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Via Electronic Mail

Crystal Henwood
Regulatory Affairs Officer/Clerk
Nova Scotia Energy Board
3rd Floor, 1601 Lower Water Street
PO Box 1692, Unit "M"
Halifax NS B3J 3S3

Dear Ms. Henwood:

Re: M12588 - NSPI – CI C0053699 Renewable to Retail

These submissions are filed by Renewal Energy Inc. ("**REI**") in response to NSPI's Application for approval of Capital Project CI C0053699, the Renewable to Retail ("RtR") Implementation Project (the "**Application**"). The claimed total project cost is projected to be $5,644,468, however, there is currently insufficient evidence supporting this total amount.

REI does not oppose NSPI's recovery of legitimate and prudent RtR implementation costs. However, NSPI bears the burden of demonstrating that the costs claimed in the Application meet the applicable statutory requirements, the Capital Expenditure Justification Criteria ("**CEJC**"), and the Board's established prudence standard. As set out below, REI submits that NSPI has not discharged that burden with respect to several material components of the Project, including costs associated with project delay; administrative overhead ("**AO**") and allowance for funds used during construction ("**AFUDC**"); and certain IT workstreams.

BACKGROUND

The RtR framework was established through legislation and Board-approved tariff provisions to enable Licensed Retail Suppliers ("**LRSs**") to compete in the retail electricity market in Nova Scotia. The governing statutory construct contemplates that LRSs and their customers bear the costs of RtR setup and ongoing operations, while non-RtR ratepayers are protected from any financial exposure to those costs.[1]

REI is currently the sole LRS licensed in Nova Scotia and, as such, is the only entity positioned to bear the costs approved under this proceeding. REI will be the direct beneficiary — and primary payer — of the platform being constructed through this capital project, and therefore requires confidence that costs approved are prudent, incremental, and attributable solely to RtR implementation. Beyond that, REI states that recovery of this capital project should reflect the

[1] *Electricity Act*, SNS 2025, c 18, s 22(2).

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actual pace and scope of market development and not simply default to the service life of the assets.

ISSUES

REI identifies the following issues for the Board's consideration:

1. Whether NSPI has demonstrated the prudency of the costs claimed in the Application, including costs arising from project delays;

2. Whether the Application complies with the requirements under the CEJC;

3. Whether, in the absence of a defined cost recovery proposal, the Application provides sufficient evidence and safeguards to ensure that any future cost recovery approach is consistent with the *Electricity Act*, and does not expose REI to premature, duplicative, or unjustified costs; and

4. Whether the proposed reporting framework and approval conditions are sufficient.

1) Delay Costs Appear Inflated and NSPI Has Not Shown They Were Prudently Incurred

NSPI attributes approximately $1 million in total cost increases to ramping up resources a second time as a result of a Commercial Operation Date ("**COD**") change, with associated increases in AO and AFUDC, noting that "Regular Labour, Term Labour, Consulting, Administrative Overhead and AFUDC *would have* seen increased costs due to the COD date change" (emphasis added).[2] However, NSPI:

- Provides no detail or quantification by labour type or task;[3]

- Admits it cannot show original estimates due to the cyber incident;[4] and

- Provides no evidence on which delays were attributable to the REI, NSPI, or third parties.[5]

NSPI estimated the cost impact of the COD change at "approximately $460,000" as of May 2024 and as of March 2026 estimated a further approximately $500,000 for additional COD extensions.[6] These are material sums.

NSPI reported retaining consultants and vendor solution resources "at a cost of approximately $130,000 per month".[7] It did not consider pausing this burn rate until February 2025 and did not

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[2] N-5, NSPI (SBA) RIR-1.

[3] N-5, NSPI (SBA) RIR-1(b).

[4] N-5, NSPI (SBA) RIR-1(a); and N-4, NSPI (REI) RIR-11(b).

[5] NSPI has identified the COD delay as a cost driver but does not attribute the increase costs to a particular party. In fact, N-4, NSPI (REI) RIR 10(d), confirms that it was NSPI who suggested the pause, which was agreed to by REI, as a cost avoidance measure.

[6] N-4, NSPI (REI) RIR-9.

[7] N-5, NSPI (SBA) RIR-1.

implement the pause until May 2025. The Board has no basis on the record to assess whether a more aggressive pause or scope reduction should have been implemented, nor whether those monthly costs were entirely or partially avoided, or avoidable, during the delay periods.

