Blackburn Law Inc.

January 15, 2026

VIA File Transfer

Ms. Crystal Henwood
Clerk of the Board
Nova Scotia Energy Board
1601 Lower Water Street, 3rd Floor
Halifax NS B3J 3S3

Dear Ms. Henwood:

Re: M12412 - Nova Scotia Independent Energy System Operator Application for Approval of its Proposed Expenditure and Revenue Requirement for the Test Year ending March 31, 2026

On August 5, 2025, the Nova Scotia Independent Energy System Operator (IESO-Nova Scotia) submitted its 2025/2026 Revenue Requirement Application for the Test Year period ending March 31, 2026 (the "Application"). The Application requested approval from the Nova Scotia Energy Board (NSEB) to recover from ratepayers IESO-Nova Scotia's operational, maintenance and administrative (OM&A) costs, specifically:

> A revenue requirement of $6,751,287 for the test year reflecting the ongoing OM&A costs prior to the application of any Provincial funding and the net OM&A cost of $5,306,824 after the application of government funding and being the deferred amount recorded in the Net OM&A Deferral and Variance Account[1]

As described in its Application, IESO-Nova Scotia is a not-for-profit corporation, established by the *More Access to Energy Act* (the "*Act*")[2] on October 24, 2024. Pursuant to the *Energy Reform (2024) Act* IESO-Nova Scotia's fiscal year begins on April 1 and ends on March 31.[3] Under the *Act*, IESO-Nova Scotia will take over certain functions that were previously being overseen by Nova Scotia Power Inc. (NS Power) and the costs included for recovery in this Application are for certain costs of this transition for the Test Year, which ends March 31, 2026.

[1] M12412, Exhibit N-1, IESO-Nova Scotia Test Year Revenue Requirement Application, August 5, 2025, paragraph a. page 2 of 3, at lines 19-22.
[2] *More Access to Energy Act*, SNS 2024, c 2, Sch B; See Section 7.
[3] *Energy Reform (2024) Act*, SNS, 2024, c.2., section 28; see also M12412, Exhibit N-1(i), Application Exhibits, Exhibit A-1, Section B, page 3 of 36, at lines 8-13.

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Provincial Funding

The Application describes how the use of provincial funding impacted IESO-Nova Scotia's Application for its initial year of revenue requirement. In March 2025, the Province provided IESO-Nova Scotia with a grant of $2.68M to fund the transition of some of NS Power's functions to IESO-Nova Scotia. One-time transition costs, identified in the table reproduced below, *Table 1 Summary of OM&A Cost Categories*, were funded by $1.23M of the $2.68M, to be used by IESO-Nova Scotia to establish governance, leadership, and financial readiness.

In its Application, IESO-Nova Scotia sets out that the remaining $6.75 million of its on-going O&M costs are likely to be further offset by the balance of the Provincial funding, being $1.4 million, which results in the $5.3 million requested in this Application.

Table 1 Summary of OM&A Cost Categories[4]

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

As IESO-Nova Scotia does not have a mechanism to recover any funds from ratepayers at this time, it is requesting that the OM&A expenses, specifically the Net Ongoing OM&A of $5.3 million, be recorded in a deferral account, which it refers to as the 'Net OM&A Deferral and Variance Account.'[5] IESO-Nova Scotia notes that while it will apply the provincial funding it received against the one-time transition costs incurred, those costs may be higher than the provincial funding, with any increased amount also to be recorded in the Net OM&A Deferral and Variance Account. The actual recovery of the amounts included in the Net OM&A Deferral and Variance Account are proposed to be addressed in a future rate application[6].

[4] M12412, Exhibit, N-1(i), Application Exhibits, Exhibit A-1, Section B, page 9 of 36, at line 11.

[5] M12412, Exhibit N-1(i) Application Exhibits, Exhibit A-1, Section A, Overview, page 2 of 36, at lines 11-13.

[6] M12412, Exhibit N-1(i) Application Exhibits, Exhibit A-1, Section B, page 11 of 36, at lines 2-5.

IESO-Nova Scotia Transition Status

In its Application, IESO-Nova Scotia advises that it is in the process of scaling its organization in a phased manner so the test year amounts requested should not be considered as representative of the on-going OM&A costs of IESO-Nova Scotia for subsequent fiscal years. It further notes that it expects costs to increase over the first three fiscal years of its operation.[7]

The scope of IESO-Nova Scotia's responsibilities for this first fiscal year includes:

- building out its executive and business units,
- coordinating the transition of operational functions from NS Power Inc.
- exercising responsibility over System Planning and Grid Interconnection, and
- planning for the operational functions of System Operations to transition from NS Power Inc. to IESO-Nova Scotia.[8]

The full transition is not expected to be completed until Q2 2027[9],which is beyond the test year.

Unknown Costs

IESO-Nova Scotia emphasizes that a portion of the proposed $6.75 million revenue requirement is expected to be offset by an estimated $1.4 million of Provincial Funding remaining from the total $2.68 million provided. This results in the Application appearing to be a request for only $5.3 million, as noted above.

