Nova Scotia Energy Board

Review of Revenue Requirement Application by the Nova Scotia Independent Energy System Operator

Board Matter M12663

Report date: March 31, 2026 (Revised)

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1. Executive summary

1.1 Purpose and scope

Doane Grant Thornton LLP ("we", "us", "our", "Doane Grant Thornton", or "Doane GT") has been engaged by the Nova Scotia Energy Board (the "Board" or "NSEB"). We were engaged to review an application by the Nova Scotia Independent Energy System Operator ("IESO Nova Scotia") for approval of its proposed revenue requirement for the 2026/2027 fiscal year (the "Application" or "M12663").

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

- Review of the Application, submission of information requests ("IRs"), preparation of an expert report, and responding to information requests pertaining to our report.
- Our report includes observations and recommendations pertaining to the following:
    1. A review of operating, maintenance & administration ("OM&A") costs for the 2026/2027 budget ("2026/2027B"). Our review includes an analytical reporting on trends, comparison with 2025/2026 budget ("2025/2026B") and 2025/2026 annualized expenditures ("2025/2026A"), and follow up on significant variances. The examination of the foregoing includes the following:
        a) Employees (administration);
        b) Corporate administration;
        c) Governance;
        d) Legal and regulatory;
        e) Procurement;
        f) Facilities and technology;
        g) Finance; and
        h) Operations (system planning).
    2. An analysis of transitional costs that compares the 2026/2027 budget to 2025/2026 budget and 2025/2026 annualized expenditures, and follow up on significant variances. The examination of the foregoing includes the following:
        a) Project management support ("PMO support");
        b) Subject matter expertise - Phase II; and
        c) Compliance preparedness & assurance.
    3. A review of the reasonableness of IESO Nova Scotia's net revenue requirement deferral and variance mechanism (the "Deferral Mechanism").
    4. A review of IESO Nova Scotia's request for immediate temporary financial relief and the corresponding NSEB decision.

1.2 Restrictions and limitations

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

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

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

1.3 Summary of findings, observations and conclusions

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

Figure 1 – Summary of findings, observations and conclusions

#	Report section	Findings, observations, and conclusions
2.	Good utility practice	We reviewed the Application in the context of Good Utility Practice (“GUP”). Where practices differ from GUP or standard industry practice, we have noted those differences throughout.
3.	Revenue requirement	Our specific comments on matters included in our scope of work related to revenue requirements are outlined below and throughout our report.
4.	Operating, maintenance, and administration costs	We have completed our procedures on IESO Nova Scotia’s OM&A costs for 2026/2027 budget and compared to 2025/2026 budget and 2025/2026 annualized budget results. IESO Nova Scotia calculates 2025/2026 annualized results by adjusting the proposed costs to reflect what they would be if IESO Nova Scotia had been running with standardized value for the entire 2025/2026 fiscal year.[1] Our analysis identified notable variances, and we made subsequent inquiries to IESO Nova Scotia for further clarification, including descriptions of their budgeting approach and methodology. Overall, OM&A expenses experienced a significant increase in 2026/2027B compared to 2025/2026B, of approximately 94%. While several cost categories contributed to this increase, the largest variances came from employees (administration), finance, and operations (system planning). IESO Nova Scotia provided support for these discrepancies, and we are satisfied with their clarification. When comparing 2026/2027B to 2025/2026A, total OM&A cost was 11% higher than 2025/2026A. Cost categories that are the main drivers of this increase include legal and regulatory, facilities and technology, and finance. We received explanations from IESO Nova Scotia on the trends identified and are satisfied with their explanations. In addition to analyzing 2026/2027B, we also compared 2025/2026A to 2025/2026B and noted any significant variances. In this analysis, we considered a significant variance to be greater than 10%. Total OM&A expenses under the scope of our review increased by 75%. Cost categories that are the main drivers of this increase include; employees (administration), corporate administration, facilities and technology, and operations (system planning). IESO Nova Scotia provided adequate explanations for these variances. As part of the interrogatory process, IESO Nova Scotia provided 2025/2026 actual results as well as variance explanations for discrepancies in 2025/2026 actual costs

[1] N-1(i) – M12663 – IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026, Exhibit B-1, page 10

#	Report section	Findings, observations, and conclusions
		and the 2025/2026 prorated budget.[2] We note that 2025/2026 actuals were 2% lower than the prorated budget. This was largely due to lower employees (administration) and procurement costs. It should also be noted that 2025/2026 actuals were unaudited, however, NSEB has directed IESO Nova Scotia to include audited financial statements in future applications.[3]
5.	Transitional costs	We have completed our analysis of IESO Nova Scotia's transitional costs and compared the 2026/2027 budget to the 2025/2026 budget and 2025/2026 annualized results. Our analysis identified notable variances, and we made subsequent inquiries with IESO Nova Scotia for further clarification. Overall, transitional costs in 2026/2027B are 44% higher than compared to 2025/2026B. This increase is driven by the subject matter expertise - Phase II cost sub-category. This sub-category experienced a 1129% increase. IESO Nova Scotia explained that 2026/2027B includes additional Phase II workstreams which require specialized external expertise and were not included in 2025/2026B. When comparing 2026/2027B to 2025/2026A, total transitional costs decreased by 4%. While subject matter expertise - Phase II increased by 617% due to the need for specialized external expertise in Phase II, project management support decreased by 56%, and compliance preparedness and assurance decreased by 23%. IESO Nova Scotia explained that the decrease in PMO support is the result of lower start-up needs in the 2026/2027B and decrease in compliance preparedness and assurance to be a result of no longer requiring the same level of external advisory. In addition to analyzing 2026/2027B, we also compared 2025/2026A to 2025/2026B and noted any significant variances. Total transitional costs under the scope of our review increased by 50%, which was caused by a 79% increase in PMO support and 71% increase in subject matter expertise - Phase II. We are satisfied with IESO Nova Scotia's explanations for the variances we identified. As part of the interrogatory process, IESO Nova Scotia provided 2025/2026 actual results as well as variance explanations for discrepancies in 2025/2026 actual costs and the 2025/2026 prorated budget.[4] We note that 2025/2026 actuals were 38% higher than the prorated budget. This was largely driven by higher consulting costs resulting from a greater scope of work than originally anticipated.
6.	Net revenue requirement deferral and variance mechanism	We have reviewed IESO Nova Scotia's proposed Net Revenue Requirement Deferral Mechanism in comparison to the originally proposed Net OM&A Deferral and Variance Account as well as industry practice. Overall, the implementation and use of deferral accounts and mechanisms is a common practice among utilities and independent system operators ("ISOs") across Canada. They are important to support stabilization of rates, alignment of cost recovery with service delivery, and for compliance with regulatory frameworks. Therefore, the concept of IESO Nova Scotia's Deferral Mechanism remains aligned

[2] N-6 – IESO Nova Scotia Responses to NSEB Information Requests – IR-7
[3] 101053 – M12412 Board Decision - Nova Scotia Energy Board – 2026 NSEB 5, page 6
[4] N-6 – IESO Nova Scotia Responses to NSEB Information Requests – IR-7

<table>
<tr><th>#</th><th>Report section</th><th>Findings, observations, and conclusions</th></tr>
<tr><td></td><td></td><td>with standard industry practice. However, we offer the following comments for consideration go forward:
Our recommendations as per our previous report, dated October 28, 2025 and pertaining to the Net OM&A Variance Deferral Account per the 2025-2026 revenue requirement application (“M12412” or the “M12412 Application”) remain applicable.[5] We highlight the importance of the Board’s Order per M12412, directing IESO Nova Scotia to develop specific guidelines, accounting policies and financial controls, particularly in relation to the Deferral Mechanism.
The modified calculation of the Deferral Mechanism fosters simplicity for tracking purposes and appears appropriate based upon the information available as at the date of this report.
While the deferral of capital related costs is not uncommon for utilities across Canada, it does not appear to be standard practice for other Canadian ISOs. Additional detail would be required to better understand IESO Nova Scotia’s intent in regard to the deferral of capital costs into the future. Specifically, the following would need to be understood:
The defined nature and types of capital costs eligible for deferral;
Thresholds and limitations for capital cost deferral; and,
Applicable capital cost approval and review requirements.</td></tr>
<tr><td>7.</td><td>Request for immediate temporary financial relief</td><td>Based upon our review of IESO Nova Scotia’s request for immediate temporary financial relief and the Board’s letter published on February 25, 2026, we offer the following comments:
We recognize the need for approval of the financial relief in order to prioritize public interest and allow IESO Nova Scotia to continue operating – this aligns with the GUP principal of reliability.
Doane GT is aligned with intervenors and the Board, supporting the movement away from use of the FAM. Using the FAM to record, defer, and recover monthly assessment costs contradicts the narrow definition of the FAM which specifies its intended use is for fuel and purchased-power costs only. Using a mechanism for a purpose outside of the scope of its defined and intended use would create misalignment with the GUP principal of regulatory compliance.
At the time of this report, the way the deferred costs are allocated to and recovered from customers has not been determined. Establishing this process should be prioritized to ensure clarity going forward.</td></tr>
</table>

[5] N-10 – Evidence of Doane Grant Thornton – Review of M12412 Revenue Requirement Application – October 28, 2025

#	Report section	Findings, observations, and conclusions
		• The IESO Nova Scotia has produced actual and historical financial records along with a high-level cash flow modeling exercise in response to IG-RIR-1. However, as IESO Nova Scotia works through the process of imposing a separate deferral account per the Board's order, it is recommended that a stringent forecasting and tracking process be implemented. At the core of GUP lies clear and transparent data access and supporting information. Therefore, to align with this principle, a more detailed forecasting process should be implemented for future applications.

2. Good utility practice

2.1 Good utility practice overview

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

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

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

2.2 Guiding principles

A summary of the key themes of GUP that have been considered throughout our review has been detailed below:

Figure 2 – GUP guiding principles

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

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

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

3. Revenue requirement

3.1 Scope

Per Section 29 of the More Access to Energy Act (the "Act"), IESO Nova Scotia is required to submit its proposed expenditure and revenue requirements for the fiscal year and the fees it proposed to charge during the fiscal year to the Board for review and approval.[6] The IESO Nova Scotia's revenue requirement as outlined in the Application consists of operating, maintenance and administration costs; as well as Phase II transitional costs.

3.2 Procedures

Our procedures with respect to IESO Nova Scotia's revenue requirement calculations were focused on the assessment of the accuracy and reasonableness of the calculation, the reasonableness of the underlying assumptions including the support for those assumptions, and the internal consistency between information included in the Application. Specifically, the procedures we performed included the following:

- Recalculated revenue requirement to confirm mathematical accuracy;
- Reviewed IESO Nova Scotia's forecast methodology for components of the revenue requirement calculation; and
- Reviewed M12412 and evidence relating to the matter for internal consistency as of March 26, 2026.

3.3 Analysis

Based on evidence included in IESO Nova Scotia's Application, IESO Nova Scotia has indicated that its revenue requirement for the fiscal year 2026/2027 is $14.85M. This requirement is based on the proposals that IESO Nova Scotia has put forward. The Application also requests approval to continue using the Net Revenue Requirement Deferral and Variance Mechanism.

