval of 2023, 2024, and 2025 Expenditures, Revenue Requirement, and Fees* - August 29, 2023.

7.3.1.2 The AESO – Alberta

The AESO uses two primary deferral mechanisms to manage financial variances, the Deferral Account Reconciliation ("DAR") and the Rider C – Deferral Account Adjustment Rider ("Rider C").

7.3.1.2.1 Purpose and functionality

DAR

The purpose of the DAR is to reconcile actual costs incurred by the AESO to the actual revenues recovered through rates. It is implemented to ensure no profit or loss results from AESO's transmission operations (as required by the *Electric Utilities Act*) and promotes intergenerational equity by fairly allocating costs and refunds across market participants. [17]

The AESO files the DAR annually with the Alberta Utilities Commission ("AUC"), typically by end of Q2. Only once approved, the AESO settles the deferral account balances with market participants by end of Q3 which can include adjustments for multiple production years (up to five years retrospectively). [18]

Rider C

The purpose of Rider C to adjust transmission rates quarterly so that the deferral account balance reaches zero by year-end.

The AESO calculates Rider C as a charge or credit based on the difference between forecasted and actual costs and revenues which is then applied to customers under Rate DTS (Demand Transmission Service) and Rate FTS (Fort Nelson Transmission Service). Rider C is updated quarterly based on recorded and forecast values to help smooth out short-term variances and avoid large year-end adjustments.[19]

7.3.1.2.2 Limitations and thresholds

The AUC can disallow recovery of costs deemed imprudent or inefficient and monitors the AESO's performance and financial efficiency.

In addition, a variance is considered to be significant, potentially disallowing it from revenue requirement when:

- It exceeds approximately 10% of the general and administrative costs component of the AESO's revenue requirement; or,
- A variance smaller than the 10% of the general and administrative costs is also considered significant when it is both at least 1% of the general and administrative costs approved for that related line item or prior reconciliation where available.

Given that revenue is collected on a forecast basis, some amount of variance is expected and the AESO considers it reasonable that specific explanations are not required for variances below these significance thresholds. The AESO

[17] Alberta Electric System Operator – Deferral Account Reconciliation Methodology - Deferral Account Reconciliation Methodology. Accessed October 17th, 2025.

[18] Alberta Electric System Operator - *Alberta Electric System Operator 2024 Deferral Account Reconciliation Application* – July 31, 2025 - AESO-2024-Deferral-Account-Reconciliation-Application.pdf. Accessed October 17th, 2025.

[19] Alberta Electric System Operator – Rules, Standards and Tariff – Tariff – Deferral Accounts – Rider C & DAR - Deferral Accounts - Rider C & DAR » AESO. Accessed October 17th, 2025.

also considers it reasonable to reduce the significance thresholds for subsequent reconciliations for a production year.[20]

Therefore, although the AESO does not have specific dollar value limits, these variance thresholds help keep them accountable in monitoring results and expenditures to minimize discrepancies and large adjustments.

7.3.1.3 New Brunswick Power

New Brunswick no longer has a separate ISO as its operations have been folded back under New Brunswick Power ("NB Power"). NB Power has two deferral accounts:

- The Energy Supply Cost Variance Account ("ESCVA"); and,
- The Electricity Sales and Margin Variance Account ("ESMVA").

These accounts do not specifically pertain to independent system operation.

7.3.1.4 Applicable accounting policies and GUP

Applicable accounting policies that apply to regulatory deferral accounts are shaped by both international and national standards, depending on the jurisdiction and the accounting framework used. Standards commonly used among comparable organizations have been outlined below.

7.3.1.4.1 US Generally Accepted Accounting Principles ("US GAAP") – ASC 980

ASC 980 applies to entities whose rates are established or approved by an independent regulator and allows for the deferral of costs or revenues that will be recovered or refunded through future rates. The key policies within this standard are as follows:

- Regulatory Assets and liabilities are recognized when future recovery or refund is probable;
- Deferred amounts are amortized over the recovery period; and,
- Regulatory assets and liabilities must be reviewed annually for reasonableness.

7.3.1.4.2 International Financial Reporting Standards ("IFRS") 14

IFRS 14 is an interim standard that allows first-time adopters of IFRS to continue using their previous GAAP accounting for regulatory deferral accounts. It applies only to entities engaged in rate-regulated activities, such as utilities or ISOs, where a regulator sets prices for services.[21]

The key deferral accounting policies under IFRS 14 are as follows:

- **Recognition**: Entities may recognize regulatory deferral account balances if they were recognized under previous GAAP.
- **Measurement**: Continue using previous GAAP measurement policies.

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[20] Alberta Electric System Operator - *Alberta Electric System Operator 2024 Deferral Account Reconciliation Application* – July 31, 2025 - AESO-2024-Deferral-Account-Reconciliation-Application.pdf. Accessed October 17th, 2025.

[21] EY – *Applying IFRS for IFRS 14 Regulatory Deferral Accounts* – November 2014 - Microsoft Word - Applying IFRS_IFRS 14_24Nov.docx. Accessed October 17th, 2025.

