Nova Scotia Energy Board

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

and

IN THE MATTER OF an application by the Nova Scotia Independent Energy System Operator for an Order or Orders made pursuant to Section 29 of the *Act* for the review of its proposed expenditure and revenue requirements and the fees it proposes to charge for the fiscal year between April 1, 2026 and March 31, 2027.

January 20, 2026

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EXHIBIT A-1 - INTRODUCTION

A. Overview

This is the second revenue requirement application (Application) of the Nova Scotia Independent Energy System Operator (IESO Nova Scotia), and is for the fiscal period beginning on April 1, 2026 and ending March 31, 2027, submitted for the Nova Scotia Energy Board's (NSEB, Board) approval in compliance with Section 29 of the *More Access to Energy Act* (Act).[1] As part of this Application, IESO Nova Scotia is seeking review and approval from the NSEB for its ongoing operational, maintenance and administrative (Operating, Maintenance, and Administration (OM&A)) costs budget for the fiscal year 2026/2027, in the amount of $13.08M, as well as transitional and operational planning costs related to the Phase II transition of the energy dispatch operations and related functions to IESO Nova Scotia in the amount of $1.77M (Transitional Costs), for a total of $14.85M (Total OM&A Costs). This 2026/2027 Revenue Requirement application seeks approval of the entirety of these Total OM&A Costs.

This OM&A budget must be viewed in the context that IESO Nova Scotia's 2025/2026 revenue requirement application (M12412) has yet to be approved by the NSEB at the time of this Application. The December 31, 2025 statutory deadline[2] for submitting this 2026/2027 revenue requirement application under the Act necessarily meant that there would be overlap between the preparation of the 2026/2027 application and the Board process for approval of the 2025/2026 application.[3] As such, there may be elements of this Application that may change following completion of the Board's review of the 2025/2026 application. IESO Nova Scotia also acknowledges the submission of Board Counsel consultant Doane Grant Thornton (DGT), as well as submissions from the Industrial Group, Small Business Advocate, and Consumer Advocate, regarding IESO Nova Scotia's 2025/2026 application. Given the lead-time to prepare this Application, and the timing of Board consultant and stakeholder submissions, IESO Nova Scotia was unable to address corresponding comments and recommendation in advance of the submission

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

[2] More Access to Energy Act, 2024, c. 2, Sch. B, Section 29.

[3] By letter on December 30, 2025, IESO Nova Scotia informed the NSEB that it would file the Application by January 31, 2025, as permitted under Section 29(2) of the Act.

of this Application. However, IESO Nova Scotia is actively considering those comments for implementation in future revenue requirement and fee applications in the event the Board directs IESO Nova Scotia to adopt them.

IESO Nova Scotia intends that the Net OM&A Deferral and Variance Account, set out in IESO Nova Scotia's 2025/2026 Revenue Requirement Application, continues to be used as a mechanism in the 2026/2027 fiscal year to true-up any variances in actual Total OM&A Costs. Going forward, the Net OM&A Deferral and Variance Account is proposed to include other cost categories as they may arise for future revenue requirement and fee applications, and is therefore proposed as a permanent variance and recovery mechanism to be renamed the "Net Revenue Requirement Deferral and Variance Mechanism".

Finally, in this Application IESO Nova Scotia seeks financial relief from Nova Scotia Power Inc. ("NS Power"), through a fee requested for immediate remittance in March 2026, effective January 1, 2026, and continuing through to the end of IESO Nova Scotia's 2026/2027 fiscal year on March 2027.

B. Background and Statutory Mandate

IESO Nova Scotia

IESO Nova Scotia is a not-for-profit corporation established by the Act[4] on October 24, 2024. IESO Nova Scotia was created by the proclamation of the Energy Reform (2024) Act (Bill 404) which introduced a suite of fundamental reforms to the province's energy sector. IESO Nova Scotia's fiscal year begins on April 1 and ends on March 31 in accordance with the Act.

IESO Nova Scotia's mandate is central to the Act's stated purpose;[5] to implement these purposes, the Act mandates IESO Nova Scotia to certain enumerated objects,[6] and to carry out certain activities.[7] Certain of these stated objects are not yet in force at the time of this Application.

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[4] *More Access to Energy Act*, SNS 2024, c. 2, Sch. B; See Section 7.
[5] *More Access to Energy Act*, SNS 2024, c. 2, Sch. B, Section 2.
[6] *More Access to Energy Act*, SNS 2024, c. 2, Sch. B, Section 9.
[7] *More Access to Energy Act*, SNS 2024, c. 2, Sch. B, Section 10.

Accordingly, IESO Nova Scotia has pursued a phased transition of the system operator functions from NS Power to IESO Nova Scotia, commencing with Phase I (energy procurement, system planning and generation interconnection functions), followed by Phase II (the transition of the energy dispatch operations and related functions). IESO Nova Scotia has worked to implement and transition certain operational aspects from NS Power, in particular system planning, generation interconnection procedures and resource procurement as part of Phase I.

While complete implementation of Phase I has not yet been achieved, significant progress has been made, with transitioning of certain staff, functions and accountabilities from NS Power to IESO Nova Scotia, effective December 1, 2025. Phase II involves the transfer of real-time dispatch operations. Due to the complexity of this transition and the direct impact on real-time operations and system reliability, additional work is required to scope and plan the implementation of this phase. IESO Nova Scotia has engaged a third-party expert consultant, selected through an open and competitive solicitation process, to support the delivery of this work in the first half of 2026. This work is expected to define the physical and technical changes required to implement Phase II with estimated costs and timelines. The current aspirational timeline for Phase II implementation is Q2 of the 2027 calendar year; however, work in early 2026 is required to be completed to provide a deliverable plan, appropriate target date, and budget.

As a consequence of the phased approach, IESO Nova Scotia expects its annual revenue requirement submissions to adjust commensurate with the increasing scope over the implementation period. As such, while this Application will utilize the previous revenue requirement application budget as a foundation, some of the figures used depart from the previous application assumptions as IESO Nova Scotia has updated information and assumptions as its knowledge and experience continues to grow.

IESO Nova Scotia's control and management is vested in its Board of Directors, whose members were appointed in February 2025. The Board of Directors delegates its management and authorities to an executive team to oversee the day-to-day management of IESO Nova Scotia, as permitted by the Act.[8] This includes Johnny Johnston, the President and Chief Executive Officer (CEO) who

[8] *More Access to Energy Act*, SNS 2024, c. 2, Sch. B, Section 25.

was appointed on August 18, 2025. The CEO has established a management team to reflect the size and mandate of the organization.

Statutory Context of Application

This revenue requirement application is made pursuant to subsections 29(1) and (2) of the Act. The Act requires IESO Nova Scotia to submit its proposed expenditure and revenue requirements for the fiscal year at least 90 days before the beginning of each fiscal year, for review.[9] On December 30, 2025, IESO Nova Scotia advised the NSEB that it intended to file this Application by January 31, 2026, in accordance with section 29(2) of the Act.

Previous Application

IESO Nova Scotia applied on August 5, 2025 for approval of its 2025/2026 fiscal year revenue requirement under section 29 of the Act (M12412). At the time of this Application, M12412 is proceeding before the NSEB. In order to meet the timing requirements of the Act, and recognizing the revenue and cash flow requirements of IESO Nova Scotia, this 2026/2027 Revenue Requirement is being brought forward while M12412 is still in process. IESO Nova Scotia notes that actual expenditures for fiscal year 2025/2026 are materially tracking against its proposed 2025/2026 Revenue Requirement, and IESO Nova Scotia has no further amendments to the assumptions or costs noted in its 2025/2026 Revenue Requirement Application. Any variances of budget to actual will be captured and accounted for in the Net Revenue Requirement Deferral and Variance Mechanism.