Figure 3 – Summary of 2026/2027 revenue requirement

($ millions)	2026/2027B	Report section
Employees (administration)	4.44	4- OM&A
Corporate administrative	0.26	4- OM&A
Governance	0.49	4- OM&A
Legal and regulatory	1.15	4- OM&A
Procurement	0.89	4- OM&A
Facilities and technology	1.56	4- OM&A
Finance	0.65	4- OM&A
Transition and operational planning	1.77	5 - Transitional costs
Operations (system planning)	3.64	4- OM&A
Total revenue requirement	**14.85**	

[6] Nova Scotia, More Access to Energy Act, Section 29 -More Access to Energy Act

3.4 Conclusion

Our specific comments on matters included in our scope of work related to revenue requirement are outlined throughout our report.

4. Operating, maintenance & administration costs

4.1 Scope

Conduct a review of operating, maintenance & administration costs for the 2026/2027 proposed budget. Include an analytical reporting on trends, including comparison with 2025/2026 budget and 2025/2026 annualized expenditures, and follow up on significant variances. IESO Nova Scotia calculates 2025/2026 annualized results by adjusting the proposed costs to reflect what they would be if IESO Nova Scotia had been running with standardized valued for the entire 2025/2026 fiscal year.[7] The examination of the foregoing will include, but is not limited to, the following:

a) Employees (administration);

b) Corporate administration;

c) Governance;

d) Legal and regulatory;

e) Procurement;

f) Facilities and technology;

g) Finance; and

h) Operations (system planning).

4.2 Procedures

Our procedures with respect to OM&A costs included the following:

- Summarized expenses by category above including 2025/2026 budget, 2025/2026 annualized budgeted expenditures, and 2026/2027 proposed budget.
- Performed a trend analysis on the costs, considering annualized costs as well as year-over-year trends in annual budgets. For cost categories with significant variances, we completed the following procedures:
  - Requested and reviewed additional detailed explanations from IESO Nova Scotia;
  - Reviewed IESO Nova Scotia's budgeting methodologies and assumptions used in the OM&A forecast for reasonableness; and
  - Assessed the reasonableness of IESO Nova Scotia's explanations provided.
- As part of the interrogatory process for this matter, we requested the 2025/2026 actual expenses to understand how they compare to the budget approved in M12412.[8] These costs, as well as the explanations for variances provided by IESO Nova Scotia, are detailed in this section of our report.

[7] N-1(i) – M12663 – IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026, Exhibit B-1, page 10
[8] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-9

4.3 Analysis

4.3.1 2025/2026 Actual analysis

The following chart and table demonstrate the OM&A costs for actual expenses as of December 31, 2025 compared to prorated proposed revenue requirement in M12412.[9] It should also be noted that 2025/2026 actuals were unaudited, however, NSEB has directed IESO Nova Scotia to include audited financial statements in future applications.[10]

Figure 4 - Actual 2025/2026 OM&A costs

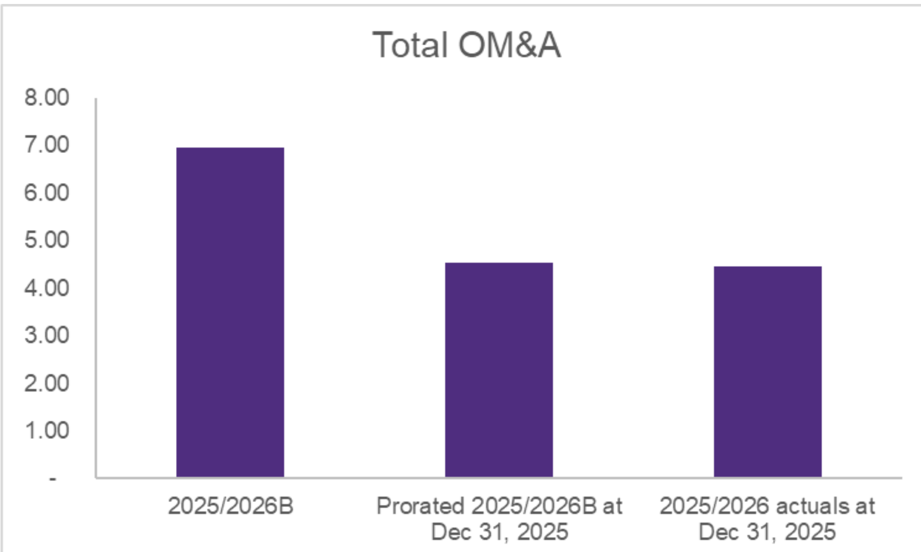

Figure 5- Summary of actual 2025/2026 OM&A costs

($ millions)	2025/2026B[1]	Prorated 2025/2026B at Dec 31, 2025[2]	2025/2026 actuals at Dec 31, 2025	2025/2026 actuals vs prorated 2025/2026B	% change
Employees (administration)	1.57	0.87	0.71	(0.16)	-18%
Corporate administration	0.29	0.23	0.27	0.04	17%
Governance	0.52	0.41	0.46	0.05	12%
Legal and regulatory	0.81	0.41	0.48	0.07	17%
Procurement	1.00	0.75	0.58	(0.17)	-23%
Facilities and technology	1.00	0.71	1.53	0.82	115%
Finance	0.16	0.07	0.01	(0.06)	-86%
Operations (system planning)	1.61	1.08	0.42	(0.66)	-61%
Totals	**6.96**	**4.53**	**4.46**	**(0.07)**	**-2%**

[9] N-6 – IESO Nova Scotia Responses to NSEB Information Requests – IR-7
[10] 101053 – M12412 Board Decision - Nova Scotia Energy Board – 2026 NSEB 5, page 6

Note 1: 2025/2026B provided by NSEB in this table is the total OM&A costs from M12412, which included one-time transitional costs.

Note 2: The prorated budget represents the portion of the annual budget allocated to the part of the fiscal year completed. Given that 2025/2026 actuals are up to December 31, 2025, the prorated budget allows them to compare their 9 months of actuals more fairly.

IESO Nova Scotia explained the variances at December 31, 2025 as follows:[11]

- **Employees (administration) costs to December 31, 2025 are 18% less than the prorated budget amount.** Per IESO Nova Scotia, this is a result of employee start dates being later in the period than planned, reducing the compensation costs for the period. The reduction was offset by higher recruitment costs than planned as professional recruitment was utilized to hire the management team.

- **Corporate administrative costs to December 31, 2025 are 17% higher than prorated budget**. IESO Nova Scotia explained that the higher communications cost than planned is offset by savings in various insurance policies.

- **Governance costs to December 31, 2025 are 12% higher than the prorated budget.** IESO Nova Scotia stated that this is caused by extra costs incurred with a higher level of work in the first year of operation.

- **Legal and Regulatory costs to December 31, 2025 are 17% higher than the prorated budget**. IESO Nova Scotia explained that this a result of having two revenue applications in progress and the first year of IESO Nova Scotia has created additional legal costs.

- **Procurement costs to December 31, 2025 are 23% lower than the prorated budget**. IESO Nova Scotia stated that this is caused by the timing of activity and variability of costs.

- **Facilities and Technology costs to December 31, 2025 are 115% higher than the prorated budget.** Per IESO Nova Scotia, this is a result of full transition costs related to computer hardware such as workstations, servers and audio-visual equipment not being fully budgeted. Additionally, software costs were higher than anticipated as were costs related to IT implementation planning. These were offset by lower lease costs with the office space lease starting in January 2026 and a lease inducement received.

- **Finance costs to December 31, 2025 are 86% lower than the prorated budget.** IESO Nova Scotia stated that this primarily due to the lower financing costs on the line of credit facility due to a lower interest rate than forecast and timing of the draws.

- **Operations (Systems Planning) costs to December 31, 2025 are 61% lower than the prorated budget.** Per IESO Nova Scotia, this is due to timing with a later start than originally envisioned for this work.

[11] N-6 – IESO Nova Scotia Responses to NSEB Information Requests – IR-7

4.3.2 2026/2027 Budget analysis

The following table illustrates the OM&A costs for 2025/2026B, 2025/2026A, and 2026/2027B.

Figure 6 – Summary of budget OM&A costs

($ millions)	2025/2026B	2025/2026A	2026/2027B	2025/2026A vs 2025/2026B	% change	2026/2027B vs 2025/2026B	% change	2026/2027B vs 2025/2026A	% change
Employees (administration)	1.57	4.33	4.44	2.76	176%	2.87	183%	0.11	3%
Corporate administration	0.23	0.27	0.26	0.04	17%	0.03	13%	(0.01)	-4%
Governance	0.51	0.52	0.49	0.01	2%	(0.02)	-4%	(0.03)	-6%
Legal and regulatory	0.81	0.85	1.15	0.04	5%	0.34	42%	0.30	35%
Procurement	0.99	0.99	0.89	-	0%	(0.10)	-10%	(0.10)	-10%
Facilities and technology	0.87	1.15	1.56	0.28	32%	0.69	79%	0.41	36%
Finance	0.16	0.17	0.65	0.01	6%	0.49	306%	0.48	282%
Operations (system planning)	1.61	3.53	3.64	1.92	119%	2.03	126%	0.11	3%
Total OM&A costs under scope of review	**6.75**	**11.81**	**13.08**	**5.06**	**75%**	**6.33**	**94%**	**1.27**	**11%**

Based on our review of the expenses within each operating group, we have identified key variances between 2025/2026B 2025/2026A, and 2026/2027B. Our observations and explanations provided by IESO Nova Scotia are detailed throughout this section.

4.3.3 Employees (administration)

The following table details the breakdown of employee (administration) by sub-category for 2025/2026B, 2025/2026A, and 2026/2027B.

Figure 7 – Employees (administration)

($ millions)	2025/2026B	2025/2026A	2026/2027B	2025/2026A vs 2025/2026B	% change	2026/2027B vs 2025/2026B	% change	2026/2027B vs 2025/2026A	% change
Compensation	1.45	4.21	4.33	2.76	190%	2.88	199%	0.12	3%
Recruitment	0.12	0.12	0.11	-	0%	(0.01)	-8%	(0.01)	-8%
Total employees (administration)	**1.57**	**4.33**	**4.44**	**2.76**	**176%**	**2.87**	**183%**	**0.11**	**3%**

The budgeting approach for employees (administration) relied on peer reviews and the use of market information for each of the 23 positions. The administrative positions were aligned with peer organizations with similar administrative functions for financial, legal, administrative, regulatory, compliance, human resources (“HR”), and communications/stakeholder engagement required in all energy sector, public sector, and regulated utility sectors such as Nova Scotia Power (“NS Power”), Ontario Power Generation (“OPG”), Newfoundland Power (“NL Power”), Alberta Electric System Operator (“AESO”), and New Brunswick Power system operators.[12]

The compensation philosophy and structure for 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 size organization. These sites included Career Beacon, LinkedIn, Zip Recruiter, and Indeed, based on a point in time of open positions posted. Market information

[12] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-10a

was received, by HUB International for the three (3) senior leadership roles, and from the KBRS recruiters for certain administrative roles based on comparisons with other searches of similar roles and inclusive of candidate expectations throughout the recruitment processes. Based on the information obtained for each role, each role was then included in a pay band, and for each pay band, the highest salary in that band was applied to the number of roles in that band/level. This approach was taken to ensure the ability to secure the skill sets and experience sought.[13]

