December 22, 2025

Ms. Crystal Henwood
Regulatory Affairs Officer/Clerk
Nova Scotia Utility and Review Board
1601 Lower Water Street, 3rd Floor
P.O. Box 1692, Unit "M"
Halifax, NS B3J 3S3

Re: M12412 — IESO Nova Scotia 2025/2026 Revenue Requirement Application – Rebuttal Comments

Dear Ms. Henwood:

I write further to the above-noted matter. On August 5, 2025, the Independent Energy System Operator (IESO) of Nova Scotia submitted its 2025/2026 Revenue Requirement applcation (Application) to the Nova Scotia Energy Board (NSEB, Board). The NSEB subsequently established a written hearing proceeding by Hearing Order on August 6, 2025. In accordance with the Board's hearing timeline, Information Requests (IRs) were received by IESO Nova Scotia on September 16, 2025, IESO Nova Scotia submitted its IR responses on October 7, 2025, evidence by Board Counsel consultants Doane Grant Thornton (DGT) and Synapse Energy Economics (SEE) was received October 28, 2025, IRs from the Industrial Group (IG) to DGT were submitted on November 19, 2025, and DGT submitted its responses to the IG's IRs on December 9, 2025.

The NSEB's hearing order provided IESO Nova Scotia the opportunity to submit rebuttal comments on December 22, 2025. Accordingly, IESO Nova Scotia provides its comments on DGT's and SEE's submissions herein.

Doane Grant Thornton Evidence

DGT's submission covers several areas of the Application and includes comments and recommendations regarding the test year budget, benchmarking administration salaries and wages, organizational structure, and the Net OM&A Deferral and Variance Account. IESO Nova Scotia is pleased to see DGT conclude that several aspects of the Application appear to be reasonable. IESO Nova Scotia is also amenable to many of DGT's comments and recommendations.

IESO Nova Scotia acknowledges DGT's comments regarding bolstering evidentiary support of the revenue requirement categories going forward, as well as developing various financial controls and accounting policies. As IESO Nova Scotia is a new statutory not-for-profit entity in the beginning stages of developing structures around its various responsibilities, many of the items noted by DGT are in active development. IESO Nova Scotia will establish supporting financial controls and accounting policies in 2026.

While generally supportive, IESO Nova Scotia notes that DGT's recommendations should take into consideration IESO Nova Scotia's relatively nascent state of organizational development. Regarding over-expenditures and approval requirements, DGT provided, in part, the following recommendation:

> 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;[1]

A prudency test appears to be supported by DGT and apply to over-expenditures identified in the Net OM&A Deferral and Variance account, as noted in its evidence:

> …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;[2]

DGT's response to IG IR-7 part a) clarifies that DGT's recommendation regarding prudency review of over-expenditures should be applied to expenditures above a certain threshold:

> Does DGT have a recommendation on a limit? Or methodology to establish such a limit or threshold on the DVA?
>
> //
>
> An appropriate starting point would be to consider implementing approval requirements for cost categories which exceed the approved forecasted amount by 10% or more. This is aligned with the threshold applied to the Alberta Electric System Operator's deferral account and is a standard tolerance band within project management standards across

[1] Doane Grant Thornton Evidence, Re: IESO Nova Scotia 2025/2026 Revenue Requirement Application (M12412), October 28, 2025, p.5.
[2] Ibid.

> various industries. However, it is important to exercise judgement in the initial years given the lack of historical data.[3]

IESO Nova Scotia is generally supportive of the establishment of over-expenditure thresholds and prudency review of expenditures above a threshold in the future, as the IESO Nova Scotia works to establish its future steady state. IESO Nova Scotia believes that such thresholds could balance providing operational flexibility, reflective of its statutory mandate, with accountability for over-expenditures. With respect specifically to comparison to the AESO and its 10 percent threshold, IESO Nova Scotia notes that the AESO is a much more mature organization presumably under steady-state and relatively predictable operation, and so adopting a comparable over-expenditure threshold may not be appropriate. Accordingly, IESO Nova Scotia agrees with DGT that "it is important to exercise judgement in the initial years given the lack of historical data"[4] and "the NSIESO work to develop more clearly defined thresholds".[5] In the event the NSEB adopts DGT's recommendations, IESO Nova Scotia requests that the NSEB provide IESO Nova Scotia the opportunity to consider and provide comments on the appropriate threshold in future. Additionally, if or when the Board approves such future thresholds, IESO Nova Scotia may suggest that such related prudency reviews of expenditures take place as part of IESO Nova Scotia's annual revenue requirement and fees applications.