Phased Approach to Organizational Functions

IESO Nova Scotia is still in the early stages of scaling and setting up its internal capabilities to perform its executive, administrative, and operational functions. Since April 2025, IESO Nova

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[9] *More Access to Energy Act*, SNS 2024, c. 2, Sch. B, Section 29(1),(2). By letter on December 30, 2025, IESO Nova Scotia informed the NSEB that it would file the Application by January 31, 2025, as permitted under Section 29(2) of the Act.

Scotia has been focused on establishing governance, leadership, financial readiness, and transition planning.

In May 2025, IESO Nova Scotia retained various consulting services to assist it in ensuring that set-up and transition activities were executed in an organized and responsible manner that is informed by financial budgeting and forecasting and other technical matters. Some of these consulting services have been reduced or ended as employees have been hired. Other consulting services are still retained by IESO Nova Scotia as it will continue to assist with transition planning and execution during the 2026/2027 fiscal year.

Since the Board of Directors was appointed in late February 2025, IESO Nova Scotia has completed substantial work towards transitioning the planning and operational responsibilities from NS Power to IESO Nova Scotia, which included:

- NS Power and IESO Nova Scotia established a Joint Transition Committee to facilitate coordination between the two organizations.
- A recruitment search was conducted for a CEO, resulting in Mr. Johnny Johnston being appointed to that role on August 18, 2025.
- In October and November 2025, the CEO hired a senior leadership team.
- Twenty-one (21) roles were transitioned from NS Power to IESO Nova Scotia on December 1, 2025.
- Office space has been sourced and leased at 1791 Barrington Street, Suite 1010, Halifax, Nova Scotia, with all appropriate technology and related items sourced and installed to accommodate incoming employees.
- Branding has been established for IESO Nova Scotia and a website is being developed.
- IESO Nova Scotia, in collaboration with NS Power and the Northeast Power Coordinating Council, Inc. (NPCC), has established a process of ensuring that responsibility for compliance with the North American Electric Reliability Corporation

(NERC) and NPCC reliability standards related to Phase I, and has established a plan to effectively transfer ultimate responsibility for the same to IESO Nova Scotia.

- IESO Nova Scotia has commenced its inaugural Integrated Resource Planning (IRP) process asking interested parties to register to be part of the process, and has recently selected Dunsky as the preferred consultant to secure feedback from stakeholders, bring best practices, and support IESO Nova Scotia in creating the process for the 2026 IRP having issued a request for proposals in October 2025.

- IESO Nova Scotia has issued a request for expressions of interest for the development of 300MW of fast-acting generation in Pictou County, Nova Scotia, and commenced landowner and stakeholder consultation to support this work.

- At the time of filing, IESO Nova Scotia has completed many stakeholder meetings to share its plans and receive feedback from stakeholders.

- IESO Nova Scotia has joined the ISO RTO Council ("IRC") which is made up of the IESO in Ontario and Alberta IESO from Canada, and MISO, PJM, CAISO, SPP, ERCOT, ISO-NE and NYISO from the U.S., to share information and best practices with its peer institutions across North America.

For the upcoming fiscal year, commencing April 1, 2026, there will be several focus areas for IESO Nova Scotia:

- Continuing the integration of the Phase 1 operations.

- Completing the inaugural IRP, with completion targeted for late 2026.

- Concluding the RFP for fast-acting generation to support the existing IRP and the Province of Nova Scotia's Clean Power Plan.

- Conducting a procurement process for additional capacity in alignment with the existing IRP and Clean Power Plan.

- Supporting, where appropriate, the renewable energy procurement process being conducted by the Province of Nova Scotia in 2026.
- Developing proposed revisions to the Generation Interconnection Procedures for the NSEB's review and approval to account for the transition of certain interconnection functions from NS Power to IESO Nova Scotia, and the completion of interconnection studies for transmission-connected projects advancing through the current interconnection process.
- Completing the detailed planning and early execution of the Phase II transfer of operations under the Act.

Subject to the proclamation of certain provisions of the Act, Phase II involves the transfer of real-time dispatch operations. Detailed transition planning is commencing for Phase II, and the exact timing of the transition will depend on a number of factors, including technology requirements, regulatory compliance readiness (including reliability compliance), and space requirements. Subject to the completion of the detailed transition planning work, the Phase II transition is targeted to commence in Q2 of the 2027 calendar year.

Additional Cost Categories

As a result of IESO Nova Scotia's mandate and associated work already completed (specifically with respect to Phase I) and to be completed in the years ahead, IESO Nova Scotia has incurred and expects to incur costs beyond OM&A. Namely, IESO Nova Scotia has incurred and will incur capital-related costs and expects to incur costs associated with future energy resource procurements. Accordingly, IESO Nova Scotia's revenue requirement and fees applications going forward will likely include for review and approval capital and energy resource procurement costs, as well as corresponding fees, assuming they have not otherwise been subject to NSEB review and approval via separate applications submitted to the Board. Any references to capital costs in this Application are not included for approval at this time. The regulatory pathways for NSEB review and approval of these additional cost categories will be assessed in further detail in 2026.

EXHIBIT B-1 - OM&A OVERVIEW

IESO Nova Scotia's OM&A budget forecast for the period ending March 31, 2027, is comprised of both Ongoing OM&A Costs and Transition Costs. In this application, IESO Nova Scotia seeks review and approval of its revenue requirement for the 2026/27 fiscal year, comprising Ongoing OM&A Costs of $13.08M and Transition costs of $1.77M for a total of $14.85M.

Table 1: Summary of OM&A Costs

OM&A Cost Category	Total OM&A Costs ($)(Millions)	Transition Costs ($) (Millions)	Ongoing O&MA Costs ($) (Millions)
Employees (Administration)	4.44	0.00	4.44
Corporate Administrative	0.26	0.00	0.26
Governance	0.49	0.00	0.49
Legal and Regulatory	1.15	0.00	1.15
Procurement	0.89	0.00	0.89
Facilities and Technology	1.56	0.00	1.56
Finance	0.65	0.00	0.65
Transition and Operational Planning	1.77	1.77	0.00
Operations (System Planning)	3.64	0.00	3.64
Total OM&A Expenses	**14.85**	**1.77**	**13.08**

IESO Nova Scotia developed its OM&A budget for 2026/2027 using a multi-faceted approach. Wherever possible, IESO Nova Scotia relied on historical actual spending information and focused this knowledge base to reflect the areas that IESO Nova Scotia would be developing in the 2026/2027 fiscal year. IESO Nova Scotia also continued using a detailed bottom-up approach in areas where existing information was not readily available. Specifically, the budget was built starting at the granular level for each major category of expenditures and used vendor quotes where possible, but in addition utilized the experience and knowledge of IESO Nova Scotia staff. However, as a relatively newly established entity with limited historical financial or operational information, there may be circumstances that are not readily foreseeable that may inform the basis of its financial budgeting in future.

IESO Nova Scotia's Ongoing OM&A costs are organized into various cost categories representing the different functions of IESO Nova Scotia during the fiscal year. IESO Nova Scotia's Ongoing OM&A Costs include the costs required for IESO Nova Scotia to carry out its statutory mandate, including the salaries and costs for internal and external resources to perform executive and administrative functions, as well as to carry out those operational functions that have historically been performed by NS Power that have transitioned to IESO Nova Scotia, including system planning, interconnection process management, and energy resource procurement. These costs are expected to be in the amount of $13.08M during the fiscal year. IESO Nova Scotia's Ongoing OM&A Cost category budgets and their associated work are set out in Exhibit B-2.

The Transition Cost category includes costs to plan and commence execution of Phase II functions from NS Power to IESO Nova Scotia and to continue to establish IESO Nova Scotia's organizational capabilities. These costs are expected to be in the amount of $1.77M during the fiscal year. IESO Nova Scotia's Transition Expenses are set out in Exhibit B-3.