NSPI's Capital Project includes AFUDC of $653,657 and AO of $275,362.[8] This represents more than 15% of the total Project cost. When asked to explain the cost increases, NSPI gave a generic policy explanation that AO is calculated in accordance with Board-approved Accounting Policy 6230, whereby "the overhead charged to a particular project is determined by multiplying the labour costs charged to the project by the appropriate overhead application rate"[9], rather than the project-level data required.

In addition to failing to provide a schedule of labour hours by role and year, it provided no overhead rate verification for each period, and no AFUDC accrual schedule by month.

REI submits that without Project-specific reconciliation schedules, the Board cannot determine what portion of AO and AFUDC is attributable to the original Project scope and timeline and what portion is incremental to the delay periods, in which prudence has not been established.

Recommendation: REI submits that as NSPI has not demonstrated that delay-related costs were prudent, incremental, or caused by REI, the Board should reduce or remove delay-attributed labour, consulting, and overhead increases of $960,000.

A foundational difficulty for the Board in assessing prudency is the absence of the original detailed ACE estimate documentation, which NSPI acknowledges "is not expected to be recovered" due to the cyber incident.[10] NSPI represents that:

(a) no RtR work product was lost as a result of the cyber-attack;

(b) no redeployment costs attributable to the cyber incident are included in the project amount;

(c) all costs associated with system recovery have been allocated to the cyber incident and not charged to this capital item; and

(d) NSPI holds no cyber investigation reports relevant to this project that affect its scope or cost.[11]

REI has no independent basis to refute these representations on their face; however the Board is being asked to approve material cost escalations against an original baseline that cannot be independently verified, and the representations themselves are unaccompanied by any documentary corroboration, or independent verification.

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8 N-1, Application, page 4 of 6.

9 N-5, NSPI (SBA) RIR-1(c).

10 N-5, NSPI (SBA) RIR-1; and N-4, NSPI (REI) RIR-11.

11 N-5, NSPI (SBA) RIR-1.

NSPI should be required to satisfy the Board with evidence that no cyber-recovery costs were charged to Capital Item C0053699. REI also requires confirmation that the RtR software code and system configurations already developed and within NSPI's production environment have not been corrupted, degraded, or lost as a result of the cyber incident. Although this functionality has not yet been activated pending the market go-live date, NSPI should be required to demonstrate that it remains capable of being reactivated without the need for any rebuilding.

Recommendation: REI respectfully requests that NSPI provide as part of its Reply Submissions (or that it be directed to submit as a condition precedent to approval), confirmation from its internal audit function confirming ledger segregation between cyber-incident costs and this capital item, and that the work to date and planned has not been negatively impacted from the Cyber incident.

2) Capital Expenditure Justification Criteria — Specific Cost Challenges

The CEJC requires NSPI to examine alternatives, to demonstrate least-cost options that meet requirements and to compare acquisition approaches (build vs. buy vs. configure).

For IT projects such as Project CI C0053699, the CEJC requires justification under the sub-criteria of Technical, Economic, or Customer Experience, ranked according to the IT Criticality and Condition Risk Alignment Matrix.

NSPI's evidence provides no alternative analysis, even though the project involves multiple IT applications and integration paths. It offers no comparison of cost-minimizing sequencing and provides no assessment of potential use of lower-cost vendor services or reuse of existing configurations.

REI submits that the following specific cost components do not satisfy the CEJC on the present record and should be reduced, or disallowed pending further evidence.

a) Reporting and Business Intelligence Development Costs

NSPI states that its reporting tools are not, in themselves, insufficient, but that "the current reporting catalog needs to be enhanced to accommodate the anticipated transactional reporting for the five new tariffs to support the RtR market and the new settlement process that will be undertaken between NS Power and the LRS(s)".[12]

REI acknowledges the need for new reporting infrastructure. However, the costs of the reporting and business intelligence ("**BI**") workstream — including BI Developer, BI Architect, and BI Solutions Manager labour — have not been tied to a specification of minimum required outputs, nor have least-cost alternatives been considered. NSPI states that the existing tools used for developing these reports are "a mix of PowerBI and Tableau" and that new reports are expected to be used "coincident with the LRS assuming retail operations".[13]

NSPI's intended monthly deliverables to REI are four encrypted files via a secure SFTP server.[14]

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12 N-3, NSPI (NSEB) RIR-12.