- **Presentation**: Regulatory deferral account balances must be presented **separately** from other assets and liabilities.

- **Disclosure**: Entities must disclose the nature of rate regulation, risks, and movements in deferral balances.[22]

Although the NSIESO is a non-profit organization, given the robust financial reporting often required by entities within the regulatory environment, ISOs commonly apply the above US GAAP or IFRS standards instead of the standard non-profit organization accounting policies. For example, the AESO follows IFRS while the MISO follows US GAAP.

7.3.1.4.3 Regulatory best practice

In addition to information from other comparable organizations, we have also considered research and data from the National Association of Regulatory Utility Commissioners ("NARUC") in understanding standard practices regarding the use of regulatory deferral accounts and mechanisms. NARUC emphasizes the following practices:

- **Regulatory approval** – The Guidelines on Best Practices in Regulatory Accounting, prepared by NARUC, emphasizes that deferral mechanisms must be authorized by an independent regulator and should be based on regulatory need.

- **Defined scope** – NARUC notes that each deferral account should have a defined objective and cost eligibility criteria.

- **Time limits** – NARUC also suggests that deferral accounts be time-limited and subject to reauthorization to prevent indefinite cost accumulation. [23]

It is recommended that the NSIESO develop accounting policies for capitalization thresholds and criteria as well as revenue and expense recognition requirements to ensure consistent treatment for budget verses actual tracking as it will impact the deferral account going forward.

7.3.2 The NSIESO's deferral account

7.3.2.1 Overview

7.3.2.1.1 Purpose and intention

Per the Application, the NSIESO is seeking approval to establish A Net OM&A Deferral and Variance Account to defer the recovery of its approved and forecasted Net Ongoing OM&A costs, record any variance between its 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.

In their response to NSEB-IR-3, the NSIESO clarified that the underlying intent is to establish a deferral account for all OM&A the NSIESO actually incurs in fiscal year 2025-2026, net of any surplus funds remaining from its Provincial grant for one-time transition costs.

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[22] International Financial Reporting Standards – IFRS 14 Regulatory Deferral Accounts – Standard 2025 issued - IFRS - IFRS 14 Regulatory Deferral Accounts. Accessed October 17th, 2025.

[23] National Association of Regulatory Utility Commissioners – prepared for United States Agency for International Development – *Module I: Guidelines on Best Practices in Regulatory Accounting* – July 2023 - EAA8F2F6-E124-8270-1D05-759FC2F5E590. Accessed October 16th, 2025.

When asked in NSEB-IR-6 why the NSIESO did not seek approval for any mechanism to recover rates from customers in this proceeding, they responded with the following:

"The NSIESO was established on October 24, 2024, with its Board of Directors appointed on February 19, 2025. The NSIESO was operating without staff and incurred OM&A costs in its first fiscal year ending March 31, 2026. Since the NSIESO has been operating without staff, it was required to prioritize its work. Also, since it had no financial operating history, there was a degree of uncertainty as to the level of actual costs and the basis on which Government funding would be applied. The NSIESO chose to focus on the approval of a revenue requirement forecast, together with a deferral account, which preserves customers' ability to review variances from the forecast, and the NSIESO's ability to seek recovery of those costs via an account. The NSIESO is requesting a deferral account where the incurred costs for the 2025/26 fiscal year could be held until such time as a cost recovery mechanism has been approved by the Board. As a result, the NSIESO's proposal ensures that there is no prejudice to rate payers or NSIESO enabling a full review of actual and forecast cost and allowing the NSIESO to satisfy its statutory mandate of establishing a revenue requirement."

7.3.2.1.2 Policies and account structure

Per the Application, the NSIESO is proposing that this account will be comprised of the following three sub-accounts:

Figure 32 – NSIESO's proposed deferral sub-accounts

Sub-account name	Description of recorded funds per the Application
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.
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 Net Ongoing OM&A expenses plus any one-time transition costs that exceed Provincial funding (i.e. Sub-Account No.1 minus Sub-Account No. 2).

Further explanation was also provided surrounding the basis for the chosen account structure, as summarized below from the NSIESO's response to NSEB-IR-10:

- **Reasoning for bifurcating costs into multiple accounts instead of recording in one account and comparing to the approved amount** – Per the NSIESO, the account was structured to enhance tracking and transparency given that actual balances are determined from both the actual ongoing OM&A expenditures, one-time costs and the available Provincial funding. The Net OM&A Deferral and Variance Account captures both the need to defer approved costs in the form of a deferral sub account and also the need to record a variance typical of a variance sub-account. These two regulatory constructs are captured in the account proposed.

- **Reasoning for deferral sub-account** – Per the NSIESO, although they are not proposing any actual recovery in rates during the test period, a deferral sub-account is required to recover such approved OM&A costs in the event of a final order from the NSEB because of the rule related to retroactive rate making. Furthermore, the use of a variance sub-account keeps ratepayers whole (in the event actual costs are less than approved) and the NSIESO whole and subject to a prudence review (further explained below).