The below exhibits also contain information on the differences in revenue requirements sought by IESO Nova Scotia in the 2025/2026 revenue requirement application compared to this 2026/2027 revenue requirement application. Specifically, the cost category details below include tables which have listed the amount proposed in IESO Nova Scotia's 2025/2026 revenue requirement application, compared to the annualized amount of these estimated costs to demonstrate what the amount would be if IESO Nova Scotia had been running with standardized values for the entire 2025/2026 fiscal year (and adjusted where appropriate, for example, to reflect the updated organizational chart). The tables then compare the 2025/2026 annualized amount to the revenue requirement sought for the entire 2026/2027 fiscal year, as well as showing the difference between these values.

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

The budget funding necessary for IESO Nova Scotia to carry out its statutory mandate for Phase I in the fiscal period ending March 31, 2027 is reflected in the following OM&A cost categories set out in Table 2 below. As noted above, the Total OM&A Costs include both Transition Costs and Ongoing OM&A Costs.

Table 2: Summary of Ongoing OM&A Cost Categories

Ongoing OM&A Cost Category[10]	Ongoing O&MA Costs ($) (Millions)
Employees (Administration)	4.44
Corporate Administrative	0.26
Governance	0.49
Legal and Regulatory	1.15
Procurement	0.89
Facilities and Technology	1.56
Finance	0.65
Operations (System Planning)	3.64
Total Ongoing OM&A Expenses	**13.08**

IESO Nova Scotia expects to incur ongoing OM&A Costs of $13.08M for the fiscal period ending March 31, 2027.

[10] Excludes transitional expenses.

IESO Nova Scotia notes that its budgeted expenditures for internal labour resources have been allocated in the "Employees (Administration)" and "Operations (System Planning)" cost categories. In other words, the budgeted amounts in the other OM&A cost categories for which IESO Nova Scotia is requesting funding do not include costs for allocated internal labour needs, which have been wholly allocated to the above two cost categories.

A. Employees (Administration)

IESO Nova Scotia is budgeting $4.44M as part of the Employees (Administration) cost category, forming a part of the Ongoing OM&A Costs. This cost category consists of salaries and wages for IESO Nova Scotia's administrative and functional management team, as well as costs associated with recruiting.

Table 3: OM&A Costs for Administration Salaries Cost Category

Ongoing OM&A Cost Category	Ongoing OM&A Costs ($) (Millions)
Employees (Administration)	**4.44M**
Compensation	4.34M
Recruitment	0.10M

As described in greater detail below, the budget costs for this category are based on IESO Nova Scotia's expectation that it will require 23 employees to provide effective functional management and administration support that is not accounted for within the scope of the operational employees transitioning from NS Power. The 23 employees needed during the fiscal year are anticipated to include personnel in the following disciplines:

- Legal and Regulatory Compliance
- Human Resources Management
- Financial Management
- Stakeholder Engagement

- Information Technology

For the purpose of preparing its expenditure budget, IESO Nova Scotia has assumed that the 23 employees responsible for functional management and administrative matters are fully employed during the 26/27 fiscal year.

As noted above, the Employees (Administration) category is one of two cost categories that cover the costs for internal labour resources, and, as such, this cost category does not include all IESO Nova Scotia's internal labour costs. The Employees (Administration) cost category does not include non-unionized technical roles for functions previously undertaken by NS Power, which will be addressed separately in the Operations (System Planning) Category.

Compensation

IESO Nova Scotia's budget for the Employees (Administration) cost category was established on the basis of the following assumptions pertaining to full-time-employee compensation:

- To establish compensation for the non-CEO roles, IESO Nova Scotia targeted 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 for similar roles within Atlantic Canada within similar sized organizations. These sites included Career Beacon, LinkedIn, Zip Recruiter, and Indeed, based on a point in time of open positions posted. Market information was obtained from third party compensation consultants for three (3) senior leadership roles, and for administrative roles.

- The total base salaries of the 23 roles were multiplied by a "fringe rate" or "fringe load factor" of 15%. This represents an estimate to cover IESO Nova Scotia's costs for Worker's Compensation Board, insurance for health, dental, life insurance, short-term disability insurance, long-term disability insurance, accidental death and dismemberment insurance, pension, and professional development.

- The amount for the Maximum Employer Contribution to the Canadian Pension Plan including the CPP2 and Employment Insurance for the 23 roles was calculated using the published CRA table for 2025, plus a 3% assumed increase, applied to 2026/2027 which was added to the total compensation costs.

- Cost of living increases are foreseen to give rise to an overall 3% increase in the Administration Salaries compared to those in the 2025/2026 Revenue Requirement Application.

Recruitment

This cost category also includes recruitment costs which primarily consist of HR consulting fees to manage recruitment in the event of turnover of 2-3 employees, and contract negotiations with prospective employees.

Comparison to 2025/2026 Budget

The 2026/2027 fiscal year assumes 23 administration employees actively employed for the entire fiscal year – from April 1, 2026 to March 31, 2027.[11] The additional employees included in the current application, compared to the 2025/2026 fiscal year, include additional information technology employees to ensure robust cybersecurity management, as well as added compliance roles to ensure IESO Nova Scotia is adhering to standards set by NERC, the NPCC, and other bodies as required.

IESO Nova Scotia's fringe load factor assumption has been refined from 14.75% in the 2025/2026 revenue requirement application to 15% in the 2026/2027 revenue requirement application based on updated budget information from IESO Nova Scotia's benefits provider. IESO Nova Scotia's fringe load factor will be adjusted in future based on actual fringe costs.

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[11] The 23 administration employees assumed here align with IESO NS' response to NSEB IR-13 Attachment Organizational Chart for "New FTEs" less the President & CEO position. NSEB IR-13 Attachment, re: IESO-NS 2025 – 2026 Revenue Application (M12412), October 7, 2025.

Table 3: Comparison Chart Between 2025/2026 and 2026/2027 Budgets for the Employees (Administration) Category

Cost Category	2025/2026 Budget ($) (Millions)	2025/2026 Annualized Expenditures ($) (Millions) (A)	2026/2027 Proposed Budget ($) (Millions) (B)	Difference ($) (Millions) (increase)/decrease (A-B)
Employees (Administration)	**1.57M**	**4.33M**	**4.44M**	**(0.11)**
Compensation	1.45M	4.21M	4.33M	(0.12M)
Recruitment	0.12M	0.12M	0.11M	0.01M

Due to the differences in the assumed roles and hiring timing associated with the administrative employees, from the time of the 2025/2026 budget to the 2026/2027 budget, the annualized amount is calculated using the most recent assumptions on the number of employees and salaries as currently planned by the end of 2025/2026. This was done to enable a comparison of parallel assumptions.

B. Corporate Administration

IESO Nova Scotia is budgeting $0.26M in ongoing costs as part of the Corporate Administration OM&A cost category. This cost category primarily consists of various types of corporate expenses, including insurance products, a reduced level of external support for communications and stakeholder engagement initiatives, and general office costs.

Table 4: OM&A Costs for the Corporate Administrative Cost Category

Cost Category	Ongoing OM&A Budget ($)
Corporate Administration	**0.26M**
Various Insurance Coverages	0.03M
Communications	0.04M
Stakeholder Engagement	0.03M
Web Hosting	0.06M
Office Costs	0.10M

Further details regarding the costs budgeted as part of this cost category are as follows:

- **Various Insurance Coverages:** IESO Nova Scotia has secured regular and customary insurance to cover commercial risks affecting the enterprise, arising from IESO Nova Scotia's scope of operations.
- **Communications:** These costs are associated with external communications support, including support relating to regulatory proceedings, procurement initiatives, and the lead-up to Phase II.
- **Stakeholder Consultation/Engagement:** These costs are associated with external support on stakeholder engagement, including support relating to procurement initiatives and the lead-up to Phase II.
- **Web Hosting:** These costs are for the hosting of IESO Nova Scotia's website.
- **Website Development:** In the prior year, these costs were classified as operational; however, as the website is developed with increasing complexities resulting in part from

transition into Phase II, the costs are now considered capital, are excluded from this application, and will be captured in future revenue requirement and fee applications.