13 N-3, NSPI (NSEB) RIR-13.

14 N-3, NSPI (REI) RIR-16.

Recommendation: REI submits that any reporting development beyond the minimum technical scope necessary to generate and validate these four deliverables should be deferred or funded outside of this capital item.

b) Scalability Costs

NSPI claims that scalability costs are "low and not considered material", that "the MDMS architecture is such that additional computational capability can be added in the future, if required, when additional customers and/or additional LRSs join the RtR market", and that "should new LRS(s) join the RtR market in the future, resulting in the need for incremental MDMS computational power resulting in additional cost, that cost would be allocated to the new LRS(s)".[15]

NSPI further asserts that "[t]he cost estimate for CI C0053699 Renewable to Retail Implementation does not include costs for scalability for future LRSs" and that "incorporating any further scalability into software solution designs under this project, to support future LRSs as necessary, was determined to have an *immaterial* impact on project costs" (emphasis added).[16]

NSPI has provided no sizing model, capacity analysis, or allocation methodology to support these assertions, and instead asks the Board and intervenors to accept these representations at face value. What may be characterized as immaterial from NSPI's perspective has a materially different significance for REI, which is a much smaller supplier of electricity.

The MDMS Extended Functional Support ($359,515) and MDMS Module Updates ($1,432,500) relate directly to the functional support and module configuration of the MDMS platform — the infrastructure that NSPI acknowledges would require additional computational capability to accommodate future LRSs.

Without evidence and analysis, the Board cannot determine whether any portion of those line items funds capacity beyond what is strictly required for REI's onboarding. REI does not have independent evidence that scalability costs are embedded in these figures, nor is it REI's burden to produce such evidence. Rather, NSPI has failed to discharge its burden of demonstrating that no such costs are included.

Recommendation: REI submits that recovery of MDMS Extended Functional Support ($359,515) and portions of MDMS Module Updates ($1,432,500) should be disallowed unless NSPI confirms with filed documentation, that no scalability uplift attributable to future market entrants is embedded in those amounts.

c) CIS Replacement

NSPI plans a CIS Replacement filing in Q3 2026 – CI C0021835. NSPI asserts that CIS RtR changes constitute core functionality and configuration that will carry forward to any future CIS replacement without incremental cost. REI accepts this representation in principle but again notes that it is unsupported by a filed migration or dependency plan.

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[15] N-3, NSPI (NSEB) IR-9.

[16] N-4, NSPI (REI) IR-6(c).

If RtR functionality must be rebuilt, remapped, or re-integrated as part of the CIS Replacement project, those costs should not be recovered from REI under that subsequent submittal filing anticipated in Q3. Absent a filed migration and dependency plan, REI risks paying now for functionality that may require duplication of effort in the CIS Replacement proceeding.

Recommendation: The Board should require NSPI to file, as part of the CIS Replacement application, a specific attestation that no RtR functionality funded through this capital item has been rebuilt or remapped at additional cost, and that any rebuild or remapping costs are borne by NSPI or allocated to the broader customer base — not charged to REI.

3) Cost Recovery Methodology

Section 22(2) (previously 3G(2)) of the *Electricity Act* is the statutory foundation for cost recovery in the RtR program. In responding to IRs, NSPI was unable to provide any clarity on any of:

- The cost recovery mechanism;
- The allocation methodology for new LRSs;
- The RtR market implementation costs to be included in the 2027 AAR filing;
- How the current Project costs will be recovered.[17]

REI's position is that recovery of this capital Project should not be automatically tied to the project's ten-year depreciation life.[18] Rather, the methodology should be designed to track actual market use and cost causation. As the first, and currently only, LRS, REI should not bear costs attributable to anticipated future market participants who have not yet entered the market and whose timing and volume of entry remains uncertain.

In addition, if IESO-NS assumes administration of the retail market, NSPI stated it remains unclear whether NSPI would retain ownership of the assets developed under this project, transfer them to IESO-NS, or be required to rebuild equivalent functionality. NSPI puts forward two possible scenarios: (1) NSPI recovers the capital costs through the RtR Tariffs that are approved through the AAR process; or (2) the assets are transferred to IESO-NS, which provides compensation to NSPI and then recovers the associated costs from the LRS(s).[19] To the extent these assets would be funded at the cost of debt in the hands of the IESO-NS, this could potentially result in cost-savings to REI.

At this point, NSPI is unable to advise the Board—or REI—which of these outcomes will occur. This unresolved uncertainty has direct downstream implications for REI’s customers as the RtR market implementation costs that may be included in future filings are presently unknown.

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[17] N-4, NSPI (REI) RIR-3.

[18] N-1, Application, page 1, Depreciation Class: General Plant – Computer Application Software; Estimated Life of the Asst: 10 years.

[19] N-4, NSPI(REI) RIR-3(a-b).

Recommendation: The Board should not approve any cost recovery methodology, when applied for, that would expose REI to costs that may become redundant or stranded as a result of a market structure change that is entirely outside REI's control. The Board should protect the interests of REI and any subsequent LRS by confirming in this proceeding that any transfer of the capital asset, and any associated cost recovery, will not result in duplication of costs.