The NIESO clarified in their response to NSEB-IR-10 that at the time of this report, they have not developed accounting policies but intend to develop them in the future.

7.3.2.2 Proposed deferral amount

As clarified in the response to NSEB-IR-12, the NSIESO intends to record a deferral of $5.31 million immediately upon approval of the OM&A costs. This amount was derived as follows:

Figure 33 – NSIESO's proposed deferral amount

Deferral summary ($millions)	Amount
Total OM&A expenses	6.75
Remaining Provincial funding to be applied after one-time transitional costs (2.68M-1.23M)	(1.44)
Deferral upon approval of OM&A costs	**5.31**

The NSIESO confirmed in their response to NSEB-IR-12 that they will not recover any portion of the above OM&A costs that have not actually been incurred. Any amount not actually spent will be captured in Sub-Account #2.

7.3.2.3 Cost overruns

7.3.2.3.1 Deferral limitations and thresholds

Given the NSIESO is seeking approval from the NSEB for its ongoing OM&A expenses forecast for the test period, it is important to understand what happens if actual exceed forecast and whether there is a threshold for overrun that would require a separate review.

When we inquired about this in DGT-IR-34, the NSIESO stated that they are working diligently to forecast all OM&A expenses and have requested the Net OM&A Deferral and Variance Account to account for all variances against forecast with maximum transparency. The NSIESO has basic financial controls in place for approvals, payments and reporting and will continue to build these out as the organization matures. However, they were unable to identify specific controls for ensuring one-time transition costs do not exceed the available Provincial funding amount. Instead, it was explained that any one-time transition costs that exceed the Provincial funding will form part of the revenue requirement to be recovered from customers.

Upon inquiring with the NSIESO, we understand that actual costs will be tracked and measured against the forecast in the Net OM&A Deferral and Variance Account. However, neither of the following exist at the time of this report:

- Per the response to DGT-IR-33, there is no identified threshold for overrun that would trigger a separate review; and,

- Per the response to DGT-IR-35 there is also no cap on the amount of costs that can be recovered through the Net OM&A Deferral and Variance Account in any given year.

7.3.2.3.2 Review of shortfalls

Per the Application, the NSIESO notes that any one-time transition costs during the test period exceeding the Provincial funding will be recorded as a shortfall in the Net OM&A Deferral and Variance Account, to be recovered in a future application, subject to a prudence review. Upon further inquiry with the NSIESO, the following clarification surrounding prudence reviews was received in response to NSEB-IR-11.

Nature and scope of prudence reviews

The nature and scope of a prudence review in respect of any costs is the consideration of the reasonableness of the NSIESO's expenditure decision consistent with its statutory objects and purposes based on the information that it knew or ought to have known at the time of the decision without the employ of hindsight in the evaluation of decision by the NSEB.

Amounts subject to prudence review

Upon having approved a forecast revenue requirement, only any incremental actual cost over the approved revenue requirement would be the subject of a prudence review, not all actual costs incurred by the NSIESO. This amount will ultimately be reflected in the balance in the Net OM&A Deferral and Variance Account.

While it is reasonable that any line items with actual costs coming within the range of approved budget would not require a prudence review, cost categories which exceed budget should require a prudence review of all costs within that category to ensure the underlying cause of overrun is adequately understood. The NSIESO should work to define specific prudence review and approval requirements to ensure processes are defined to foster cost efficiency and transparency.

7.4 Conclusion

Overall, the implementation and use of deferral accounts and mechanisms is a common practice among utilities and ISOs across Canada. They are important to help ensure stabilization of rates, alignment of cost recovery with service delivery, and for compliance with regulatory frameworks. Therefore, the NSIESO's proposal to implement the concept of a Net OM&A Deferral and Variance Account is aligned with standard industry practice. However, our key findings and recommendations that should be considered prior to the commencement of NSIESO operations are as follows:

- **While the NSIESO has basic financial controls in place, they do not have established cost management controls for monitoring expenditures. While the Net OM&A Deferral and Variance Account will allow the NSIESO to defer any variances to future years, if cost overruns are not adequately managed, this could place an excessive burden on ratepayers. Therefore, creation of these specific cost management controls should be a priority. Specifically, cost categories which exceed budget should require a prudence review of all costs within that category to ensure the underlying cause of overrun is adequately understood. The NSIESO should work to define specific prudence review and approval requirements to ensure processes are defined to foster efficiency and transparency;**

- **At the time of this report, the NSIESO has not yet developed accounting policies. It is recommended that the NSIESO prioritize the development of these policies to ensure that specific accounting standards have been implemented prior to the recovery of Net Ongoing OM&A amounts in the April 2027 test year application. Ensuring applicable standards have been implemented and are properly followed from the beginning will ensure revenue and expenses are appropriately recognized, avoiding potential misrepresentation of periodic deferral amounts. Specifically, accounting policies**

should address capitalization criteria and thresholds, revenue recognition, as well as recognition policies for the deferral account. Consideration should be given to the accounting standards currently applied by NSPI to create reporting consistency between both entities;