- **Office Costs:** These costs cover various office administrative fees and resources.

Comparison to 2025/2026 Budget

The largest change in the Corporate Administration cost category between the 2025/2026 and 2026/2027 fiscal years is due to the office costs. Office costs were not anticipated in the 2025/2026 budget, thus increasing the total costs in the Office Costs subcategory from $0.00 to approximately $100,000 for the fiscal year.

Additionally, IESO Nova Scotia was able to offset this increase by lowering external consultancy costs for IESO Nova Scotia's stakeholder engagement consultant and communications consultant through internally hiring a Manager, Communications and Indigenous, Government, and Stakeholder Engagement.

Table 5: Comparison Chart Between 2025/2026 and 2026/2027 Budgets for the Corporate (Administrative) Category

Cost Category	2025/2026 Budget ($) (Millions)	2025/2026 Annualized Expenditures ($) (Millions) (A)	2026/2027 Proposed Budget ($) (Millions) (B)	Difference ($) (Millions) (increase)/decrease (A-B)
Corporate (Administration)	**0.23M**	**0.27M**	**0.26M**	**0.01M**
Various Insurance Coverages[12]	0.08M	0.08M	0.03M	0.05M
Communications	0.07M	0.07M	0.04M	0.03M
Stakeholder Engagement	0.05M	0.06M	0.03M	0.03M
Web Hosting[13]	0.03M	0.06M	0.06M	(0.00M)
Office Costs[14]	0.0M	0.00M	0.10M	(0.10M)

C. Governance

IESO Nova Scotia is budgeting $0.49M in ongoing costs as part of the Governance OM&A cost category. This cost category primarily consists of costs incurred in respect of IESO Nova Scotia's Board of Directors, enterprise governance, board-related support, travel and expense for meetings, and meeting per diems.

Comparison to 2025/2026 Budget

The reduction between the 2025/2026 and 2026/2027 budgets is due primarily to IESO Nova Scotia's 2025/2026 budget including transitional costs that are not included in the 2026/2027 budget.

[12] Combination of the four separate insurance line items in the 25/26 application, differences due to rounding.
[13] Web Hosting line item was omitted in the 25/26 application in error.
[14] Includes "Other Administrative" from the 25/26 application of $0.002M.

Table 6: Comparison Chart Between 2025/2026 and 2026/2027 Budgets for the Governance Category

Cost Category	2025/2026 Budget ($) (Millions)	2025/2026 Annualized Expenditures ($) (Millions) (A)	2026/2027 Proposed Budget ($) (Millions) (B)	Difference ($) (Millions) (increase) /decrease (A-B)
Governance	**0.51M**	**0.52M**	**0.49M**	**0.03M**

D. Legal and Regulatory

IESO Nova Scotia is budgeting $1.15M in ongoing costs as part of the Legal and Regulatory OM&A cost category. This cost category primarily consists of two subcategories: the costs associated with regulatory proceedings before the NSEB, and costs to support General Counsel where external legal advice may be required in respect of, but not limited to, regulatory compliance, HR, and contractual matters.

Table 7: OM&A Costs for the Legal and Regulatory Cost Category

Cost Category	Ongoing OM&A Budget ($)
Legal and Regulatory	**1.15M**
Regulatory Proceedings and Assessments	0.55M
Legal and Compliance	0.60M

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

- **Regulatory Proceedings and Assessments:** These costs include the legal support to prepare and to participate in regulatory proceedings before the NSEB during the fiscal year and include an estimate of the costs to be covered by IESO Nova Scotia for the Board and certain participants, as well as costs of external consultants and legal counsel. The regulatory applications contemplated include the revenue requirement and fees application for the period between April 1, 2027 and March 31, 2028 (which IESO Nova Scotia is required under the Act to file no later than December 31, 2026). The budget includes the costs associated with a NSEB assessment as the Act permits the Board to assess expenses against IESO Nova Scotia, and deems those expenses to be recoverable through its rates, tolls and charges.[15]

- **Legal and Compliance:** These costs are tied to the foreseeable external legal advisory needs of IESO Nova Scotia during the 2026/2027 fiscal year.

Comparison to 2025/2026 Budget

This cost category increased $300,000 from IESO Nova Scotia's 2025/2026 Revenue Requirement Application to cover the anticipated increased workload and the additional costs for external legal counsel which will be required in preparation for the Phase II transition.

Table 8: Comparison Chart Between 2025/2026 and 2026/2027 Budgets for the Legal and Regulatory Category

Cost Category	2025/2026 Budget ($) (Millions)	2025/2026 Annualized Expenditures ($) (Millions) (A)	2026/2027 Proposed Budget ($) (Millions) (B)	Difference ($) (Millions) (increase)/decrease (A-B)
Legal and Regulatory	**0.81M**	**0.85M**	**1.15M**	**(0.3M)**
Regulatory Proceedings and Assessments	0.55M	0.55M	0.55M	0.00M
Legal and Compliance	0.26M	0.3M	0.6M	(0.3M)

E. Procurement

IESO Nova Scotia's procurement budget is classified into two categories: capital and operating. The capital projects which involve site development for sale to a successful proponent are expected

[15] *More Access to Energy Act*, SNS 2024, c. 2, Sch. B, Section 85.

to be reimbursed by the successful proponent, and therefore not considered subject to recovery via revenue requirement and fees applications.

As for the operating category, this cost category primarily consists of costs incurred to fulfill its statutory object of carrying out competitive energy and capacity procurements, including for developing and implementing procurement initiatives. This revenue application includes an ongoing capacity contract project for additional capacity, as well as the costs of managing multiple request for proposals (RFPs) for additional capacity. One of these RFPs is for 300MW fast acting generation, which is identified as a need in the most recent IRP conducted by NS Power and the Province of Nova Scotia Clean Power Plan. In addition, IESO Nova Scotia has plans to commence a subsequent procurement for additional capacity additions and/or storage beginning in the second half of 2026/2027 as defined by the IRP and consistent with the Clean Power Plan. The goal is that if the RFP and subsequent procurement are successful and result in awarding a contract or contracts, the costs of managing these procurement processes, included in this revenue application, would be passed on to the successful proponents, and IESO Nova Scotia would be reimbursed for those costs. If this occurs, then the reimbursed costs would be accounted for via the Net Revenue Requirement Deferral and Variance Mechanism. Until such a time that reimbursement is received, IESO Nova Scotia has included the procurement costs in the budget within the 2026/2027 revenue application.

Table 9: OM&A Costs for the Procurement Cost Category

Cost Category	**Ongoing OM&A Budget ($)**
Procurement	**0.89M**
Capacity Contract	0.07M
Procurement Department Contractors	0.22M
Capacity Procurements	0.60M

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

- **Capacity Contract**: This amount includes the costs of managing an anticipated agreement for additional capacity through 2026/2027, including participating as an IESO Nova Scotia representative on the project oversight committee.

- **Procurement Department Contractors:** These costs are to advise on the development of the contracts to procure 300MW of fast-acting generation.

- **Capacity Procurements:** $0.126M of the total relates to the 300MW RFP which is expected to be awarded in Spring 2026. $0.474M relates to the 2026/2027 commencement of a procurement for capacity and/or storage as the need is defined through IESO Nova Scotia's IRP process. These costs are associated with managing an annual RFP process for new capacity, completing the RFP process that commenced in 2025/2026, and starting a new procurement process for additional capacity and/or storage resources in 2026/2027.