4) Proposed Reporting and Approval Conditions

REI submits that the following additional conditions should be attached to any approval of this Project.

a) Conditions Precedent to Recovery

Approval should be conditioned on data-readiness milestones being satisfied — including AMI restoration, MDMS aggregation capability, and file delivery test completion —before market go-live and first invoice issuance to REI. NSPI forecasts that smart meter reading will be restored by March 31, 2026 and that interval data aggregation operational capability will be available in Q3 2026, supporting a Q4 2026 COD for REI. [20]

The Board should formalize these milestones as conditions of approval, rather than simply projections.

In addition, before first live billing to REI, NSPI should be required to demonstrate successful end-to-end test passes covering hourly determinants, loss factor application, CIS posting and invoice generation, and SFTP file package validation with exception flag testing.

b) Cost Allocation Safeguards and Protection for REI and Non-RtR Ratepayers

As the sole LRS and direct payer of the costs approved under this proceeding, REI requires regulatory safeguards ensuring that amounts charged to it are prudent, incremental, and exclusively attributable to RtR implementation. Each of the conditions recommended serves that primary purpose and — as a necessary corollary — protects non-RtR ratepayers from improper cost exposure. REI recommends the following as conditions of approval:

- **Annual Certification.** NSPI should be required to file annual certification confirming that assets funded through this capital project are used solely for RtR purposes and that no costs have been allocated or shifted between RtR and non-RtR revenue requirements.

- **True-Up Mechanism.** Annual certification alone is insufficient without a corresponding remedy. The Board should require that where the certification reveals any misallocation, a true-up adjustment be applied in the following rate period — crediting (or charging) REI for any amounts improperly charged and ensuring no retrospective exposure falls on non-RtR ratepayers.

- **Scalability Costing Protocol and Rider.** NSPI should be required to file a "Scalability Costing Protocol" identifying the triggers, cost drivers, and allocation methodology for

[20] N-4, NSPI(REI) RIR-13 (b).

onboarding any subsequent LRS, expressly holding REI harmless from costs attributable to future market entrants.

- **CIS Replacement Ring-Fence.** As highlighted above, any RtR functionality funded through this proceeding that must subsequently be rebuilt or remapped as part of the CIS Replacement project should not give rise to any additional recovery obligation against REI. Those costs must be borne by NSPI or allocated through the CIS Replacement proceeding, where prudency of NSPI's infrastructure modernization decisions can be properly tested.

CONCLUSION AND RELIEF SOUGHT

REI respectfully submits that the Board:

1. Disallow or reduce delay related costs where NSPI has failed to demonstrate that such costs were prudent, unavoidable, or attributable to REI.

2. Direct NSPI to provide documentary confirmation that no cyber-recovery costs were charged to CI C0053699, including confirmation from NSPI’s internal audit function that ledger segregation has been maintained.

3. Direct NSPI to produce evidence that RtR software and system configurations developed prior to the cyber incident remain intact, uncompromised, and capable of reactivation without rebuilding.

4. Reduce, defer, or disallow reporting and BI development costs beyond the minimum technical scope required to produce and validate the four monthly deliverables to REI.

5. Disallow recovery of MDMS Extended Functional Support costs ($359,515) and any portion of MDMS Module Updates ($1,432,500), unless NSPI demonstrates, through filed documentation, that no scalability or future market capacity costs are embedded in those amounts.

6. Require NSPI to file a Scalability Costing Protocol establishing clear triggers, cost drivers, and allocation methodology for onboarding any future LRS, expressly holding REI harmless from costs attributable to subsequent market entrants.

7. Impose a CIS Replacement ring fence, requiring NSPI to attest in the forthcoming CIS Replacement application that no RtR functionality funded through this capital item has been rebuilt, remapped, or re-integrated at additional cost to REI.

8. Decline to approve any cost recovery methodology that would expose REI to stranded or redundant costs arising from market evolution or a potential transition to IESO-NS.

9. Condition approval of this Application on NSPI providing data readiness milestones, including AMI restoration, MDMS aggregation capability, and successful end-to-end testing prior to market go-live and first invoice issuance to REI.

10. Direct NSPI to provide the following:

(a) annual certification that assets funded through this project are used solely for RtR purposes; and

(b) a true up mechanism to correct any misallocation of costs.

Thank you for the opportunity to make these submissions.

Yours truly,

Nancy G. Rubin, K.C.

Brianne Rudderham

NGR/BER

c. Participants in M12588