- **There is currently no identified threshold for overrun or limit on the amount of costs that can be recovered from ratepayers through the Net OM&A Deferral and Variance Account. While the purpose and technicalities of deferral accounts and mechanisms can differ depending on the specific organization, it is evident from our jurisdictional review that having thresholds, limits, and/or specific approval requirements is a key feature of many regulatory deferral tools. To create accountability and minimize excess and uncontrolled cost overruns, it is recommended that the NSIESO work to develop more clearly defined thresholds, to limit amounts recoverable from ratepayers; and,**

- **Finally, as demonstrated by jurisdictional research, it is important to have specific guidelines surrounding regulatory approval, scope, eligibility requirements, and time limits for deferral accounts. Therefore, it is recommended that specific account scoping details be defined and communicated for review at the end of the first fiscal period.**

1

Appendix A - Glossary of terms

Abbreviation	Term
Act	More Access to Energy Act
AESO	The Alberta Electric System Operator
Application or M12412	An application by the Nova Scotia Independent Energy System Operator for approval of its proposed expenditure and revenue requirement for the test year ending March 31, 2026.
AUC	Alberta Utilities Commission
CIP	Critical Infrastructure Protection
CPP	Canada Pension Plan
CRA	Canada Revenue Agency
DAR	Deferral Account Reconciliation
EI	Employment Insurance
ESCVA	Energy Supply Cost Variance Account
ESMVA	Electricity Sales and Margin Variance Account
FTE	Full-Time Equivalent
FVDA	Forecast Variance Deferral Account
GAAP	Generally Accepted Accounting Principles
GUP	Good Utility Practice
IESO	The Independent Electricity System Operator
IFRS	International Financial Reporting Standards
IG	Industrial Group
IRP	Integrated Resource Planning
IR	Information Request
ISO	Independent System Operator
LTI	Long-term Incentives
MISO	Midcontinent Independent System Operator

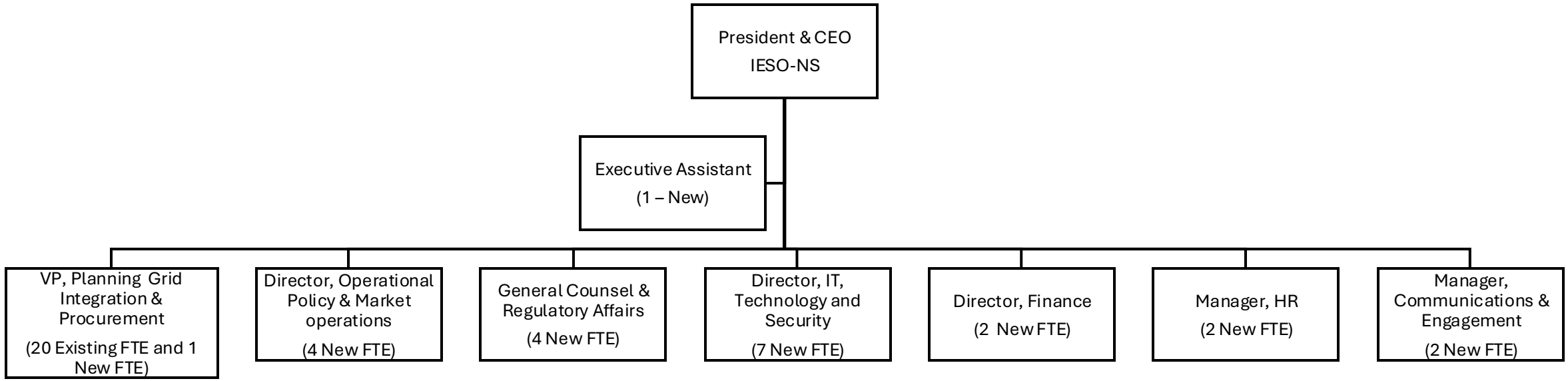
Abbreviation	Term
NARUC	National Association of Regulatory Utility Commissioners
NBEUB	New Brunswick Energy and Utilities Board
NB Power	New Brunswick Power
NERC	North American Electric Reliability Corporation
Net Ongoing OM&A	Ongoing Operations, Maintenance, and Administration expenses, net of provincial funding
NLSO	Newfoundland & Labrador System Operator
NPCC	Northeast Power Coordinating Council Inc.
NSEB or the Board	Nova Scotia Energy Board
NSIESO	Nova Scotia Independent Energy System Operator
NSPI	Nova Scotia Power Inc.
OEB	Ontario Energy Board
OM&A	Operations, Maintenance, and Administration
Ongoing OM&A	Ongoing Operations, Maintenance, and Administration expenses
OPG	Ontario power Generation
PMO	Project Management Office
RFP	Request for Proposal
Rider-C	Rider C – Deferral Account Adjustment Rider
RIR	Response to Information Request
SBA	Small Business Advocate
SCCT	Single Cycle Combustion Turbine
SEE	Synapse Energy Economics
STI	Short-term incentives
Sub-Account No. 1	Net Ongoing OM&A Deferral Account
Sub-Account No. 2	Net OM&A Variance Account
Sub-Account No. 3	Actual Net OM&A Account