Comparison to 2025/2026 Budget

The costs in this category have reduced slightly as the capacity contract is anticipated to move to the project execution stage and the 300MW fast acting generation RFP gets closer to being awarded, but offset with additional procurement process for additional capacity and/or storage in 2026/2027. For the 2026/2027 budget, the procurement costs include technical experts, legal, communications support, and a procurement consultant.

Table 10: Comparison Chart Between 2025/2026 and 2026/2027 Budgets for the Procurement Category

Cost Category	2025/2026 Budget ($) (Millions)	2025/2026 Annualized Expenditures ($) (Millions) (A)	2026/2027 Proposed Budget ($) (Millions) (B)	Difference ($) (Millions) (increase)/decrease (A-B)
Procurement	**0.99M**	**0.99M**	**0.89M**	**0.10M**
Capacity Contract[16]	0.44M[17]	0.44M	0.07M	0.37M
Procurement Department Contractors[18]	0.19M	0.19M	0.22M	(0.03M)
300 MW RFP[19]	0.36M	0.36M	0.12M	0.24M
Additional Capacity Procurement	0.00M	0.00M	0.48M	(0.48M)

F. Facilities and Technology

IESO Nova Scotia is budgeting $1.56M in ongoing expenses as part of the facilities and technology cost category. This cost category consists of costs incurred in respect of IESO Nova Scotia's physical premises and technology needs.

Table 11: OM&A Costs for the Facilities and Technology Cost Category

Cost Category	Ongoing OM&A Budget ($)(Millions)

[16] Named "Other Capacity Contract Opportunities" in the 25/26 application.

[17] This figure adjusted from the 25/26 application to account for rounding.

[18] Named "Procurement and Project Management (50%)" in the 25/26 application. Formerly covered 50% of "Procurement and Project Management" in the 2025/2026 budget – the other 50% was considered a capital cost.

[19] "300MW RFP" appears in the 25/26 application, and is rolled into the "Capacity Procurement" line item in this application. "Capacity Procurement" is the sum of "300MW RFP" and "Additional Capacity Procurement" in this table.

Facilities and Technology	**1.56M**
Office Lease	0.38M
IT Application Software	0.89M
Managed IT Services	0.21M
Other IT Costs	0.08M

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

- **Office Lease:** These costs are to lease approximately 8,900 square feet of office space at Suite 1010, TD Tower, 1791 Barrington Street, Halifax, Nova Scotia. IESO Nova Scotia has entered into a 10-year lease for these premises which commences on January 1, 2026.
- **IT Application Software:** These costs include the purchase or licensing of the required software for IESO Nova Scotia to successfully begin Phase I operations. These costs are for software licenses used in the utilities industry for system planning functions such as integrated resource planning, transmission planning, and reliability studies. It also includes collaboration and office productivity software subscriptions.
- **Managed IT Services:** The Managed IT Services subcategory includes costs related to having a third-party providing IT and Cybersecurity managed services. These services not only provide employee technical support and ensure the performance and availability of the technology services deployed but also ensure that cybersecurity risks are managed to an appropriate level. This gives IESO Nova Scotia enterprise-grade technology and cybersecurity support capabilities from day one of operations and lays the foundation for incremental capabilities as the business evolves.
- **Other IT Costs:** Other IT Costs include the costs for mobile phone services for staff as well as business-grade internet communication services for the office.

Comparison to 2025/2026 Budget

The estimated costs associated with office space increased by $190,000 from the 2025/2026 revenue requirement application. The 2025/2026 revenue requirement application budgeted for a temporary office space for a portion of the year. IESO Nova Scotia was able to find an appropriately sized pre-used office space, that was predominantly equipped with the necessary furniture and meeting space thus requiring minimal upgrades to be fit for purpose. This enabled an accelerated move into a permanent space saving time and material mobilization costs. As a result, a large temporary space was not leased, and IESO Nova Scotia entered into a lease for a 10-year term, including the entire 2026/2027 fiscal year, which meets the needs of IESO Nova Scotia now and into the future.

The Technology Needs Assessment and the Control Centre Space Assessment and Planning that were present in the 2025/2026 budget are not included in the 2026/2027 revenue requirement application because these assessments will be completed prior to the 2026/2027 fiscal year.

The Employee Technology Hardware and Software subcategory was removed from this Application as this will be treated as a capital expenditure for the 2026/2027 fiscal year covered by the provincial grant discussed in the 2025/2026 revenue requirement application.

The IT Application Software cost subcategory was not anticipated in the 2025/2026 budget. Since the 2025/2026 Revenue Requirement application was filed, IESO Nova Scotia has better defined the scope of its IT and software needs. IESO Nova Scotia will require various programs to assume its Phase I responsibilities, and this cost subcategory encompasses these costs. The Managed IT Services subcategory includes a recurring subscription service to manage network and cybersecurity requirements.

Table 12: Comparison Chart Between 2025/2026 and 2026/2027 Budgets for the Facilities and Technology Cost Category

Cost Category	2025/2026 Budget ($) (Millions)	2025/2026 Annualized Expenditures ($) (Millions) (A)	2026/2027 Proposed Budget ($) (Millions) (B)	Difference ($) (Millions) (increase)/decrease (A-B)
Facilities and Technology	**0.87M**	**1.15M**	**1.56M**	**(0.41M)**
Technology Needs Assessment and Business Case	0.50M	0.50M	0.00M	0.50M
Office Lease	0.14M	0.36M	0.38M	(0.02M)
IT Application Software	0.00M	0.0M	0.89M	(0.89M)
Managed IT Services[20]	0.18M	0.24M	0.21M	0.03M
Other Tech Costs	0.00M	0.00M	0.08M	(0.08M)
Control Centre Planning[21]	0.05M	0.05M	0.00M	0.05M

G. Finance

IESO Nova Scotia is budgeting $0.65M in ongoing costs as part of the Finance cost category. This cost category primarily consists of costs incurred in respect of financial services other than insurance, which are covered within the Corporation Administration cost category.

Table 13: OM&A Costs for the Finance Cost Category

[20] Referred to as “Cybersecurity and Monitoring” in the 25/26 application.

[21] Referred to as “Other Facilities and Technology” in the 25/26 application.

Cost Category	Ongoing OM&A Budget ($)
Finance	**0.65M**
Financing Costs on Operating Line of Credit/Loan from the Province of Nova Scotia	0.58M
External Financial Audit	0.04M
Payroll and Accounting Subscription Services	0.03M

Further details regarding the costs budgeted as part of this cost category are as follows:

- **Financing Costs:** These costs are for interest expenses associated with financing required to provide cash for operations until IESO Nova Scotia starts receiving NSEB approved fees. Pursuant to the financial relief request in the Application, IESO Nova Scotia has assumed it will start receiving fees in early 2026. Accordingly, IESO Nova Scotia may require around $10 million in financing to sustain operations until amounts are recovered for the 2025, 2026 and 2027 fiscal years. IESO Nova Scotia has secured an Operating Line of Credit in the amount of $10 million granted by the Province of Nova Scotia. The amount of interest payable by IESO Nova Scotia was calculated based on the assumption that this Operating Line of Credit would operate as a phased loan starting December 2025 with the entire $10M balance advanced for all of 2026/2027 from the Province of Nova Scotia at a prime (4.5%) + 0.5% interest rate. If the amount drawn is less than $10 million or is drawn for a lesser duration of time than assumed, any resulting lower interest cost will be accounted for in the Net Revenue Requirement Deferral and Variance Mechanism. IESO Nova Scotia arranged this financing to meet its cash flow requirements until it is able to recover its costs. This financing by the Province allows IESO Nova Scotia to move forward with certain of its initiatives at the lowest cost. Upon the NSEB's approval of IESO Nova

Scotia's financial relief, IESO Nova Scotia will review its operating cash flow requirements and future financing needs to bridge timing between expenses and revenues.