In the Application, IESO Nova Scotia stated that it is assumed that the 23 employees responsible for functional management and administrative matters are fully employed during the 26/27 fiscal year. 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 cost for the 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.[14] IESO Nova Scotia explained that 9 of the 23 functional management and administrative positions are currently filled. The remaining vacancies include a mix of administrative and specialized technical roles, several of which are expected to be filled in March/April 2026. Recruitment for specialized positions is ongoing, as these typically require longer lead times to find the necessary skillset. For budgeting purposes, 2026/2027B assumed all positions are in place for the full fiscal year.[15] Additionally, IESO Nova Scotia explained that the fringe rate of 15% was developed by an external consultant using benefits information and standard markup assumptions.[16]

The following table provides a breakdown of the $4.34M compensation amount in 2025/2026A, demonstrating how many vacancies remain in each department and the amount of compensation allocated to each categorical function.[17]

Figure 8 – Breakdown of 2025/2026A compensation for administration employees

Categorical function	# of roles	2025/2026A Total compensation ($000s)	Vacancy
Legal, regulatory affairs and risk and compliance	6	931	4
Finance, HR and communications management	6	860	3
Information technology	5	996	3
Operational oversight	6	1,543	4
Totals	**23**	**4,330**	**14**

Based on the variances identified in figure 7, we note the following observations:

- **2026/2027B is 183% higher than 2025/2026B**. This difference is largely driven by the increase in the "compensation" sub-category. IESO Nova Scotia noted that the administrative team increased by 10 additional people in 2026/2027 over 2025/2026. The distribution of the team members evolved to better reflect IESO Nova Scotia's needs and includes more support roles at lower annual costs. The largest increase in full time equivalents ("FTEs") was in the Specialists band.[18] The IESO Nova Scotia also noted

[13] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-10a
[14] N-1(i) - M12663- IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026, Exhibit B-2, page 13
[15] N-3(1) - IESO Nova Scotia Responses to CA Information Requests – IR-7a
[16] N-3(1) - IESO Nova Scotia Responses to CA Information Requests – IR-7d
[17] N-6 – IESO Nova Scotia Responses to NSEB Information Requests – IR-11a
[18] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-10c

that the 23 administration employees forecasted to be actively employed from April 1, 2026 to March 31, 2027 is expected to increase by 1 FTE going forward.[19]

- **2025/2026A is 176% higher than 2025/2026 budget.** This difference is largely driven by the increase in the "compensation" sub-category. According to IESO Nova Scotia, the 2025/2026 annualized compensation sub-category was calculated by applying the same assumptions used for the 2026/2027 calculations (23 FTEs for the full 12 months) but backing out the annual increase of 3% and the change in the burden rate, which was assumed to be 14.75% in the 2025/2026 application but increased to 15% in the 2026/2027 application based on advice and discussions with the benefits consultant and the NS Power experience. IESO Nova Scotia is required to match the benefits of NS Power for those transitioning over in accordance with the More Access to Energy Act. IESO Nova Scotia applied the same estimated percentage of benefit costs of 15% to the administrative roles.[20]

4.3.4 Corporate administration

The following table details the breakdown of corporate administration by sub-category for 2025/2026B, 2025/2026A, and 2026/2027B.

Figure 9 - Summary of corporate administration costs

($ millions)	2025/2026B	2025/2026A	2026/2027B	2025/2026A vs 2025/2026B	% change	2026/2027B vs 2025/2026B	% change	2026/2027B vs 2025/2026A	% change
Various insurance coverages	0.08	0.08	0.03	-	0%	(0.05)	-63%	(0.05)	-63%
Communications	0.07	0.07	0.04	-	0%	(0.03)	-43%	(0.03)	-43%
Stakeholder engagement	0.05	0.06	0.03	0.01	20%	(0.02)	-40%	(0.03)	-50%
Web hosting	0.03	0.06	0.06	0.03	100%	0.03	100%	-	0%
Office costs	-	-	0.10	-	N/A	0.10	N/A	0.10	N/A
Total corporate administration	**0.23**	**0.27**	**0.26**	**0.04**	**17%**	**0.03**	**13%**	**(0.01)**	**-4%**

The budgeting approach for corporate administration involved reviewing actual costs incurred in 2025-2026 at the time of budget preparation and reviewing expense drivers for corporate administration costs such as estimated work plans for the 2026-2027 fiscal year and the number of employees planned.[21]

Based on the table above, we note the following observations:

- **2026/2027B is 13% higher than 2025/2026B.** This variance is largely driven by the increase in "office costs" and "web hosting" sub-categories.
    - Per IESO Nova Scotia, many expenses in the office costs sub-category were not contemplated when the 2025/2026 budget was developed, which was an oversight, leading to the variance in the 2026/2027 budget.[22] A more detailed breakdown of 2026/2027B for office costs is detailed in the table below.

[19] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-10d
[20] N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-10b
[21] N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-11a
[22] N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-11c

Figure 10 – Breakdown of 2026/2027B office costs

Office cost type	Amount ($)
Printing	1,200
Postage/shipping/delivery	2,400
Stakeholder meetings	6,000
Office supplies	22,560
Photocopier lease	3,600
Cleaning	9,600
Other expense	24,000
Subscriptions	12,000
Bank charges, office equipment, maintenance	18,100
Total	**99,460**

    - The web hosting sub-category was budgeted at $5,000 per month for a total of $60,000 in 2026/2027B. This is a result of the anticipation that an upgraded website is to be developed and hosting will be complex.[23]

- **2025/2026A is 17% higher than 2025/2026B**. This increase is largely attributable to the increase in "web hosting" and "stakeholder engagement" sub-categories. According to IESO Nova Scotia, costs in the "stakeholder engagement' sub-category for 2025/2026A were estimated based on rates of $140/hour plus expenses for consultants. In 2026/2027 it is expected that additional consulting help will be required for engagement sessions related to procurement initiatives and the lead-up to Phase II. The budget of $30,000 would provide up to 25 days of support for the fiscal year.[24]

- **2026/2027B is 63% lower than 2025/2026B and 2025/2026A for the various insurance coverages sub-category.** Per IESO Nova Scotia, the variance in insurance costs is based on the results of policies that were placed in 2025 at costs significantly less than budget for that year. The lower costs formed the basis for 2026/2027B leading to the variance noted.[25]

- **2026/2027B is 43% lower than 2025/2026B and 2025/2026A for the communications sub-category.** IESO Nova Scotia explained that less external support will be required, as IESO Nova Scotia added an internal resource with hiring of a Manager, Communications and Indigenous, Government and Stakeholder engagement in late 2025.[26]

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[23] N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-11b
[24] N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-11b
[25] N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-11e
[26] N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-11f

4.3.5 Governance

The following table details the breakdown of governance costs for 2025/2026B, 2025/2026A, and 2026/2027B.

Figure 11- Summary of governance costs

($ millions)	2025/2026B	2025/2026A	2026/2027B	2025/2026A vs 2025/2026B	% change	2026/2027B vs 2025/2026B	% change	2026/2027B vs 2025/2026A	% change
Governance	0.51	0.52	0.49	0.01	2%	(0.02)	-4%	(0.03)	-6%

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 expenses for meetings, and meeting per diems.[27] 2026/2027B is expected to be $0.49 million which is 4% lower than 2025/2026B and 6% lower than 2025/2026A. Given the limited changes in this cost category, we did not complete any inquiry procedures in completing our analysis.

4.3.6 Legal and regulatory

The following table details the breakdown of legal and regulatory costs by sub-category for 2025/2026B, 2025/2026A, and 2026/2027B.

Figure 12- Summary of legal and regulatory costs

($ millions)	2025/2026B	2025/2026A	2026/2027B	2025/2026A vs 2025/2026B	% change	2026/2027B vs 2025/2026B	% change	2026/2027B vs 2025/2026A	% change
Regulatory proceedings and assessments	0.55	0.55	0.55	-	0%	-	0%	-	0%
Legal and compliance	0.26	0.30	0.60	0.04	15%	0.34	131%	0.30	100%
Total legal and regulatory	**0.81**	**0.85**	**1.15**	**0.04**	**5%**	**0.34**	**42%**	**0.30**	**35%**

The budgeting approach for legal and regulatory costs includes two sub-categories, "regulatory proceedings and assessments" and "legal and compliance". Built into the estimate for both cost sub-categories is acknowledgement that IESO Nova Scotia has only one internal lawyer, the General Counsel and Corporate Secretary, who oversees matters pertaining to governance, enterprise risk management, regulatory affairs, and compliance.[28]

IESO Nova Scotia noted that the same estimate for the "regulatory proceedings and assessments" sub-category in the 2026/2027 Application was included in the 2025/2026 Revenue Requirement Application. This estimate is based on a global estimate provided by the Board of approximately $200,000 for a full regulatory proceeding, including payments for intervening parties to participate in such proceedings. IESO Nova Scotia does not yet have an exact breakdown of actual costs incurred under the "regulatory proceedings and assessments" sub-category for the 2025/2026 year. This is because IESO Nova Scotia submitted this 2026/2027 Revenue Requirement Application before the hearing process for its 2025/2026 Revenue Requirement Application had concluded. As such, at the time of submitting, IESO Nova Scotia had not yet undergone a full application process and were unable to rely on actual costs while budgeting in this cost sub-category.[29]

The budget estimated for the "legal and compliance" sub-category was calculated by reviewing actual costs incurred within this category during the 2025/2026 fiscal year as collected at the time of budget preparation. IESO Nova Scotia

[27] N-1(i) – M12663 - IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026, Exhibit B-2, page 18
[28] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-12a
[29] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-12a

also reviewed expense drivers for “legal and compliance” costs. Specifically, IESO Nova Scotia reviewed the anticipated work for the 2026/2027 fiscal year which may require legal services. Additionally, IESO Nova Scotia consulted legal counsel from two reputable local law firms to determine an estimate for the costs in this category based on the aforementioned assumptions. The IESO Nova Scotia was also informed that, based on IESO Nova Scotia’s anticipated legal needs, IESO Nova Scotia should budget for a monthly legal support spend in the $50,000-$80,000 range. Taking a conservative approach, IESO Nova Scotia assumed the lower end of this range for the entire fiscal year, amounting to a total of $600,000 for the “legal and compliance” cost sub-category.[30]

Based on the table above, we note the following observations:

- **2026/2027B is 42% higher than 2025/2026B and 35% higher than 2025/2026A.** IESO Nova Scotia explains that this increase is driven by the increase in the “legal and compliance” sub-category. The increase in this sub-category was a result of the anticipated legal obligations associated with regulatory compliance, human resources, and contractual matters associated with the implementation of Phase II, including but not limited to contract reviews, service agreements, cost sharing arrangements, employment contracts, and collective agreements. This anticipated work for the 2026/2027 fiscal year will require lawyers with varying skillsets.[31]

IESO Nova Scotia explained that they are currently unable to provide a definitive answer as to whether its legal and regulatory costs will increase or decrease as Phase II progresses, given the uncertainty of the scope of work ahead. However, at this time IESO Nova Scotia would expect legal and regulatory costs to decrease in future years as the implementation of Phase II is completed and IESO Nova Scotia settles into regular business.[32]

4.3.7 Procurement

The following table details the breakdown of procurement costs by sub-category for 2025/2026B, 2025/2026A, and 2026/2027B.