Abbreviation	Term
We, us, our, Doane Grant Thornton, or DGT	Doane Grant Thornton LLP
WMA	Wskijnu'k Mtmo'taqnuow Agency

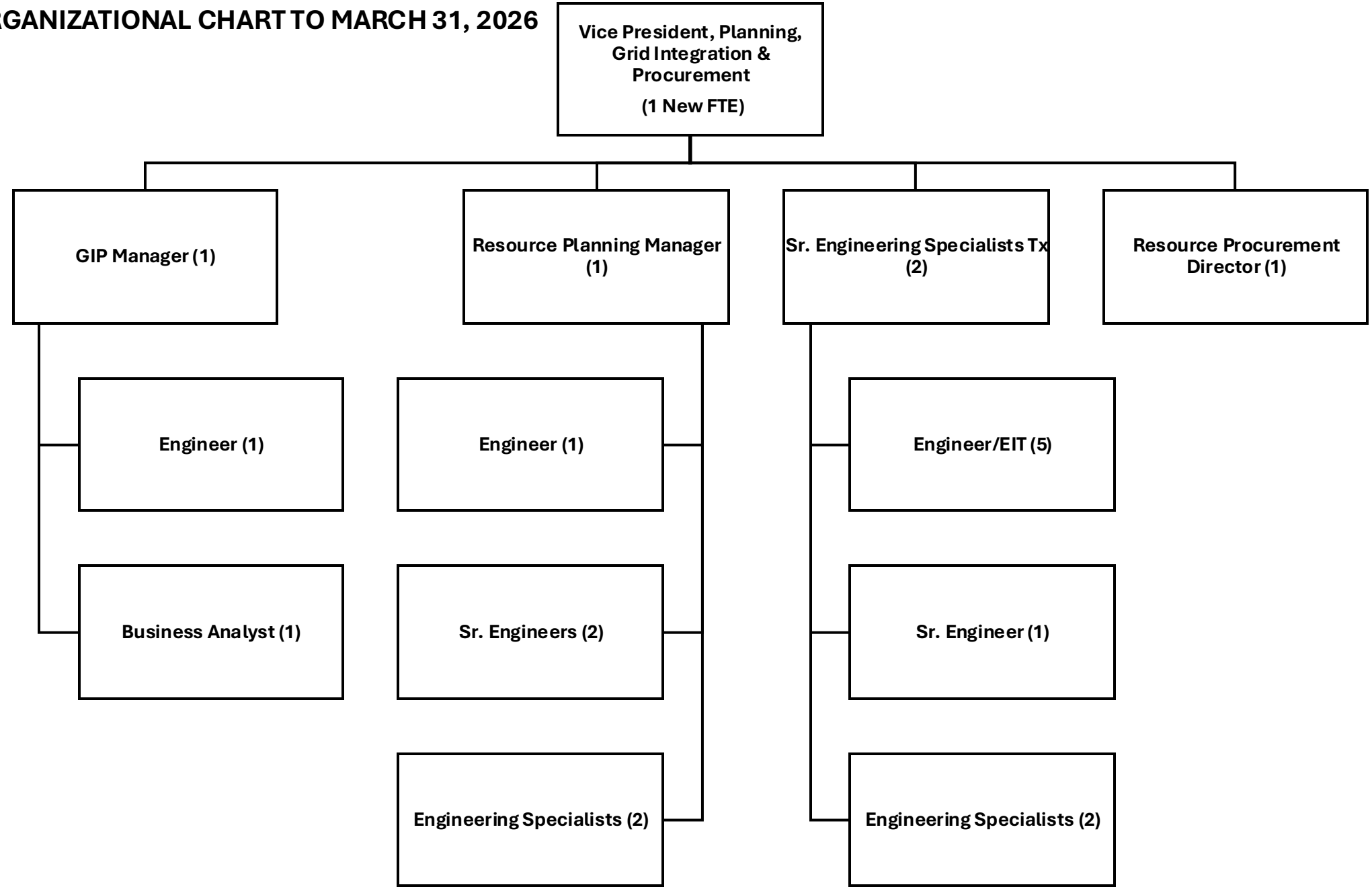
1

Appendix B – Organizational chart

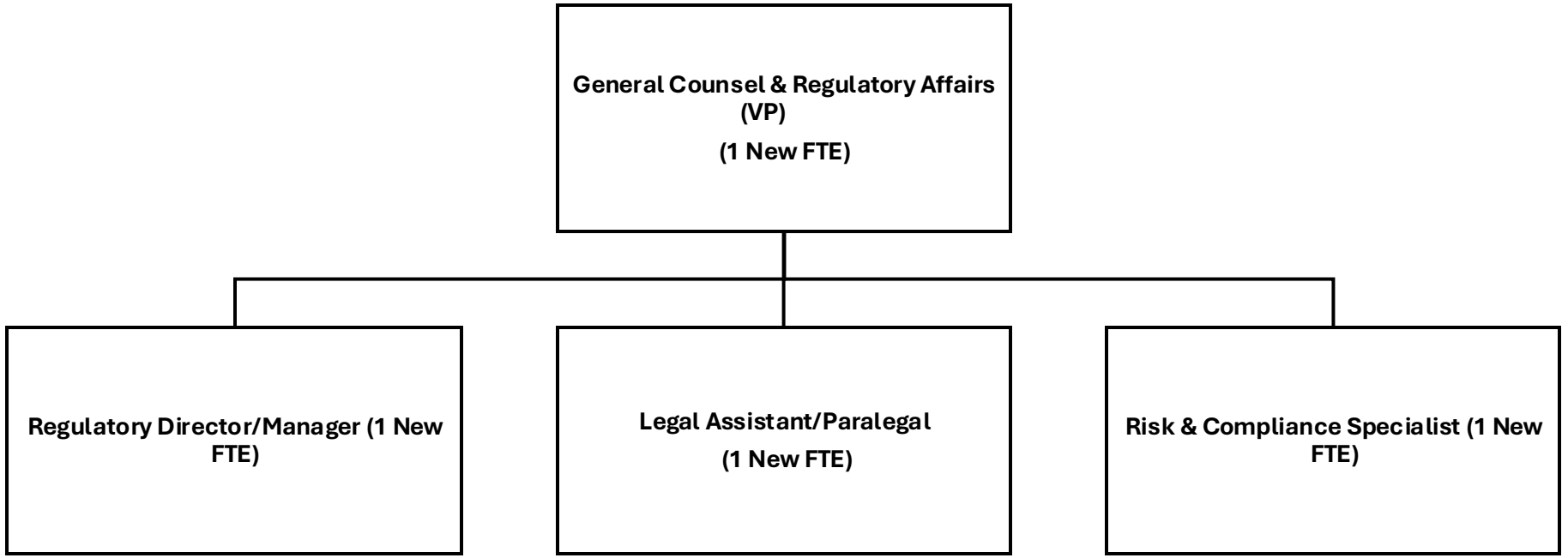
IESO-NS ORGANIZATIONAL CHART TO MARCH 31, 2026



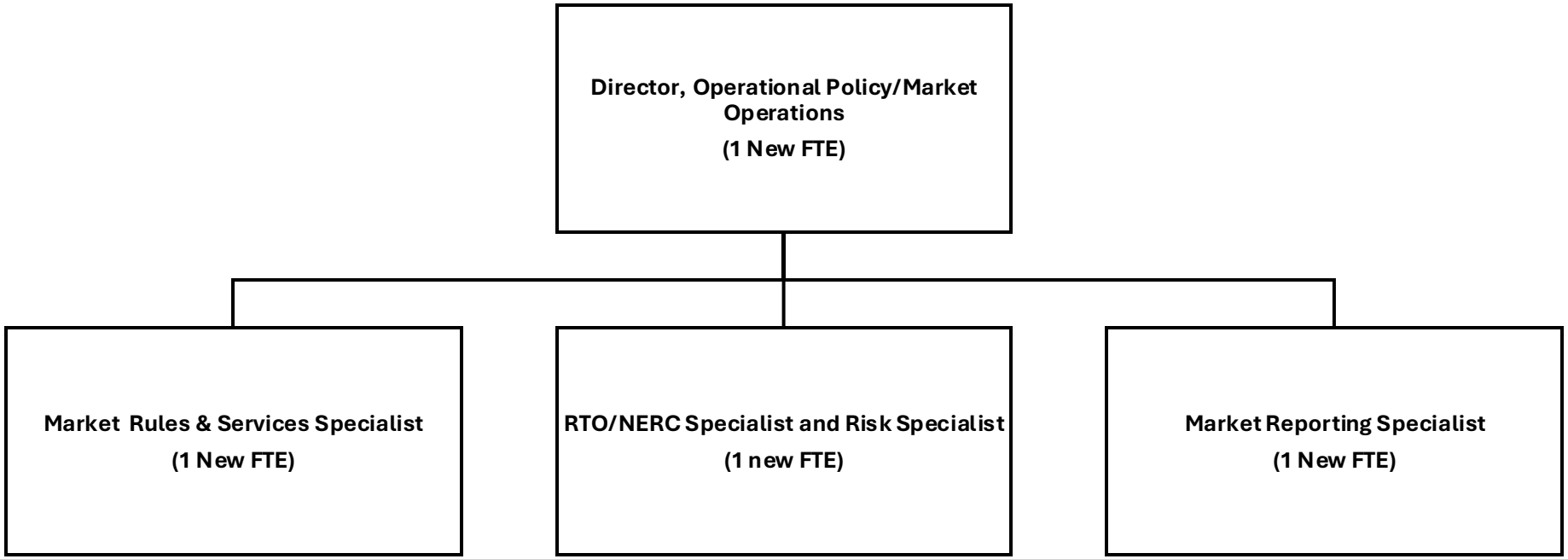
IESO-NS ORGANIZATIONAL CHART TO MARCH 31, 2026



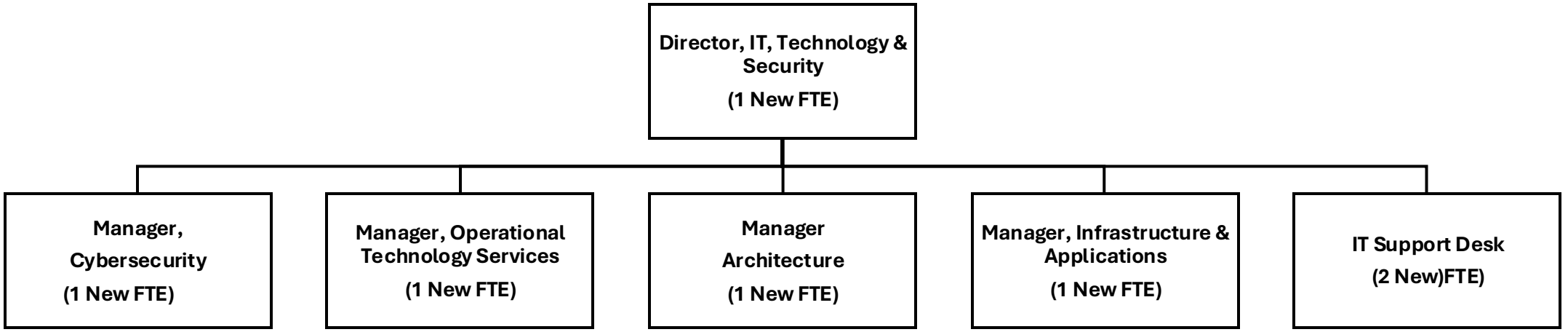