- **External Financial Audit:** These costs are for services of an external financial auditor to perform a financial statement audit in accordance with the Act. The costs were estimated based on responses to IESO Nova Scotia request for proposals (RFP) process for an external financial auditor**.** The contract for an external auditor has been awarded for 2025/2026 fiscal year.

- **Payroll and Accounting Subscription Services:** These costs are for payroll and accounting software subscriptions.

Comparison to 2025/2026 Budget

The greatest change in the Finance cost category between the 2025/2026 budget and the 2026/2027 budget is the interest costs. There is a greater funding requirement needed in 2026/2027 that has driven the increased cost.

Table 14: Comparison Chart Between 2025/2026 and 2026/2027 Budgets for the Finance Cost Category

Cost Category	2025/2026 Budget($) (Millions)	2025/2026 Annualized Expenditures ($) (Millions) (A)	2026/2027 Proposed Budget ($) (Millions) (B)	Difference($) (Millions) (increase)/decrease(A-B)
Finance	**0.16M**	**0.17M**	**0.65M**	**(0.48M)**
Financing Costs on Operating Line of Credit from Province[22]	0.10M	0.10M	0.58M	(0.48M)
External Financial Audit	0.04M	0.04M	0.04M	0.00M
Payroll and Accounting Subscription Services	0.02M	0.03M	0.03M	0.00M

H. Operations (System Planning)[23]

IESO Nova Scotia is budgeting $3.64M in costs as part of the Operations (System Planning) cost category. These costs represent the portion of NS Power operational costs that will have transitioned or will transition to IESO Nova Scotia during 2025/2026. As such, 2026/2027 will represent the first full fiscal year that IESO Nova Scotia will be responsible for these costs. These functions primarily pertain to System Planning. While the majority of these costs are for internal labour resources, which are distinct from the resources that are part of the Administration Salaries and Wages cost category, a portion of the budget is based on the costs to carry out integrated resource planning, which primarily consist of consulting fees.

[22] Referred to as "Financing" in the 25/26 application.

[23] Referred to as "NSPI Employee Transfers (including IRP consulting costs)" in the 25/26 application.

Table 15: OM&A Costs for the Operations (System Planning) Cost Category

Cost Category	Ongoing OM&A Budget ($)
Operations (System Planning)	**3.64M**
Salaries and Wages for Technical Staff	3.71M
Third Party Recoveries	(1.07M)
Integrated Resource Planning Consulting Fees	1.0M

Further details regarding the costs budgeted as part of this cost category are as follows:

- **Salaries and Wages:** The cost category primarily consists of expenses mandated by the Act for a first group of non-unionized employees with technical roles that have been transitioned from NS Power. The budget expenses for this cost category are based on IESO Nova Scotia's expectation that 21 roles are transitioned to IESO Nova Scotia.[24] The roles and employees that were assumed under this cost category are limited to roles that were previously held by NS Power employees and that are required for IESO Nova Scotia to carry out its Phase I System Planning and interconnection process management work.
- **Compensation:** IESO Nova Scotia's budget for the Operations (System Planning) cost category was established on the basis that the Act mandates IESO Nova Scotia to make an offer of employment to applicable NS Power employees on at least as good terms and conditions as their current employment arrangements. As such, the budget compensation cost is based on the total compensation packages of NS Power employees, including base salaries, incentives, benefits, pensions, and other cash/non-cash components.

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

- **Consulting Fees:** The budget for this cost category includes consulting fees related to conducting the IRP activities in 2026/27. IESO Nova Scotia commenced its IRP exercise before October 24, 2025,[25] and issued a request for proposals on October 16, 2025 to hire an IRP consultant to review the current NS Power processes for Integrated Resource Planning. The successful proponent is expected to complete their review by the end of the 2025/26 fiscal year.

Comparison to 2025/2026 Budget

The difference between the estimated annualized expenditures under the 2025/2026 test year and the proposed 2026/2027 budget are based on differences in estimated personnel costs. Specifically, the 2025/2026 budget assumed 23 Full Time Employees (FTEs) with a start date of October 2025, while the 2026/2027 budget has assumed 21 FTEs to be employed for the entire 2026/2027 fiscal year. The 2026/2027 budget also includes an allowance for up to 3% increase in the compensation for the 21 employees assumed transferred over the 2025/2026 test year. Finally, the burden assumption increased from 14.75% to 15%.

Third Party Recoveries refers to the recovery of labour costs associated with IESO Nova Scotia technical employees completing interconnection studies. These costs are recovered as allowed under the NSEB-approved Generation Interconnection Procedures, and reflect the actual costs incurred to perform Feasibility and System Impact Studies on behalf of interconnection customers.

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

Table 16: Comparison Chart Between 2025/2026 and 2026/2027 Budgets for the Operations (System Planning) Cost Category

Cost Category	2025/2026 Budget ($) (Millions)	2025/2026 Annualized Expenditures ($) (Millions) (A)	2026/2027 Proposed Budget ($) (Millions) (B)	Difference ($) (Millions) (increase)/decrease (A-B)
Operations (System Planning)	**1.61M**	**3.53M**	**3.64M**	**(0.11M)**
Salaries and Wages for Technical Staff	1.65M	3.61M	3.71M	(0.10M)
Third Party Recoveries	(0.54M)	(1.08M)	(1.07M)	(0.01M)
Integrated Resource Planning Consulting Fees	0.50M	1.00M	1.00M	0.00M

EXHIBIT B-3 – PHASE II TRANSITIONAL COSTS

IESO Nova Scotia's budget for Phase II Transitional Costs are summarized as follows:

Table 4: Summary of Transitional Cost Category

Transitional Costs Category	Transitional Costs Budget ($)
Total Transitional Costs	**1.77M**
PMO Support	0.57M
Subject Matter Expert – Phase II	0.86M
Compliance Preparedness & Assurance	0.34M

IESO Nova Scotia is seeking the Board's approval for these Transitional Costs which pertain to the Phase II transition of functions from NS Power to IESO Nova Scotia and to continue to set up IESO Nova Scotia's organizational capabilities.

The following provides a summary of the costs that IESO Nova Scotia expects to incur during the 2026/27 fiscal year. As there remains considerable work to be done to build out the Phase II transition roadmap, there may be additional costs that have not been anticipated at this time. In particular, IESO Nova Scotia anticipates that there will be capital requirements associated with implementing the technology requirements which are not included in this Application.

A. Project Management ("PMO") Support

PMO Support to deliver the Phase II work plan is budgeted at $0.57M and includes the following component costs:

- **HR Transition Planning ($0.05M)** - As a new entity, IESO Nova Scotia is having to stand up all its HR systems, processes and policies. Much of this work was completed in 2025/2026. These costs are to support the transition of these arrangements to the newly hired HR team, to complete outstanding work, and support the change management process as the organization prepares for and ramps up for Phase II operations.

- **Change Management ($0.10M)** - This cost is to support the organization overall with change management as it leans into the Phase I structures and processes that were put into place, while also ensuring readiness and preparedness of new administrative staff and transferred NS Power employees for Phase II.

- **Program and Project Management ($0.42M)** - There is significant ongoing project work for IESO Nova Scotia in 2026/2027 as it stabilizes its transition of Phase I activities transferred from NS Power and prepares for the transition of Phase II activities. These costs cover the project management consulting fees to manage the development of IESO Nova Scotia's organizational capabilities, including with respect to scheduling, financial planning and advisory, and risk oversight.

B. Subject Matter Expertise – Phase II

The costs for Phase II subject matter expertise is budgeted at $0.86M.

These costs address the individual consultants which IESO Nova Scotia will require to ensure Phase II preparedness. While significant uncertainty remains around the exact scope of Phase II and all the work that will be required, two specific pieces of work have been contemplated as part of this budget. The first is for $0.36M associated with additional advisory support associated with the readiness and preparedness of taking over reliable control room operations as part of Phase II. The second is for $0.5M associated with considering what adjustments might be necessary to electricity market arrangements and rules as IESO Nova Scotia takes on dispatch and control in Phase II. At the time of this application these projects have not been fully scoped nor competitive bids received and so the costs are estimates. Any cost variances will be reflected in the Net Revenue Requirement Deferral and Variance Mechanism.