Figure 13- Summary of procurement costs

($ millions)	2025/2026B	2025/2026A	2026/2027B	2025/2026A vs 2025/2026B	% change	2026/2027B vs 2025/2026B	% change	2026/2027B vs 2025/2026A	% change
Capacity contract	0.44	0.44	0.07	-	0%	(0.37)	-84%	(0.37)	-84%
Procurement	0.19	0.19	0.22	-	0%	0.03	16%	0.03	16%
300 MW RFP	0.36	0.36	0.12	-	0%	(0.24)	-67%	(0.24)	-67%
Additional procurement	-	-	0.48	-	N/A	0.48	N/A	0.48	N/A
Total procurement	**0.99**	**0.99**	**0.89**	**-**	**0%**	**(0.10)**	**-10%**	**(0.10)**	**-10%**

IESO Nova Scotia used an activity-based methodology for procurement costs. Scopes typically associated with electricity procurements were identified and costed based on the estimated use of the listed external resources.[33]

Based on the table above, we note the following observations:

- **2026/2027B is 10% lower than 2025/2026 budget and 10% lower than 2025/2026A**. IESO Nova Scotia explains that this is caused by the decrease in the capacity contract and 300-megawatt (“MW”) request for proposal (“RFP”) sub-categories, which are attributable to a reduced estimated resource loading relative to the previous fiscal period. IESO Nova Scotia provided the following breakdowns of each budget:

[30] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-12a
[31] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-12c
[32] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-12d
[33] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-13a

- The capacity contract budget includes $20,000 of legal support, $13,000 for costs associated with a letter of credit, $26,000 for technical and project management support, and 20% contingency to arrive at $0.07 million.

- The 300 MW RFP budget includes $20,000 of incremental legal support, $10,000 for technical support, $30,000 for RFP closeout, $40,000 for project management and 20% contingency to arrive at $0.12 million.

- The new additional procurement sub-category includes $85,000 of legal support, $160,000 for technical support, $150,000 for project management and 20% contingency to arrive at $0.48 million.[34] These are estimates of the costs to develop and execute a new procurement for additional capacity, to be launched once results are available from the 2026 integrated resource planning process, and so represent new costs in the 2026/27 fiscal year.[35]

4.3.8 Facilities and technology

The following table details the breakdown of facilities and technology costs by sub-category for 2025/2026B, 2025/2026A, and 2026/2027B.

Figure 14 - Summary of facilities and technology costs

($ millions)	2025/2026B	2025/2026A	2026/2027B	2025/2026A vs 2025/2026B	% change	2026/2027B vs 2025/2026B	% change	2026/2027B vs 2025/2026A	% change
Technology needs assessment and	0.50	0.50	-	-	0%	(0.50)	-100%	(0.50)	-100%
Office lease	0.14	0.36	0.38	0.22	157%	0.24	171%	0.02	6%
IT application software	-	-	0.89	-	N/A	0.89	N/A	0.89	N/A
Managed IT services	0.18	0.24	0.21	0.06	33%	0.03	17%	(0.03)	-13%
Other tech costs	-	-	0.08	-	N/A	0.08	N/A	0.08	N/A
Control centre planning	0.05	0.05	-	-	0%	(0.05)	-100%	(0.05)	-100%
Total facilities and technology	**0.87**	**1.15**	**1.56**	**0.28**	**32%**	**0.69**	**79%**	**0.41**	**36%**

The budgeting approach for facilities and technology costs involved reviewing actual costs incurred in 2025/2026 at the time of budget preparation, reviewing expense drivers for facilities and technology costs such as the lease agreement signed for office space, data processing and software requirements to fulfil work plans for the 2026/2027 fiscal year, and the number of employees planned. With those data points informing the process, budget estimates were calculated.[36]

Based on the table above, we note the following observations:

- **2026/2027B is 79% higher than 2025/2026B and 36% higher than 2025/2026A.** Per IESO Nova Scotia, these differences are largely attributable to changes in "IT application software", "office lease" and "other tech costs" sub-categories. IESO Nova Scotia explained that Information technology ("IT") application software (licenses) and office lease costs (rent) started in late Q3 2025/2026. The increase in cost is due to the costs spanning the full fiscal year of 2026/2027.[37]

- **2025/2026A was 32% higher than 2025/2026B.** IESO Nova Scotia stated that this is driven by "office leases" and "managed IT services" sub-categories. The office lease included a fixturing period, and

[34] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-13b
[35] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-13c
[36] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-14a
[37] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-14c

Managed IT services began in November 2025. The cost increase reflects a full year of these services.[38] IESO Nova Scotia also provided the breakdown for 2025/2026A for these two sub-categories as follows:

- The office lease budget was annualized for 2025/2026 by calculating 12 months of the market rate plus an allowance for updates calculated as [(12*$27,192)+$38,000] =$364,304.
- Managed IT services were annualized for 2025/2026 as $20,000/month for 12 months = $240,000.[39]

IESO Nova Scotia stated that the "employee technology hardware and software" sub-category was removed from the Application as it 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.[40] Per IESO Nova Scotia, this sub-category includes computer hardware such as laptops, servers and workstations, audio-visual equipment, and certain software applications.[41] These costs have been capitalized on the balance sheet of IESO Nova Scotia's financial statements in accordance with IESO Nova Scotia's draft capitalization policy and general accepted accounting principles ("GAAP"). As such, it is contemplated that in the future, these costs will appear as a capital cost category in future revenue requirement applications. For the M12412 Application, these costs were included with transition costs that are covered by the Provincial grant.[42]

4.3.9 Finance

Figure 15 – Summary of finance costs

The following table details the breakdown of finance costs by sub-category for 2025/2026B, 2025/2026A, and 2026/2027B.

($ millions)	2025/2026B	2025/2026A	2026/2027B	2025/2026A vs 2025/2026B	% change	2026/2027B vs 2025/2026B	% change	2026/2027B vs 2025/2026A	% change
Financing costs on operating line of credit	0.10	0.10	0.58	-	0%	0.48	480%	0.48	480%
External financial audit	0.04	0.04	0.04	-	0%	-	0%	-	0%
Payroll and accounting subscription services	0.02	0.03	0.03	0.01	50%	0.01	50%	-	0%
Total finance	**0.16**	**0.17**	**0.65**	**0.01**	**6%**	**0.49**	**306%**	**0.48**	**282%**

Due to the inherent uncertainty with IESO Nova Scotia's request for temporary financial relief at the time of submission, the budgeting methodology finance costs was based on maximum funding obtained from credit facilities. This scenario assumed the full amount of the Provincial line of credit of $10M was drawn for fiscal year 2026-2027, and that a further commercial loan would be possible later in the year after approval of one or both revenue applications. In addition to financing costs, the finance category includes audit costs based on a quote received and subscription fees for payroll and accounting software.[43]

Based on the table above, we note the following observations:

- **2026/2027B is 306% higher than 2025/2026B and 282% higher than 2025/2026A.** IESO Nova Scotia stated that "financing costs on operating line of credit from the Province" is the primary driver for this

[38] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-14d
[39] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-14b
[40] N-1(i) – M12663 - IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026, Exhibit B-2, page 25
[41] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-15a
[42] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-15b
[43] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-16a

increase. This sub-category assumes the $10 million line of credit facility is fully drawn for the 12-month reporting period at an average interest rate of 5.0% for a total of $500,000 in financing costs. The line item also includes financing costs for an additional debt facility with balances ranging from $1.5 million to $3.0 million at an interest rate of 5% with total finance costs for the period of $80,000. The two facilities total $580,000 in estimated financing costs for the reporting period. In a letter dated February 25, 2026, the NSEB approved the immediate temporary financial relief requested in Exhibit D-1 of the Application. The Interim monthly fees are expected to reduce the amount that IESO draws from the Line of Credit facility by $3M -$4M in 2026-2027 with a corresponding reduction in interest costs.[44]

- **2026/2027B for "payroll and accounting subscription services" is 50% higher than 2025/2026B.** Per IESO Nova Scotia, the 2025/2026 revenue requirement application assumed minimal costs for the payroll and accounting subscription services for the first 5 months of the reporting period. The 2026/2027 revenue requirement application assumes full costs for this item for all 12 months of the reporting period which results in a 50% increase in costs.[45] We also note that the 2025/2026A amount for this sub-category is higher than 2025/2026B. Per IESO Nova Scotia, this amount was calculated as $2,930 for the first five months of the period based primarily on actual costs when there were no employees and lower activity levels. The last 7 months of the period were budgeted at $2,400/month which was estimated fees for payroll processing and accounting system software.[46]

4.3.10 Operations (system planning)

Figure 16 – Summary of operations (system planning) costs

The following table details the breakdown of operations (system planning) costs by sub-category for 2025/2026B, 2025/2026A, and 2026/2027B.

($ millions)	2025/2026B	2025/2026A	2026/2027B	2025/2026A vs 2025/2026B	% change	2026/2027B vs 2025/2026B	% change	2026/2027B vs 2025/2026A	% change
Salaries and wages for technical staff	1.65	3.61	3.71	1.96	119%	2.06	125%	0.10	3%
Third party recoveries	(0.54)	(1.08)	(1.07)	(0.54)	100%	(0.53)	98%	0.01	-1%
Integrated resource planning consulting fees	0.50	1.00	1.00	0.50	100%	0.50	100%	-	0%
Total operations (system planning)	**1.61**	**3.53**	**3.64**	**1.92**	**119%**	**2.03**	**126%**	**0.11**	**3%**

The budgeting methodology used for the operations (system planning) category cost assumed 21 roles were being transferred from NS Power and, because employees transferred from NS Power must be compensated at least the same, compensation data from NS Power was obtained to budget the total compensation for each of the transferring roles.[47]

Based on the table above, we note the following observations:

- **2026/2027B is 126% higher than 2025/2026B.** IESO Nova Scotia explained that the number of technical staff FTEs decreased from 2025/2026 to 2026/2027. However, once the total costs are annualized and therefore comparable, the increased costs in 2026/2027 are due to a 3% cost of living adjustment, an

[44] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-16c
[45] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-16d
[46] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-16b
[47] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-17a

adjustment in the burden rate from 14.75% to 15% and an adjustment of $300k to ensure the compensation plan remained consistent with NS Power.[48]

- **2025/2026A is 119% higher than 2025/2026B.** IESO Nova Scotia provided supporting calculations for the 2025/2026A for all three sub-categories that make up total operations (system planning) costs to explain this variance:
  - The salaries and wages for technical staff were calculated by applying the same assumptions used for the 2026/2027 calculations (21 FTEs for the full 12 months) but excludes the annual increase of 3% and the change in the burden rate. In addition, $300k was added as a benefit adjustment to ensure sufficient budget to keep the operational staff compensation whole to their NS Power compensation.[49]
  - The 2025/2026 annualized costs for third party recoveries and integrated resource planning sub-categories were forecasted to be twice that of 2025/2026 as the original budget was for approximately half a year.[50]

4.4 Conclusion

We have completed our procedures on IESO Nova Scotia's OM&A costs for 2026/2027 budget and compared to 2025/2026 budget and 2025/2026 annualized results. IESO Nova Scotia calculates 2025/2026 annualized results by adjusting the proposed costs to reflect what they would be if IESO Nova Scotia had been running with standardized value for the entire 2025/2026 fiscal year.[51] Our analysis identified notable variances, and we made subsequent inquiries to IESO Nova Scotia for further clarification, including descriptions of their budgeting approach and methodology.