While the potential for reducing costs using provincial funding is helpful, it is offset in light of IESO-Nova Scotia's own assessment that costs are not yet fully understood and are expected to increase. For example, while advising that costs will increase over the next three years, IESO-Nova Scotia has not advised if this will mean large annual increases for ratepayers. The remaining work to be done by IESO-Nova Scotia is significant, including the development of financial controls to regulate overspend, and in the meantime any differential is to be recorded in IESO-Nova Scotia's proposed Net OM&A Deferral and Variance Account.

IESO-Nova Scotia is requesting approval for recovery of "the approved Revenue Requirement for the 2025-2026 fiscal year (before application of amounts tracked through the proposed Net OM&A Variance and Deferral Account) to begin on April 1, 2026"[10] concurrent with the revenue requirement for the fiscal year commencing April, 1, 2026.

[7] M12412, Exhibit N-1(i) Application Exhibits, Exhibit A-1, Section A, Overview, page 1 of 36, at lines 6-13.

[8] M12412, Exhibit N-1(i) Application Exhibits, Exhibit A-1, Section B, Background and Statutory Mandate, page 7 of 36, at lines 15-18 and page 9 of 36, at lines 1-9.

[9] M12412, Exhibit N-1, Application, page 1 of 3, at line 21.

[10] M12412, Exhibit N-3, Correspondence from NSIESO to the NSEB, regarding 2025-2026 Expenditure Forecast and Revenue Requirement Application – Clarification of Materials, (filed October 7, 2025), page 2 of 3.

In the interim, IESO-Nova Scotia has already asked, in matter M12633, for an extension to submit its fiscal year 2026/2027 Revenue Requirement and Fees application, which was due to the NSEB by December 31, 2025, to January 31, 2026[11].

SBA Concerns

The SBA respectfully submits that evidence filed by Doane Grant Thornton and Synapse Energy Advisors on behalf of Board Counsel appears to share the concerns outlined above, as evidenced in the suggestions for the need for more fully developed financial controls and accounting policies to be in place commensurate with those found in other IESO organizations. In addition, Doane Grant Thornton also recommended that specific rules, policies and thresholds for the Net OM&A Deferral and Variance Account be assigned to assist with the evaluation of the deferral account filing, once it is made.[12]

IESO-Nova Scotia stated, in its Rebuttal comments, that many of these recommendations are "in active development" and that it "will establish supporting financial controls and accounting policies in 2026"[13] but emphasized that the recommendations must be considered in light of its "nascent" status[14]. The SBA respectfully submits that this proposed timeline does not define what is meant by "active development" or how soon in 2026 those changes will be made and whether they will be made in time to impact the 2026/2027 revenue requirement application that is due to be filed at the end of this month.

Summary

The SBA has reviewed IESO-Nova Scotia's Application, its responses to intervenor information requests, the evidence of Doane Grant Thornton and Synapse Energy Advisors, as well as IESO-Nova Scotia's rebuttal comments and agrees with the recommendations in the evidence filed by Doane Grant Thornton recommending more information be provided on how and when IESO-Nova Scotia plans to assert financial control and spending thresholds in order to effectively carry out its responsibilities in a manner that best benefits ratepayers.

The SBA is also concerned with IESO-Nova Scotia's comments regarding its early stage of development, and respectfully submits that the NSEB should require IESO-Nova Scotia to engage in further stakeholder sessions to explain how it plans to finalize costs for the current, and the next three, fiscal years, as well as how it plans to file for approval of a rate mechanism to recover these costs without increasing the financial burden on customers.

[11] M12663, Correspondence from NSIESO to NSEB (December 30, 2025) requesting an extension until January 31, 2026 to file its 2026-2027 revenue requirement application.
[12] M12412, Exhibit N-10, Doane Grant Thornton Evidence, Section 7. Deferral Account, Recommendations, page 5 of 52.
[13] M12412, Exhibit N-13, IESO-Nova Scotia Rebuttal Comments, top of p. 2 of 5.
[14] M12412, Exhibit N-13, IESO-Nova Scotia Rebuttal Comments, top of p. 2 of 5.

The SBA respectfully submits that appropriate oversight over IESO-Nova Scotia's financial and operational status is important to ensure a smooth transition to meet the Provincial goal of reforming Nova Scotia's energy sector for the benefit of all customers. The SBA respectfully requests the NSEB consider requiring IESO-Nova Scotia to implement the recommended financial and governance controls that have been recommended as soon as possible to attempt to minimize the impact of the annual increases IESO-Nova Scotia has predicted for the next three years.

In addition, the SBA respectfully requests the NSEB require IESO-Nova Scotia to hold stakeholder sessions with customer representatives to address the anticipated future costs and required changes in policies and revenue requirements.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 15th day of January 2026.

Yours truly,

Melissa P. MacAdam
Small Business Advocate