C. Compliance Preparedness and Assurance

Compliance Preparedness and Assurance for Phase II is budgeted at $0.34M and includes the following component costs:

- **Phase II Readiness Assurance Consultant ($0.10M)** - These costs will cover the consulting fees for a Phase II Readiness Assurance Consultant, to ensure that IESO Nova

Scotia is prepared to undertake the control of real-time dispatch operations for the electricity system in Nova Scotia.

- **NERC Compliance Consultant ($0.20M)** - These costs will cover the consulting fees for a NERC Compliance Consultant, to ensure that IESO Nova Scotia is meeting all required reliability standards under the NERC framework.

- **NERC Phase II Readiness Assurance ($0.04M**) - Once IESO Nova Scotia begins the Phase II readiness process, this amount will cover the costs associated with ensuring that IESO Nova Scotia receives a verification of compliance with NERC's reliability standards and requirements.

Comparison to 2025/2026 Budget

The differences between the estimated annualized expenditures under the 2025/2026 test year and the proposed 2026/2027 budget are based on differences in consultancy fees associated with IESO Nova Scotia's transition into Phase II planning, including ensuring smooth employee transitions, NERC compliance, and IESO Nova Scotia's transition into its operational role.

Table 2: Comparison Chart Between 2025/2026 and 2026/2027 Budgets for the OM&A Transitional Costs Category

Cost Category	2025/2026 Budget ($) (Millions)	2025/2026 Annualized Expenditures ($) (Millions) (A)	2026/2027 Proposed Budget ($) (Millions) (B)	Difference ($) (Millions) (increase)/decrease (A-B)
Total Transitional Expenses	**1.23M**	**1.85M**	**1.77M**	**0.08M**
PMO Support[26]	0.72M	1.29M	0.57M	0.72M
Subject Matter Expertise – Phase II[27]	0.07M	0.12M	0.86M	(0.74M)
Compliance Preparedness and Assurance[28]	0.44M	0.44M	0.34M	0.10M

[26] PMO Support combines line items "HR Transition Planning, Change Management" and "Program and Project Management, and Financial Advisory" from the 25/26 application.

[27] Subject Matter Expertise – Phase II was referred to as "Operational Planning and Strategy" in the 25/26 application.

[28] Compliance Preparedness and Assurance includes NERC compliance and assurance consultants, and combines 25/26 application line items "Governance" (NERC compliance and assurance consultants), with "Branding and Web Development" and "Office and Employee Technology Hardware and Software".

EXHIBIT C-1 – NET REVENUE REQUIREMENT DEFERRAL AND VARIANCE MECHANISM

IESO Nova Scotia's 2025/2026 revenue requirement application (currently before the NSEB under M12412) requested approval of an OM&A deferral and variance account referred to as the "Net OM&A Deferral and Variance Account". The rationale for the initial request for the Net OM&A Deferral and Variance Account still exists, and IESO Nova Scotia is requesting a continuation of the Net OM&A Deferral and Variance Account for 2026/2027 and in perpetuity for the purpose of tracking and deferring any variance from the approved revenue requirement. The Net OM&A Deferral and Variance Account may be used to account for additional cost categories such as capital and costs associated with energy resource procurements, and is therefore being renamed the Net Revenue Requirement Deferral and Variance Mechanism to reflect its potential use in truing up various other cost categories in the future.

The Net OM&A Deferral and Variance Account as described in the 2025/2026 Revenue Requirement Application served three functions,[29] including accounting of the Phase I Transition Expenses. Given that the Provincial grant was fully applied to and covered the Phase I Transition Expenses during the 2025/2026 fiscal year, the Net Revenue Requirement Deferral and Variance Mechanism will continue to serve two functions in the 2026/2027 fiscal year and in future years:

- First, it will enable IESO Nova Scotia to record its approved budget of Total Revenue Requirement Costs. Assuming all other aspects remain constant, this would be the amount IESO Nova Scotia expects to recover through a fee recovery mechanism.
- Second, as the Total Revenue Requirement Costs amount is a forecast, the Net Revenue Requirement Deferral and Variance Mechanism will record any variances from budget to actual regarding the Total Revenue Requirement forecasted for 2026/2027 in the Application. Variances will occur where actual costs incurred are higher or lower than the forecasted and Board approved Total Revenue Requirement for the applicable fiscal year.

[29] IESO Nova Scotia 2025/2026 Revenue Requirement Application (M12412), August 5, 2025, page 2, para 14.

IESO Nova Scotia proposes the following simplified calculation for the Net Revenue Requirement Deferral and Variance Mechanism. This revision to the presentation of the Net OM&A Deferral and Variance Mechanism also allows IESO Nova Scotia the flexibility on how to most appropriately track deferrals and variances for the purpose of internal financial reporting.

Table 5: Net Revenue Requirement Deferral and Variance Mechanism Calculation

Cost Category	Description
1. Budgeted Revenue Requirement	The NSEB approved budgeted revenue requirement for the fiscal year period beginning April 1 and ending March 31. This amount is presented as the total Revenue Requirement in each Revenue Requirement and Fees application.
2. Actual Revenue Requirement Costs incurred.	The actual costs incurred in the prior fiscal year from April 1 to March 31.
3. Variance.	The variance in cost is calculated as the difference between cost category 1 and cost category 2. A positive variance indicates that IESO Nova Scotia's actual total revenue requirement costs were greater than the approved budget. A negative variance indicates that IESO Nova Scotia's actual total revenue requirement costs were less than the approved budget. The variance is then accounted for in the next Revenue Requirement and Fees application.

Once the variance is determined each year, the positive or negative variance amount will be reflected in the next Revenue Requirement and Fees application, and will be worked into the calculation of fees charged. For example, in the event the Net Revenue Requirement Deferral and Variance Mechanism indicates an under-collected amount, that amount will be included in and proposed for recovery in the fee for the fiscal year applicable to the next Revenue Requirement and Fee application, and in the event the Net Revenue Requirement Deferral and Variance

Mechanism indicates an over-collected amount, that amount would be subtracted from the proposed fee for the fiscal year applicable to the next Revenue Requirement and Fee application.

The following examples illustrate how the Net Revenue Requirement Deferral and Variance Mechanism will function. In each scenario, the Board approved total fiscal year Revenue Requirement budget is assumed to be $100 (cost category 1).

- In the first scenario, during the fiscal year April 1 to March 31, IESO Nova Scotia incurs actual costs of $90 (cost category 2), lower than the NSEB approved budget. The Net Revenue Requirement Deferral and Variance Mechanism balance is therefore $10 (i.e., $100 − 90) (cost category 3). The $10 is effectively an over-recovery, and will then be incorporated into associated fees reducing what the fees might otherwise be in the next Revenue Requirement and Fee application.
- In the second scenario, during the fiscal year April 1 to March 31, IESO Nova Scotia incurs actual costs of $110 (cost category 2), more than the NSEB approved budget. The Net Revenue Requirement Deferral and Variance Mechanism balance is therefore −$10 (i.e. $100 – 110) (cost category 3). The -$10 is effectively an under-recovery, and will then be incorporated into associated fees in the next Revenue Requirement and Fee application.

This mechanism ensures fees represent only the actual costs of IESO Nova Scotia, and the timing of the variance tracking to use actuals for each fiscal year allows for intuitive comparisons of budget to actual costs by each fiscal year.