Finally, with respect to accounting frameworks, DGT noted standards commonly used among comparable organizations, but noted the following:

> Ultimately, the choice in accounting framework is the decision of management in consultation with their selected auditors.[6]

IESO Nova Scotia will take into consderation DGT's comments regarding jurisdictional precedents for ISO accounting frameworks. IESO Nova Scotia is considering the most appropriate accounting framework in 2026 in consultation with its external auditor.

Synapse Energy Economics Evidence

SEE's evidence primarily covers issues related to IESO Nova Scotia's first Integrated Resource Planning (IRP) exercise and study. SEE references its comments made as part of Nova Scotia Power's (NS Power) Reliability Intertie application hearing proceeding (M12217), covering the following six topics:

> (1) supply-side costs; (2) regional coordination approach; (3) energy export to and from New Brunswick, and capacity imports from New Brunswick; (4) portfolio ELCC; (5)

[3] Doane Grant Thornton response to Industrial Group IR-7 (M12412), December 5, 2025, p.12.
[4] Ibid.
[5] Doane Grant Thornton Evidence, Re: IESO Nova Scotia 2025/2026 Revenue Requirement Application (M12412), October 28, 2025, p.5.
[6] Doane Grant Thornton response to Industrial Group IR-4 (M12412), December 5, 2025, p.8 and 9.

> demand response representation and how to consider a "hybrid peak mitigation" scenario; and (6) emissions costs representation.[7]

SEE's evidence goes on to describe in greater detail their recommendations for each. IESO Nova Scotia will take into consideration SEE's recommendations as part of its IRP exercise and study.

SEE also provided comment regarding the technical expertise at IESO Nova Scotia to conduct the IRP exercise, providing as follows:

> ...there is uncertainty around the exact technical expertise of the team. In response to our discovery questions about whether the resource planning team will be made up of former Nova Scotia Power employees, NSIESO said: "we don't yet know the exact make up of staff that will be involved in the planned undertaking of the IRP." Depending on the final team's level of experience with resource planning and Nova Scotia context, this may impact how efficiently NSIESO is able to conduct the IRP.[8]

IESO Nova Scotia advises that key members of NS Power's system planning team responsible for the IRP processes have transferred to IESO Nova Scotia, addressing any potential concerns regarding gaps in expertise.

Finally, SEE encourages IESO Nova Scotia "to take the necessary steps to begin and complete the IRP as expeditiously as it can."[9] IESO Nova Scotia confirms that work on the IRP exercise has begun, and Dunsky Energy + Climate (Dunsky) was the succesful proponent of IESO Nova Scotia's IRP Request for Proposal issued on October 15, 2025. In December, Dunsky began work to assess the historical IRP development process in Nova Scotia, and to provide a set of recommendations for enhancements to the current IRP development process. Furthermore, work on the Effective Load Carrying Capcity (ELCC) study, an important input into the IRP, is underway as a joint initiative between NS Power and IESO Nova Scotia, with consultant Energy + Environmental Economics (E3).

IESO Nova Scotia thanks DGT and SEE for their valuable comments in respect of this matter, all of which are important contributions to the implementation of the future of the IESO Nova Scotia.

Kind regards,

[7] Synapse Energy Economics Evidence, Re: IESO Nova Scotia 2025/2026 Revenue Requirement Application (M12412), October 28, 2025, p.5.
[8] Ibid, p.9.
[9] Ibid, p.10.

Mark Peachey, LL.B.
Director, Regulatory Affairs
IESO Nova Scotia