IESO-NS ORGANIZATIONAL CHART TO MARCH 31, 2026



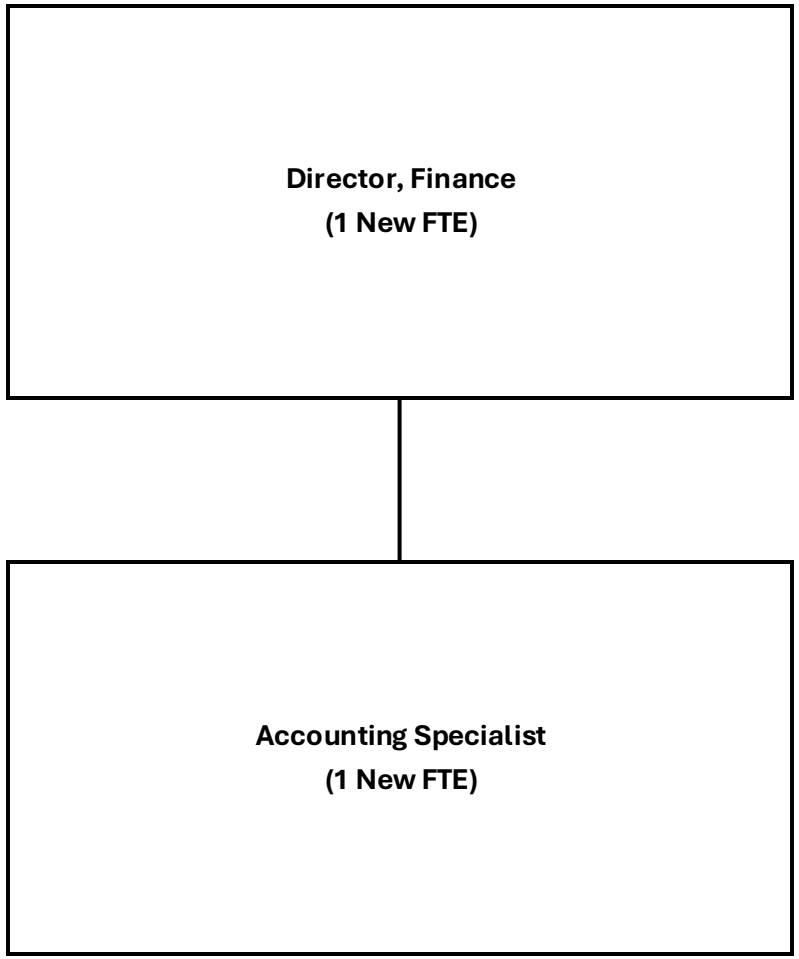
IESO-NS ORGANIZATIONAL CHART TO MARCH 31, 2026



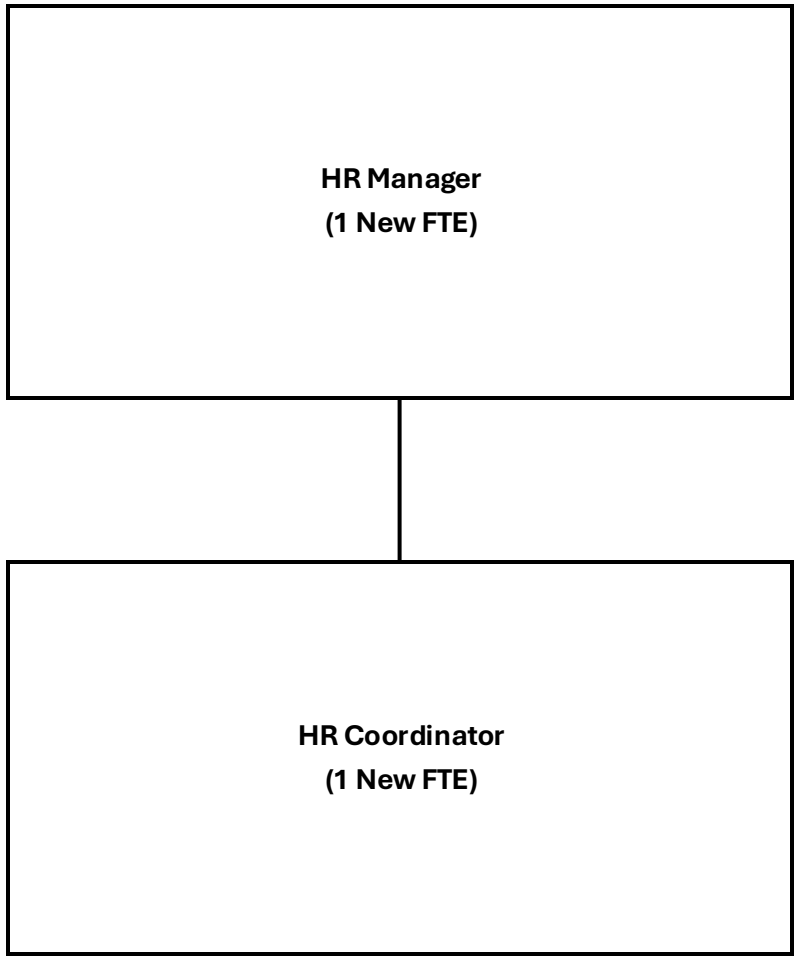
IESO-NS ORGANIZATIONAL CHART TO MARCH 31, 2026



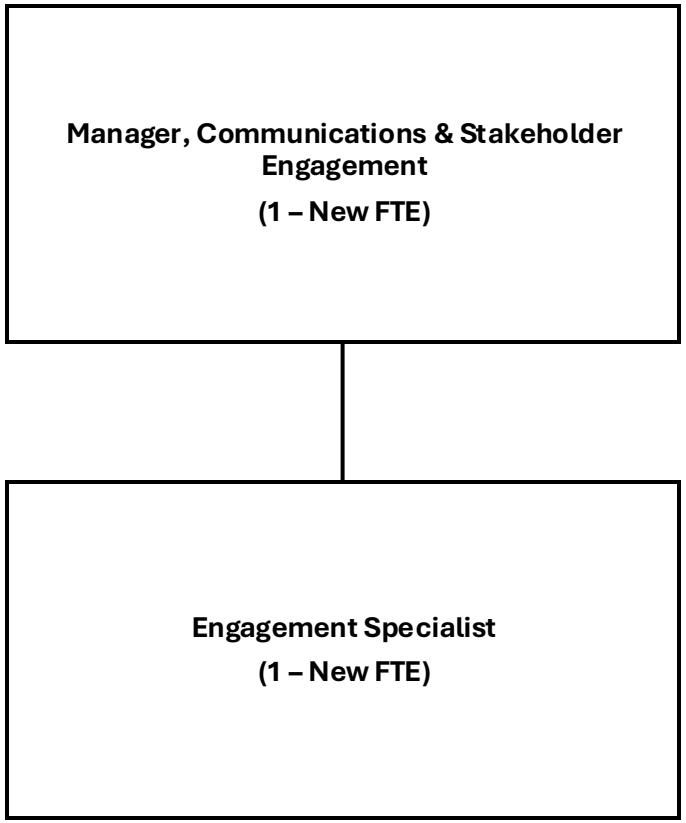
IESO-NS ORGANIZATIONAL CHART TO MARCH 31, 2026



IESO-NS ORGANIZATIONAL CHART TO MARCH 31, 2026



IESO-NS ORGANIZATIONAL CHART TO MARCH 31, 2026



Appendix C – Documents referenced

Number corresponding to footnote	Document
1	New Brunswick Energy and Utilities Board – Electricity - Acts and Regulations - https://nbeub.ca/electricity-home. Accessed October 8, 2025.
2	Independent Electricity System Operator - *Independent Electricity System Operator 2024 Annual Report* - page 41.
3	Midcontinent Independent System Operator Inc. - *Midcontinent Independent System Operator Inc. Financial Statements As of and for the Years Ended December 31, 2024 and 2023, and Independent Auditor's Report* - page 4, - March 28, 2025.
4	Alberta Electric System Operator - *Alberta Electric System Operator 2024 Annual Report* - page 4.
5	Alberta Electric System Operator - *Alberta Electric System Operator 2024 Annual Report* - page 8.
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