EXHIBIT D-1 – IMMEDIATE TEMPORARY FINANCIAL RELIEF

As noted above, IESO Nova Scotia is a not-for-profit corporation established by the Act on October 24, 2024. The Province of Nova Scotia, having created IESO Nova Scotia, established its inaugural Board of Directors on February 18, 2025. In the time since, the Board of Directors of IESO Nova Scotia have stood-up IESO Nova Scotia, in accordance with its obligations and the timelines under the Act in assuming grid operation and system planning functions from NS Power. In doing so, IESO Nova Scotia has assumed certain liabilities, obligations and expenses, as contemplated by the Act, and are now forming part of the contemplated revenue requirements.

While IESO Nova Scotia has filed its 2025/2026 Revenue Requirement Application (M12412), and is seeking the Board's approval of its 2026/2027 revenue requirement via this Application, IESO Nova Scotia has not yet collected any fees related to its revenue requirement.

In response, over the past months, IESO Nova Scotia has approached both commercial lenders and the Province of Nova Scotia, for financing to enable it to meet its liabilities as they become due, in advance of recovery of its Board-approved revenue requirement. It has become known to IESO Nova Scotia that (a) commercial lenders are not prepared to loan IESO Nova Scotia funds in absence of revenue or an approved revenue requirement, and (b) the Province was prepared to loan IESO Nova Scotia the total of Ten (10) Million dollars in the form of a line of credit.

While IESO Nova Scotia now has access to and is utilizing the Province's Ten (10) Million dollar line of credit, it projects that it will become unable to meet its liabilities as they become due in May 2026.

Accordingly, IESO Nova Scotia is requesting Board approval for immediate temporary financial relief, to enable it to remain able to pay its liabilities as they become due. Following internal review of the current and projected utilization of the Provincial line of credit, together with a general forecasting of upcoming liabilities, IESO Nova Scotia has determined that a minimum of Nine Hundred Fifty Thousand dollars ($950,000) revenue is needed each month to ensure it continues to meet its liabilities as they become due. Attached hereto as Attachment "A" is a copy of an affidavit of Michael McFeters, Director, Finance, attesting to matters of IESO Nova Scotia's current financial health.

Based on the OM&A forecasted revenue requirement for fiscal year 2025/2026 as described in that application, and the OM&A forecasted revenue requirement for fiscal year 2026/2027 as described in this Application, IESO Nova Scotia forecasts that its combined revenue requirement for the 2025-2027 fiscal years will be approximately $20.16M. This is the sum of the following amounts:

- 2025/2026 OM&A Budget of $5.31M
- 2026/2027 OM&A Budget of $14.85M

In advance of NSEB review and approval of IESO Nova Scotia's revenue requirement, IESO Nova Scotia is requesting that the Board direct NS Power to pay Nine-Hundred Fifty Thousand dollars ($950,000) per month, exclusive of any applicable taxes, effective February 1, 2026 (Monthly Assessment), until the earlier of either: (a) March 31, 2027, or (b) such date when the Board approves a subsequent permanent fee and cost recovery mechanism.

Ahead of this filing, IESO Nova Scotia has consulted NS Power and can advise that NS Power is agreeable to the above request recognizing the unique nature of the situation and the need for a timely solution, provided it is able to record, defer, and recover the Monthly Assessment through its Fuel Adjustment Mechanism (FAM), with the Monthly Assessment being approved as a prudent cost of NS Power by way of this application.

Permanent Fee and Cost Recovery Mechanism

IESO Nova Scotia will develop and propose a permanent IESO Nova Scotia fee and cost recovery mechanism and assist in the development of a corresponding market participant cost recovery mechanism in 2026. IESO Nova Scotia's permanent fee and cost recovery mechanism and corresponding market participant cost recovery mechanism will be submitted for the NSEB's review and approval in Q2 2026, with the goal of NSEB approval prior to year-end 2026. IESO Nova Scotia's permanent fee application will also request recovery of IESO Nova Scotia's remaining Board-approved 2025-2027 fiscal year revenue requirement, effective from the date of NSEB's approval of the permanent fee recovery mechanism, up to and including March 2027, the end of IESO Nova Scotia's 2026/2027 fiscal year.

For clarity, IESO Nova Scotia submits that the fee requested to be paid by NS Power is intended as a temporary mechanism to allow the IESO Nova Scotia to remain a going concern and continue performing its mandated statutory functions pending approval of a permanent fee and cost recovery framework. The fee is therefore not determinative of, nor does it modify, the IESO Nova Scotia's Board approved revenue requirement for any fiscal year.

Should the total amount paid by NS Power to IESO Nova Scotia exceed the final revenue requirement approved by the Board for the applicable fiscal year(s), IESO Nova Scotia confirms that any such excess amounts will be subject to reconciliation through a permanent fee recovery mechanism. Specifically, any over collection will be credited back to NS Power through a reduction in future fees payable. Likewise, should fee collections be less than the revenue requirement approved by the Board for the applicable fiscal year(s), IESO Nova Scotia submits that the unrecovered balance shall form part of the amounts recoverable through the permanent fee recovery mechanism. In such circumstances, the permanent fee application to be brought forward in 2026 will request that the Board approve recovery of any under collection from the effective date of the permanent fee going forward. Going forward, any true-ups related to a permanent fee recovery mechanism is proposed via the Net Revenue Requirement and Deferral and Variance Mechanism, which will ensure only actual IESO Nova Scotia costs are ultimately passed onto market participants.

Requested Relief

For ease of reference, IESO Nova Scotia respectfully requests a Board Order granting the requested immediate financial relief be made on or before February 27, 2026, and include the following components:

1. Direction to NS Power to begin paying, no later than April 1, 2026, monthly payments to IESO Nova Scotia in the amount of Nine Hundred Fifty Thousand dollars ($950,000) per month, exclusive of applicable taxes, with such payments being made effective February 1, 2026.

2. Confirmation that these payments shall continue until the earlier of:

(a) March 31, 2027, or

(b) the effective date of a Board-approved permanent fee recovery mechanism.

3. Authorization for NS Power to record, defer, and recover such payments through its FAM, with the Monthly Assessment being approved as a prudent cost of NS Power by way of this application.

NOVA SCOTIA ENERGY BOARD

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

AND IN THE MATTER OF an application by the Nova Scotia Independent Energy System Operator ("**IESO Nova Scotia**") for an Order or Orders made in respect of urgent interim financial relief as pleaded by IESO Nova Scotia.

AFFIDAVIT OF MICHAEL McFETERS

I, Michael McFeters, of Fall River, Nova Scotia, affirm and give evidence as follows:

1. I am Michael McFeters, the Director, Finance of the Nova Scotia Independent Energy System Operator ("**IESO Nova Scotia**").

2. I have personal knowledge of the evidence affirmed in this affidavit except where otherwise stated to be based on information and belief.

3. I state, in this affidavit, the source of any information that is not based on my own personal knowledge, and I state my belief of the source.

4. I have accessed and read certain of IESO Nova Scotia's current and historical financial records, as set out below, including information about IESO Nova Scotia's debt financing, available cashflow, upcoming costs and expenditures, and internal forecasts:

   a. IESO Nova Scotia's banking statements;
   b. IESO Nova Scotia's budget detail;
   c. IESO Nova Scotia reports regarding actual spending data against budgets;
   d. IESO Nova Scotia's aged accounts payable subledger;
   e. IESO Nova Scotia's payroll records;
   f. IESO Nova Scotia's departmental spending forecasts; and,
   g. IESO Nova Scotia's credit facility records (collectively, the "**Records**").

5. I analyzed these Records using my knowledge and expertise as a Chartered Professional Accountant.

6. Based on my analysis of the Records, I project that the IESO Nova Scotia will be unable to meet its planned and forecasted financial liabilities as they become due in or about May 2026.

Affirmed before me on the 19 day of January, 2026, at Halifax, Nova Scotia.	
A Barrister of the Supreme Court of Nova Scotia	**Michael McFeters**

JAMIE C. SWINIMER
A Barrister of the Supreme Court of Nova Scotia