Overall, OM&A expenses under the scope of our review experienced a significant increase in 2026/2027B compared to 2025/2026B, of approximately 94%. Cost categories that are the main causes of this increase include employees (administration), finance, and operations (system planning). IESO Nova Scotia provided support for these discrepancies, and we are satisfied with their clarification.

When comparing 2026/2027B to 2025/2026A, total OM&A cost was 11% higher than 2025/2026A. Cost categories that are the main drivers of this increase include legal and regulatory, facilities and technology, and finance. We received explanations from IESO Nova Scotia on the trends identified and are satisfied with their explanations.

In addition to analyzing 2026/2027B, we also compared 2025/2026A to 2025/2026B and noted any significant variances. Total OM&A expenses under the scope of our review increased by 75%. Cost categories that are the main drivers of this increase include employees (administration), corporate administration, facilities and technology, and operations (system planning). IESO Nova Scotia provided adequate explanations for these variances.

As part of the interrogatory process, IESO Nova Scotia provided 2025/2026 actual results as well as variance explanations for discrepancies in 2025/2026 actual costs and the 2025/2026 prorated budget.[52] We note that 2025/2026 actuals were 2% lower than the prorated budget. This was largely due to lower employees (administration) and procurement costs.

[48] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-17c
[49] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-17b
[50] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-17b
[51] N-1(i) – M12663 – IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026, Exhibit B-1, page 10
[52] N-6 – IESO Nova Scotia Responses to NSEB Information Requests – IR-7

5. Transitional costs

5.1 Scope

Conduct an analysis of transitional costs. Compare the 2026/2027 budget to 2025/2026 budget and 2025/2026 annualized expenditures, and follow up on significant variances. The examination of the foregoing will include, but is not limited to, the following:

a) PMO support;

b) subject matter expertise - Phase II; and

c) compliance preparedness & assurance.

5.2 Procedures

Our procedures with respect to transitional costs included the following:

- Summarized expenses by category above including 2025/2026 budget, 2025/2026 annualized expenditures, and 2026/2027 proposed budget.
- Performed a trend analysis on the costs, considering annualized costs as well as year-over-year trends in annual budgets. For cost categories with significant variances, we completed the following procedures:
  - Requested and reviewed additional detailed explanations from IESO Nova Scotia;
  - Reviewed IESO Nova Scotia’s budgeting methodologies and assumptions used in the transitional costs forecast for reasonableness; and
  - Assessed the reasonableness of IESO Nova Scotia’s explanations provided.
- As part of the interrogatory process for this matter, we requested the 2025/2026 actual expenses to understand how they compare to the budget approved in M12412.[53] These costs, as well as the explanations for variances provided by IESO Nova Scotia, are detailed in this section of our report.

5.3 Analysis

5.3.1 2025/2026 Actual analysis

The following table demonstrates the transitional costs for actual expenses as of December 31, 2025 compared to prorated proposed revenue requirement in M12412[54].

[53] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-9
[54] N-6 – IESO Nova Scotia Responses to NSEB Information Requests – IR-7

Figure 17 – Summary of actual transitional costs at December 31, 2025

($ millions)	2025/2026B[1]	Prorated 2025/2026B at Dec 31, 2025	2025/2026 actuals at Dec 31, 2025	2025/2026 actuals vs prorated 2025/2026B	% change
Transitional costs	1.02	0.74	1.02	0.28	38%

Note 1: 2025/2026B provided by IESO Nova Scotia in the above table does not include one-time transitional costs. We note that 2025/2026B listed in the Application includes one-time transitional costs in the total.

IESO Nova Scotia explained the variance at December 31, 2025, as follows:

- **Transition costs to December 31, 2025, are 38% higher than the prorated budget.** This is primarily due to higher consulting costs for program and project management as well as financial advisory work due to a greater scope of work than originally planned.[55]

5.3.2 2025/2026 Budget analysis

The following table illustrates the transitional costs for 2025/2026 budget, 2025/2026 annualized expenditures, and 2026/2027 proposed budget.

Figure 18 – Summary of transitional costs

($ millions)	2025/2026B	2025/2026A	2026/2027B	2025/2026A vs 2025/2026B	% change	2026/2027B vs 2025/2026B	% change	2026/2027B vs 2025/2026A	% change
PMO support	0.72	1.29	0.57	0.57	79%	(0.15)	-21%	(0.72)	-56%
Subject matter expertise-Phase II	0.07	0.12	0.86	0.05	71%	0.79	1129%	0.74	617%
Compliance preparedness and assurance	0.44	0.44	0.34	-	0%	(0.10)	-23%	(0.10)	-23%
Total transitional costs	**1.23**	**1.85**	**1.77**	**0.62**	**50%**	**0.54**	**44%**	**(0.08)**	**-4%**

IESO Nova Scotia also provided details on their process for calculating 2025/2026A for all sub-categories of transitional costs. They assessed each line item in the 2025/2026 category to determine 1) if it was a cost that would need to be adjusted to an equivalent annual cost for comparison to 2026/2027 (thus annualized) or 2) if it was a cost that would not require annualization because that particular good/service purchase was defined such that it would cost the same over a different period of time.[56]

Based on our review of the expenses within each transitional cost group, we have identified key variances between 2025/2026B, 2025/2026A, and 2026/2027B. Our observations and explanations provided by IESO Nova Scotia are detailed throughout this section.

[55] N-6 – IESO Nova Scotia Responses to NSEB Information Requests – IR-7
[56] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-21a

5.3.3 PMO support

Figure 19 – Summary of PMO support

($ millions)	2025/2026B	2025/2026A	2026/2027B	2025/2026A vs 2025/2026B	% change	2026/2027B vs 2025/2026B	% change	2026/2027B vs 2025/2026A	% change
PMO support	0.72	1.29	0.57	0.57	79%	(0.15)	-21%	(0.72)	-56%

Per IESO Nova Scotia, 2026/2027B for PMO support is made up of three component costs. This includes “HR transition planning”, “change management”, and “program and project management”. IESO Nova Scotia’s breakdown of the $0.57M amongst the three component costs is as follows. HR transition planning amounted to $0.05M in 2026/2027B. 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 amounted to $0.10M in 2026/2027B. 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 totalled $0.42M in 2026/2027B. 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.[57]

Based on the table above, we note the following observations:

- **2026/2027B is 21% lower than 2025/2026B and 56% lower than 2025/2026A**. IESO Nova Scotia explained that this a result of the 2025/2026 PMO budget including the costs of establishing the organization before leadership was in place, while simultaneously advancing projects such as securing and retrofitting office space, setting up initial IT to support administrative and system planning functions, setting up financial processes, supporting financial planning and budgeting, submission of the inaugural Revenue Requirement Application, securing insurance policies and foundational corporate policies, and supporting early transition planning activities associated with Phase I functions.[58]

- **2025/2026A is 79% higher than 2025/2026B.** IESO Nova Scotia explained that the increase is caused by the anticipated needs of the Phase II transition work in 2026/2027 which occurs primarily in that fiscal year. IESO Nova Scotia clarified that the PMO support costs were annualized on the basis that the 2025/2026B was for 7 months of services and the annualized figure is for 12 months.[59] Further, IESO Nova Scotia also provided details on their process for calculating 2025/2026A for PMO support. They determined that the HR Consulting costs annualized amount would be similar to the amount budgeted in 2025/2026 since IESO Nova Scotia had hired an HR manager in the fall of 2025 but some ad-hoc expertise or support may be required for transitioning of staff into Phase II. For the other line items making up PMO support, it was noted that the actual spend was higher than forecasted in 2025/2026, as such, IESO Nova Scotia based the annualized amount on actual spend at time of preparation of the budget.[60]

IESO Nova Scotia stated that there are certain PMO support activities that are expected to continue in 2026/2027. This includes core functions however, the scope will differ from 2025/2026, which focused on standing up the organization before leadership was in place. With leadership now established and the work moving into Phase II, IESO Nova Scotia clarified that the PMO will shift from startup tasks to supporting increased subject matter expertise

[57] N-1(i) – M12663 - IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026, Exhibit B-3, page 34
[58] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-23b
[59] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-23a
[60] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-21a

("SME") involvement and providing complementary oversight within a more mature delivery and governance framework.[61]

5.3.4 Subject matter expertise - Phase II

Figure 20 – Summary of subject matter expertise – Phase II

($ millions)	2025/2026B	2025/2026A	2026/2027B	2025/2026A vs 2025/2026B	% change	2026/2027B vs 2025/2026B	% change	2026/2027B vs 2025/2026A	% change
Subject matter expertise- Phase II	0.07	0.12	0.86	0.05	71%	0.79	1129%	0.74	617%

While there is uncertainty surrounding the exact scope of work to be conducted in Phase II, IESO Nova Scotia explained that they still followed budgeting methodology to determine the estimated $0.86M for 2026/2027B. We understand that the $0.86 Million consists of two pieces of work:

- $0.36 million for additional advisory support associated with the readiness and preparedness of taking over reliable control room operations as part of Phase II. Per IESO Nova Scotia, the $0.36M estimated that a team of 5 resources would be required for 3 months or 60 working days using the assumptions below. Barrington Consulting based the minimum and maximum daily rates on a sample size of historical consulting fees from both local and international firms. This resulted in a range of estimated costs from $321,600 to $535,200. Recognizing the range of uncertainty at this stage, IESO Nova Scotia used $360,000 (towards the bottom of this range) in its application.

- $0.50 million for adjustments that be might necessary for electricity market arrangements and rules as IESO Nova Scotia takes on dispatch and control in Phase II. The $0.50M was estimated that a team of 4 resources would be required for 5 months or 100 working days using the assumptions below. Barrington Consulting based the minimum and maximum daily rates on a sample size of historical consulting fees from both local and international firms. This resulted in a range of estimated costs from $467,000 to $797,000. Recognizing the range of uncertainty at this stage, IESO Nova Scotia used $500,000 (towards the bottom of this range) in its application. [62]

Based on the table above, we note the following observation:

- **2026/2027B is 1129% higher than 2025/2026B and 617% higher than 2025/2026A**. IESO Nova Scotia explained the reasoning for this increase by stating that in 2025/2026, SME support was focused primarily on supporting Phase I readiness and transition planning. In contrast, 2026/2027B reflects two defined Phase II workstreams requiring specialized expertise: operational readiness and preparedness advisory support associated with the transfer of real-time dispatch accountability, including control room readiness, cutover planning, testing, and assurance activities; and advisory support to assess potential adjustments to electricity market arrangements and rules as IESO Nova Scotia assumes dispatch and control responsibilities. These activities require specialized technical, operational, and market design expertise that is not yet fully embedded within the internal organization.[63]

[61] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-23c
[62] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-20a
[63] N-5 – IESO Nova Scotia Responses to IG Information Requests – IR-28a

5.3.5 Compliance preparedness and assurance

Figure 21 – Summary of compliance preparedness and assurance

($ millions)	2025/2026B	2025/2026A	2026/2027B	2025/2026A vs 2025/2026B	% change	2026/2027B vs 2025/2026B	% change	2026/2027B vs 2025/2026A	% change
Compliance preparedness and assurance	0.44	0.44	0.34	-	0%	(0.10)	-23%	(0.10)	-23%

Based on the table above, we note the following observations:

- **2026/2027B is 23% lower than 2025/2026B and 2025/2026A.** IESO Nova Scotia noted that this decrease is primarily attributable to the completion of significant upfront consulting work undertaken in 2025/2026. IESO Nova Scotia elaborated further by explaining that they retained external consultants to support both Phase I and preliminary Phase II compliance planning activities in 2025/2026. This work included establishing foundational compliance frameworks, assessing readiness under applicable NERC and NPCC standards, and developing transition plans to support the transfer of compliance accountability. 2026/2027B reflects a reduction in external consulting support as the organization transitions from initial framework development to ongoing compliance implementation and internal capability building. While Phase II compliance activities will continue to evolve, 2026/2027B assumes a lower level of external advisory support relative to the initial planning and readiness work completed in 2025/2026.[64]

IESO Nova Scotia also provided details on their method for calculating 2025/2026A for compliance, preparedness and assurance costs. IESO Nova Scotia's assessment of the annualized amount was that these costs would not require an annualization adjustment from the 2025/2026 budget as these line items were for defined goods/services where the costs are not expected to increase over an extended period.[65]

5.3.6 Capital requirements

Given that there remains considerable work to be done to build out the Phase II transition roadmap, IESO Nova Scotia stated that there may be additional costs that have not been anticipated. Specifically, IESO Nova Scotia anticipates there will be capital requirements associated with implementing the technology requirements which are in not included in the Application.[66]

IESO Nova Scotia explained that the anticipated capital requirements relate to Phase II implementation activities associated with the transfer of real-time dispatch operations from NS Power to IESO Nova Scotia. Detailed scoping work is still underway; however, the types of capital requirements being contemplated may include investments in control room facilities, dispatch and energy management system technology, cybersecurity infrastructure, communications and data interfaces, and related system integration tools necessary to support real-time operations and reliability compliance. These capital requirements are dependent on the outcomes of the Phase II transition planning work currently being completed by the third-party consultant engaged through a competitive RFP process. That work includes defining the physical, technical, and operational architecture required to implement Phase II and will inform the scope, timing, and magnitude of any associated capital investments.[67]

At this time, IESO Nova Scotia is unable to provide a reliable estimate of the capital costs, as the necessary technical and implementation design work has not yet been finalized. A more informed estimate is expected following completion of the consultant's deliverables. Any material capital requirements associated with Phase II

[64] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-22a
[65] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-21a
[66] N-1(i) – M12663 - IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026, Exhibit B-3, page 33
[67] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-19a

implementation would be brought forward to the Nova Scotia Energy Board for review and approval in a future proceeding.[68]

5.4 Conclusion

We have completed our analysis of IESO Nova Scotia's transitional costs and compared the 2026/2027 budget to the 2025/2026 budget and 2025/2026 annualized results. Our analysis identified notable variances, and we made subsequent inquiries with IESO Nova Scotia for further clarification.

Overall transitional costs in 2026/2027B are 44% higher than compared to 2025/2026B. This increase is driven by the subject matter expertise - Phase II cost sub-category. This sub-category experienced a 1129% increase. IESO Nova Scotia explained that 2026/2027B includes additional Phase II workstreams which require specialized external expertise and were not included in 2025/2026B.

When comparing 2026/2027B to 2025/2026A, total transitional costs decreased by 4%. While subject matter expertise - Phase II increased by 617% due to the need for specialized external expertise in Phase II, PMO support decreased by 56%, and compliance preparedness and assurance decreased by 23%. IESO Nova Scotia explained the decrease in PMO support to be a result of lower start-up needs in the 2026/2027B and decrease in compliance preparedness and assurance to be a result of no longer requiring the same level of external advisory.

In addition to analyzing 2026/2027B, we also compared 2025/2026A to 2025/2026B and noted any significant variances. Total transitional costs under the scope of our review increased by 50%, which was caused by a 79% increase in PMO support and 71% increase in subject matter expertise - Phase II. We are satisfied with IESO Nova Scotia's explanations for the variances we identified.

As part of the interrogatory process, IESO Nova Scotia provided 2025/2026 actual results as well as variance explanations for discrepancies in 2025/2026 actual costs and the 2025/2026 prorated budget.[69] We note that 2025/2026 actuals were 38% higher than the prorated budget. This was largely driven by higher consulting costs resulting from a greater scope of work than originally anticipated.

[68] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-19a
[69] N-6 – IESO Nova Scotia Responses to NSEB Information Requests – IR-7

6. Net revenue requirement deferral and variance mechanism

6.1 Scope

Review and analyze the reasonableness of the proposed Net Revenue Requirement Deferral and Variance Mechanism and any changes to the mechanism since M12412, the initial application filed by IESO Nova Scotia for approval of its proposed expenditure and revenue requirement for the test year ending March 31, 2026.[70]

6.2 Procedures

Our review of IESO Nova Scotia's Deferral Mechanism included the following specific procedures:

- Reviewed the information in the Application on the proposed Deferral Mechanism;
- Reviewed the nature, functionality, and purpose of the Deferral Mechanism and compared to the Net OM&A Deferral and Variance Account as described by IESO Nova Scotia in the M12412 Application;
- Prepared IRs;
- Reviewed additional information provided in responses to IRs;
- Considered guidelines, controls, accounting policies, and thresholds in place to limit risk surrounding the proposed Deferral Mechanism;
- Compared the proposed Deferral Mechanism to similar mechanisms applied by other comparable organizations; and,
- Concluded on whether the proposed Deferral Mechanism is reasonable.

6.3 Analysis

6.3.1 **Proposed Net OM&A Deferral and Variance Account per M12412**

Per the M12412 Application, IESO Nova Scotia sought approval to establish a Net OM&A Deferral and Variance Account to defer the recovery of its approved and forecasted Net Ongoing OM&A costs, record any variance between its forecast and its actual Net Ongoing OM&A expenses during the period ending March 31, 2026, as well as any one-time transition costs that exceed the Provincial funding. The underlying intent was to establish a deferral account for all OM&A IESO Nova Scotia actually incurs in fiscal year 2025-2026, net of any surplus funds remaining from its Provincial grant for one-time transition costs. This Matter has recently been approved by the Board.

Initially per the M12412 Application, IESO Nova Scotia proposed that this account would be comprised of the following three sub-accounts[71]:

[70] N-1(i) – M12412 - IESO Nova Scotia 2025-2026 Revenue Requirement Application, August 5, 2025
[71] N-1(i) - M12412 - IESO Nova Scotia 2025-2026 Revenue Requirement Application, August 5, 2025, page 10

Figure 22 – Summary of net OM&A deferral and variance account

Sub-account name	Description of recorded funds per the M12412 Application
Net Ongoing OM&A Deferral Account ("Sub-Account No. 1")	Records the approved forecast Net Ongoing OM&A costs for the period ending March 31, 2026, resulting from the application of Provincial funding.
Net OM&A Variance Account ("Sub-Account No. 2")	Records the variance between balance of Sub-Account No. 1 (i.e., the approved Ongoing Net OM&A expenses) and actual Ongoing net OM&A costs for the present test year after the application of actual Provincial funding and any unfunded one-time transition costs. A positive balance in this sub-account indicates that IESO Nova Scotia's actual Net Ongoing OM&A expenses and any unfunded one-time transition costs are less than the approved forecast. A negative balance in this sub-account indicates that IESO Nova Scotia's actual Net Ongoing OM&A expenses and unfunded one-time transition cost are greater than the approved forecast.
Actual Net OM&A Account ("Sub-Account No. 3")	Records the trued-up actual Net Ongoing OM&A expenses and any unfunded one-time transition costs, which is the difference between the approved Net Ongoing OM&A forecast and the variance Net Ongoing OM&A expenses plus any one-time transition costs that exceed Provincial funding (i.e. Sub-Account No.1 minus Sub-Account No. 2).

Per IESO Nova Scotia, the account was structured with multiple sub-accounts to enhance tracking and transparency given that actual balances are determined from both the actual ongoing OM&A expenditures, one-time costs and the available Provincial funding. The Net OM&A Deferral and Variance Account was intended to capture both the need to defer approved costs in the form of a deferral sub-account and the need to record a variance typical of a variance sub-account.[72]

The IESO Nova Scotia clarified that at the time of our review of the M12412 Application, they had not developed the following:[73]

- Accounting policies;
- Specific controls for ensuring one-time transition costs do not exceed available Provincial funding;
- Thresholds for overrun that would trigger a separate review; or,
- A cap on the amount of costs that can be recovered through the Net OM&A Deferral and Variance Account.

Therefore, we concluded that while the existence of a deferral account such as the Net OM&A Deferral and Variance Account proposed in the M12412 Application is widely used across Canadian utilities and consistent with standard industry practice, it was recommended that IESO Nova Scotia:

[72] N-10 – Evidence of Doane Grant Thornton – Review of M12412 Revenue Requirement Application – October 28, 2025, page 50
[73] N-1(i) - M12412 - IESO Nova Scotia 2025-2026 Revenue Requirement Application, August 5, 2025, page 50-51

- Strengthen cost management controls, including clear prudence review and approval requirements, to prevent unmanaged overruns that could burden ratepayers.
- Develop formal accounting policies to ensure accurate and consistent recognition of revenues, expenses, and deferrals; and,
- Establish clear thresholds, limits, scope, and regulatory approval guidelines for the deferral account to enhance accountability, transparency, and regulatory oversight.[74]

Ultimately, as part of their decision to M12412, the Board's conclusion was as follows:

- It was appropriate to establish the Net OM&A Deferral and Variance Account but specific guidelines and accounting policies must be developed and approved before there is a recovery of Net Ongoing OM&A amounts from the Deferral and Variance Account.
    - The guidelines should reflect that any variance that exceeds +/-10% will trigger a review process established by the Board.
    - The Board agreed with IESO Nova Scotia that it would be efficient to conduct any prudence reviews during IESO Nova Scotia's annual revenue requirement and fees applications. Therefore, IESO Nova Scotia must, in its applications, provide an explanation for cost category variances exceeding +/-10%. For cost overruns, the burden will be on IESO Nova Scotia to demonstrate that the expenditures were prudent. Any costs transferred to the Deferral and Variance Account in the interim will be subject to review by the Board under the guidelines and policies before their recovery is approved. The Board directed IESO Nova Scotia to file these guidelines and policies no later than its application for the 2027/2028 revenue requirement.[75]

6.3.2 **Proposed Net Revenue Requirement Deferral and Variance Mechanism per the Application**

Per the Application, IESO Nova Scotia is requesting the continuation of the Net OM&A Deferral and Variance Account described above for 2026/2027 and in perpetuity for the purpose of tracking and deferring any variance from the approved revenue requirement. However, they are proposing that the account be renamed to the "Net Revenue Requirement Deferral and Variance Mechanism". Per IESO Nova Scotia, the rationale for the proposed change to the account is to create additional simplicity and clarity and to accommodate potential other cost categories for inclusion in the future.[76]

6.3.2.1 Purpose, scope, and functionality

Per IESO Nova Scotia, the purpose of the Net Revenue Requirement Deferral and Variance Mechanism is to track and defer any variance from the approved revenue requirement with the intention being that it will include all spending of IESO Nova Scotia that has gone through an approval process with the NSEB. At the time of this report, the only costs to be included are OM&A cost variances resulting from the 2025-2026 revenue application and 2026-2027 revenue application. However, in the future, capital costs and costs associated with energy resource procurements may also be included.[77] IESO Nova Scotia specified that procurement costs may be reimbursed by successful proponents and may be accounted for through the Deferral Mechanism. These reimbursed project costs will be recorded upon receipt of the reimbursement, captured in the Deferral Mechanism, and then addressed in the

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[74] N-10 – Evidence of Doane Grant Thornton – Review of M12412 Revenue Requirement Application – October 28, 2025, pages 51-52
[75] 101053 - M12412 Board Decision - Nova Scotia Energy Board – 2026 NSEB 5, pages 20-21
[76] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-1d
[77] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-1a

next revenue requirement application.[78] Costs not submitted to the NSEB for approval will not be included in the Deferral Mechanism.

The Net OM&A Deferral and Variance Account per the M12412 Application served three functions as described above; (1) defer the recovery of its approved and forecasted Net Ongoing OM&A costs, (2) record any variance between its forecast and its actual Net Ongoing OM&A expenses during the period ending March 31, 2026, and (3) any variance between one-time transition costs that exceed the Provincial funding. 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 is proposed to continue serving the following two functions in the 2026/2027 fiscal year and in future years:

- Record the approved budget of Total Revenue Requirement Costs. Assuming all other aspects remain constant, this would be the amount that IESO Nova Scotia expects to recover through a fee recovery mechanism; and,

- 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.

6.3.2.2 Deferral Mechanism calculation

To allow for flexibility when tracking deferrals and variances for the purpose of internal financial reporting, IESO Nova Scotia is proposing the following revised simplified calculation for the Net Revenue Requirement Deferral and Variance Mechanism[79]:

Figure 23 – 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.

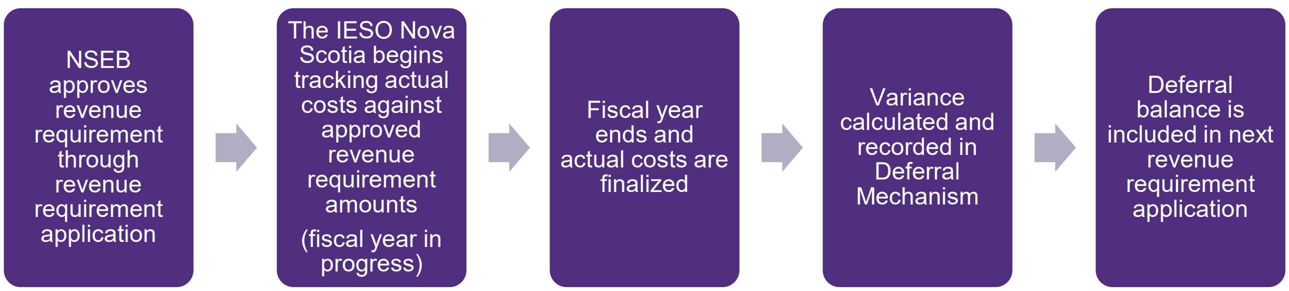
[78] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-3a
[79] N-1(i) – M12663 - IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026, Exhibit C-1, page 38

#	Cost category	Description
		A negative variance indicates that IESO Nova Scotia's actual total revenue requirement costs were less than the approved budget. 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.

6.3.2.3 Approval and timing of deferrals

Per IESO Nova Scotia in response to DGT-IR-1, the Deferral Mechanism is envisioned to function as summarized in the below visual:[80]

Figure 24 – Summary of deferral mechanism process



The above demonstrates that board approval will be sought for any and all deferred costs.

6.3.2.4 Eligibility criteria, guidelines, and thresholds

While the above clarifies the approval process and timing of the Deferral Mechanism, through DGT-IR-1, we also inquired of any additional eligibility criteria, triggers, and/or thresholds to help prevent or control potential cost overruns. However, IESO Nova Scotia was unable to provide any examples of such mitigating factors currently in place for the proposed Deferral Mechanism.

Similarly, we inquired of any specific safeguards in place to ensure that amounts collected do not exceed the Board approved revenue requirement and that any excess amounts are fully and timely returned to NS Power and ultimately ratepayers. The IESO Nova Scotia provided the following response:

"IESO Nova Scotia will not over-collect NSEB approved revenue requirements based on the assumption that any Board approved revenue requirement will coincide with Board approved fees which would match the approved revenue requirement for any applicable fiscal year. If in the event IESO Nova Scotia spends less in a fiscal year than its Board approved revenue requirement, it will have presumably over-collected on fees which were collected on the greater budgeted revenue requirement. As noted in Exhibit D-1, "going forward, any true-ups related to a permanent

[80] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-1b

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."[81]

While the purpose and technicalities of deferral accounts and mechanisms can differ depending on the specific organization, it is evident from our jurisdictional review conducted as part of our previous report, dated October 28, 2025, pertaining to M12412, that having defined thresholds and specific guidelines is a key component of many regulatory deferral tools. Per the M12412 Order[82], the Board directed IESO Nova Scotia to include specific guidelines and accounting policies as well as a description of financial controls adopted, no later than its application for the 2027/2028 revenue requirement. When we inquired of details on how any true-ups related to a permanent fee recovery mechanism are to be recorded in the Deferral Mechanism and how double counting or misalignment with future revenue requirement true-ups will be avoided, IESO Nova Scotia stated that this detail will be addressed as part of their work in developing guidelines per the Board's direction[83]. Therefore, as at the date of this report, the development of specific guidelines, policies, and controls relating to the Deferral Mechanism has not yet been completed.

6.3.3 Good utility practice and comparable organizations – deferral of capital costs

As part of our initial review of the Net OM&A Variance Deferral Account as proposed in M12412, we considered GUP and other deferral accounts implemented by independent system operators across Canada. For a detailed jurisdictional scan, see our previous report dated October 28, 2025, pertaining to M2412.

Given IESO Nova Scotia's proposed change to incorporate capital costs into the Deferral Mechanism into the future, we have considered whether this is done by other comparable ISOs. Overall, the deferral of capital costs is not common amongst Canadian ISOs given they do not own transmission assets. However, we have specifically considered the deferral practices of the Ontario IESO and the AESO, detailed below:

- **Independent Electricity System Operator of Ontario ("Ontario IESO"):** The Forecast Variance Deferral Account ("FVDA") is an operating reserve that the Ontario IESO uses to fund activities in the event of revenue shortfalls or unanticipated expenditures. Capital costs are not included in this deferral mechanism as it is designed to address only unexpected operating costs or revenue deviations. Capital expenditures are funded through debt that IESO obtains through its agreement with the Ontario Electricity Financial Corporation. The interest and debt cost of capital expenditures are then collected through the usage fees once the asset is in service and amortized. [84]

- **Alberta Electric System Operator:** The AESO uses two primary deferral mechanisms to manage financial variances, the Deferral Account Reconciliation ("DAR") and the Rider C – Deferral Account Adjustment Rider ("Rider C"). The purpose of the DAR is to reconcile actual costs incurred by the AESO to the actual revenues recovered through rates. It is implemented to ensure no profit or loss results from AESO's transmission operations (as required by the *Electric Utilities Act*) and promotes intergenerational equity by fairly allocating costs and refunds across market participants. [85] The AESO's DAR indirectly includes variances from capital costs as it reconciles forecast vs. actual transmission revenue requirements which include capital cost components. The AESO may under collect or over collect its forecast revenue requirement through the ISO tariff. This can occur because the costs the AESO must include in its tariff may

[81] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-7a-b
[82] 101053 – M12412 Board Decision - Nova Scotia Energy Board – 2026 NSEB 5
[83] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-8a
[84] Ontario Energy Board – Backgrounder – Decision and Order EB -2022-0318 – Independent Electricity System Operator – August 29, 2023 - Backgrounder - DECISION AND ORDER - EB-2022-0318 - August 29, 2023. Accessed March 17, 2026.
[85] Alberta Electric System Operator - *Alberta Electric System Operator 2024 Deferral Account Reconciliation Application* – July 31, 2025 - AESO-2024-Deferral-Account-Reconciliation-Application.pdf. Accessed March 17, 2026.

change as a result of commission decisions regarding transmission facility owner tariffs.[86] Therefore, while the AESO does not directly defer its own capital expenditures, the AESO DAR reflects variances in capital-related costs approved through transmission facility owner tariffs.

6.4 Conclusion

We have reviewed IESO Nova Scotia's proposed Net Revenue Requirement Deferral Mechanism in comparison to the originally proposed Net OM&A Deferral and Variance Account as well as industry practice.

Overall, the implementation and use of deferral accounts and mechanisms is a common practice among utilities and ISOs across Canada. They are important to help ensure stabilization of rates, alignment of cost recovery with service delivery, and for compliance with regulatory frameworks. Therefore, the concept of IESO Nova Scotia's Deferral Mechanism remains aligned with standard industry practice. However, we offer the following comments for consideration go forward:

- Our recommendations as per our previous report, dated October 28, 2025 and pertaining to the Net OM&A Variance Deferral Account per M12412, remain applicable.[87] We highlight the importance of the Board's Order per M12412, directing IESO Nova Scotia to develop specific guidelines, accounting policies and financial controls, particularly in relation to the Deferral Mechanism.

- The modified calculation of the Deferral Mechanism fosters simplicity for tracking purposes and appears appropriate based upon the information available as at the date of this report.

- While the deferral of capital related costs is not uncommon for utilities across Canada, it does not appear to be standard practice for other Canadian ISOs. Additional detail would be required to better understand IESO Nova Scotia's intent in regard to the deferral of capital costs into the future. Specifically, the following would need to be understood:

    - The defined nature and types of capital costs eligible for deferral;

    - Thresholds and limitations for capital cost deferral; and,

    - Applicable capital cost approval and review requirements.

[86] Alberta Utilities Commission - *Alberta Electric System Operator Deferral Account Reconciliation Methodology Revision, September 26, 2023*. Accessed March 17, 2026.
[87] N-10 – Evidence of Doane Grant Thornton – Review of M12412 Revenue Requirement Application – October 28, 2025

7. Request for immediate temporary financial relief

7.1 Scope

Review of IESO Nova Scotia's request for immediate temporary financial relief directing NS Power to begin paying by April 1, 2026, monthly payments to IESO Nova Scotia, of $950,000, exclusive of applicable taxes.

7.2 Procedures

Our review of IESO Nova Scotia's request for temporary financial relief included the following specific procedures:

- Reviewed the information in the Application on the requested financial relief;
- Prepared IRs;
- Reviewed additional information provided in responses to IRs and intervenor submissions; and,
- Concluded on whether the requested temporary financial relief and the Board's decision on the matter is reasonable and appropriate.

7.3 Analysis

7.3.1 **Background**

As explained in the Application, IESO Nova Scotia has taken on operating costs, obligations, and liabilities anticipated by the Act, which now form part of its revenue requirement. Although it has filed applications for its 2025–2026 and 2026–2027 revenue requirements, it has not yet begun collecting fees to fund its operations given it is a new, not-for-profit organization created by provincial legislation.[88]

To cover its expenses in the meantime, IESO Nova Scotia has sought short-term financing from both commercial lenders and the Province. Commercial lenders were unwilling to lend because IESO Nova Scotia currently lacks revenue or an approved long-term recovery mechanism. The Province agreed to provide a $10 million line of credit, which they are now using. However, even with access to this provincial line of credit, IESO Nova Scotia expects that it will run out of funds, making it unable to pay its obligations by May 2026, absent another source of funding or revenue recovery.[89]

The Board provided the following update in their February 25, 2026 letter:

"Under the More Access to Energy Act, the Nova Scotia Independent Energy System Operator is supposed to file its proposed expenditure and revenue requirements for the fiscal year, and the fees it proposes to charge, for review by the Nova Scotia Energy Board by the end of December. On January 2, 2026, IESO Nova Scotia wrote to the Board advising that it was unable to make its submission in the time required and, under s. 29(2), advised that its revenue requirement and fees application would be filed by January 31, 2026.

IESO Nova Scotia filed its revenue requirement application on January 20, 2026. As was the case with its initial application for its first revenue requirement approval under s. 29 of the More Access to Energy Act, IESO Nova

[88] N-1(i) – M12663 - IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026, Exhibit D-1, Page 40
[89] N-1(i) – M12663 - IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026, Exhibit D-1, Page 40

Scotia failed to include a request for the approval of a fee recovery mechanism. This is notwithstanding that it indicated in its past application that a rate recovery mechanism would be included in its application for the fiscal year, April 1, 2026, to March 31, 2027. Instead, IESO Nova Scotia indicated its fee and cost recovery mechanism would be submitted for the Board's review and approval in "Q2 2026, with the goal of NSEB approval prior to year-end 2026." Instead of the expected fee recovery mechanism approval request, IESO Nova Scotia's current application included a request for immediate temporary financial relief "to enable it to remain able to pay its liabilities as they become due."" [90]

7.3.2 The IESO Nova Scotia's request

Per the Application, IESO Nova Scotia is requesting Board approval for immediate temporary financial relief, to enable it 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 $950,000 revenue is needed each month to ensure it continues to meet its liabilities as they become due.[91]

In advance of NSEB review and approval of revenue requirement, IESO Nova Scotia is requesting that the Board direct NS Power to pay $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.[92]

IESO Nova Scotia stated that 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 FAM, with the Monthly Assessment being approved as a prudent cost of NS Power by way of this application.[93]

In terms of evidence of NS Power's approval and agreement to the $950,000 amount, IESO Nova Scotia explained that IESO Nova Scotia had not sought an express agreement or approval from NS Power relative to the payment of temporary fees; rather, sought an Order from the NSEB directing for the payment of the same. That said, as noted in IESO Nova Scotia's Application, arising from ongoing consultation with NS Power, IESO Nova Scotia understood that NS Power was agreeable to its request of the NSEB, provided it was able to record, defer, and recover the Monthly Assessment through its FAM, with the Monthly Assessment being approved as a prudent cost of NS Power by way of its application.[94]

It is important to note that per the Board's Electricity Mandate published on the NSEB website, the "FAM is a process established to ensure that only actual fuel costs are recovered by NS Power from ratepayers. A significant portion of NS Power's rates relate to the cost of fuel required to generate power. Fuel estimates are made through the base cost of fuel, and then variances from this estimate are accumulated in the FAM deferral account."[95]

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[90] 101051 - NSEB - Decision letter re: interim temporary relief – February 25, 2026, Page 1
[91] N-1(i) – M12663 - IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026, Exhibit D-1, Page 40
[92] N-1(i) – M12663 - IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026, Exhibit D-1, Page 41
[93] N-1(i) – M12663 - IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026, Exhibit D-1, Page 41
[94] N-4 – IESO Nova Scotia Responses to DGT Information Requests – IR-5a
[95] Document 228443 – Electricity Mandate – Fuel Adjustment Mechanism ("FAM") - fam_faq.pdf – Accessed March 20, 2026

7.3.3 Summary of intervenor submissions and concerns

The Consumer Advocate (“CA”), Small Business Advocate (“SBA”), the Industrial Group (“IG”), and Port Hawkesbury Paper LP (“PHP”) all submitted submissions pertaining to IESO Nova Scotia’s request for immediate temporary financial relief. A summary of the key opinions from these submissions has been detailed below:

Figure 25 – Summary of intervenor submissions

Party	Position	Summary of reasoning for position
CA	Opposes the request for temporary financial relief[96]	• The request is not supported by sufficient evidence (minimal financial detail and reliance on a brief affidavit); • The $950,000/month amount is unsubstantiated; and, • Using the FAM is inappropriate and unfair because it shifts costs and interest risk to only some customers while limiting future prudence review.
SBA	Opposes the request for temporary financial relief[97]	• The proposal is inconsistent with the *More Access to Energy Act* as recovery should be from ratepayers, not just FAM customers; • Premature prudence approval is inappropriate; • the FAM imposes higher interest (WACC) than IESO Nova Scotia’s provincial line of credit; and, • the request is unclear on timing, retroactivity, and taxes.
IG	Opposes the request for temporary financial relief[98]	• The FAM cannot lawfully be used as bridge financing for non-fuel costs; • The Board lacks statutory authority to grant interim fee approval; • The proposal shifts multiple risks to ratepayers (approval, scope, timing, carrying costs); • The $950,000/month is unsupported; and, • Other reasonable alternatives (provincial financing, guarantees, pacing expenditures, etc.) exist.

[96] 100923 - NSEB – Submission - CA – February 12, 2026
[97] 100924 - NSEB – Submission - SBA – February 12, 2026
[98] 100926 - NSEB – Submission - IG – February 12, 2026

Party	Position	Summary of reasoning for position
PHP	Conditionally supportive – not opposed but with significant reservations[99]	• Not explicitly opposed to the request for temporary financial relief, acknowledging IESO Nova Scotia's stated need to meet its liabilities. However, PHP raised the following concerns and conditions that must be addressed before approval: 1) Using the FAM shifts IESO Nova Scotia's operating costs to NS Power customers while allowing NS Power to earn a return on those costs. PHP notes that it is imperative from the outset of the operations of IESO Nova Scotia that it contain its costs to those necessary to provide reliable electricity supply in the Province. PHP encourages IESO Nova Scotia to move toward a permanent fee recovery mechanism that does not include a utility equity return. 2) Pre-approving the monthly payments as "prudent" should not be construed as a pre-approval of the prudency of the underlying costs of IESO Nova Scotia. Safeguards are needed to protect customers. 3) The proposed retroactive and prospective payment dates are unclear and require clarification.

7.3.4 IESO Nova Scotia's reasoning and rebuttal evidence

In response to the submissions summarized above, IESO Nova Scotia filed rebuttal evidence on February 19, 2026.[100] The IESO Nova Scotia reiterated that they will be unable to meet liabilities as early as May 2026, even with full use of its provincial Line of Credit, unless interim funding is approved. This is because significant system-operation functions have formally moved from NS Power to IESO Nova Scotia but IESO Nova Scotia has no approved fee or revenue mechanism, and commercial lenders will not provide financing without an approved source of revenue.

The IESO Nova Scotia's explanations and supporting evidence for the key areas of concern have been summarized in the following table.

Figure 26 – Summary of IESO Nova Scotia's response to Intervenors

Topic	Intervenor concern	IESO Nova Scotia's explanation/supporting evidence provided[101]
Legislative authority	Legislature does not extend to interim or transitional funding arrangements	The IESO Nova Scotia notes that the *More Access to Energy Act* not only permits but requires the Board to exercise its discretion to order interim funding where no approved fees exist, and the Board has ample jurisdiction to authorize temporary mechanisms to ensure IESO Nova Scotia can lawfully perform its mandate during the transition period.

[99] 100921 - NSEB – Submission - PHP – February 12, 2026
[100] 101002- IESO Nova Scotia Rebuttal submission re: temporary financial relief – February 19, 2026
[101] 101002- IESO Nova Scotia Rebuttal submission re: temporary financial relief – February 19, 2026

Topic	Intervenor concern	IESO Nova Scotia's explanation/supporting evidence provided[101]
		The IESO Nova Scotia quoted sections 29(1)–(4) of the Act as the legal basis for interim fees, and relied on sections 2(f), 7(1), and 9 to show that the Act's purpose and structure require the Board to ensure IESO Nova Scotia is financially viable during the transition period.
Financial position	The financial request is unsubstantiated, and it is unclear why IESO Nova Scotia is unable to pay its liabilities	IESO Nova Scotia explains that its OM&A costs were partially offset by provincial funding, but procurement-related development costs (intentionally excluded from the revenue requirement to avoid duplicate recovery) still require cash funding. The Provincial Line of Credit bridges this gap temporarily but is insufficient beyond April 2026. The IESO Nova Scotia acknowledges the concern and provides additional commentary surrounding cash-flow tracking against budget and modeling that demonstrates insolvency beginning in or about May 2026 without interim relief. A copy of IESO Nova Scotia's cash flow modeling was provided in their confidential response to IG-IR-1.[102]
Financial position	The IESO Nova Scotia has not adequately justified the $950,000 monthly amount.	Per IESO Nova Scotia, they developed a cash-flow model using actual accounting records converted to a cash basis, maintained monthly, to determine the minimum recurring amount needed to remain solvent. Multiple fee scenarios were tested, demonstrating that $950,000 per month is the lowest amount that maintains a positive cash balance through November 2026. A copy of IESO Nova Scotia's cash flow modeling was provided in their confidential response to IG-IR-1.[103]
Financial position	It is unclear why payments are sought retroactively	Per IESO Nova Scotia, the February 1, 2026 effective date is required for prudent cash planning. Without an effective date, any delay in a Board decision would compress the collection period and require a higher monthly amount. The IESO Nova Scotia explained that accruing fees from February enables stable forecasting and avoids volatility in the requested quantum while the Board completes its consideration of interim relief.

[102] N-5(C) – IESO Nova Scotia Responses to IG Information Requests – IR-1- Attachment #5
[103] N-5(C) – IESO Nova Scotia Responses to IG Information Requests – IR-1- Attachment #5

Topic	Intervenor concern	IESO Nova Scotia's explanation/supporting evidence provided[101]
Financial position	The interim period (to March 31, 2027) is excessive and total interim collections may be excessive.	The IESO Nova Scotia explains that although modeling shows sufficiency through November 2026 at $950,000/month, the March 31, 2027 end date is a backstop to address risks outside IESO Nova Scotia's control (e.g., delays in approving or implementing the permanent mechanism). Any unused authorization would not be collected. The IESO Nova Scotia explains that total interim collections (~$13.3 million) are materially less than the combined 2025/2026 and 2026/2027 revenue requirements before the Board ($20.16 million) and exclude Line of Credit repayment and procurement financing carrying costs.
Financial position	The lack of clarity on applicable taxes may impact ratepayers.	The IESO Nova Scotia sought expert tax advice from KPMG, which indicates that ISO fees are generally subject to HST. The IESO Nova Scotia explains that HST collected by NS Power would likely be offset through input tax credits, resulting in a neutral economic impact on customers. To avoid ambiguity, IESO Nova Scotia proposes that any interim fee be stated as "subject to applicable taxes."
Fuel Adjustment Mechanism	Intervenors expressed significant concern regarding the use of the FAM, including the following: • Using the FAM would effectively convert IESO Nova Scotia's non-profit OM&A costs into costs of a for-profit utility, allowing NS Power to earn a WACC return on those amounts. • The FAM does not apply to all customer classes, yet IESO Nova Scotia serves all customers. This could result in FAM customers paying costs attributable to non-FAM customers. • The FAM is a narrowly defined mechanism under the *Public Utilities Act* intended for fuel and purchased-power costs only. Expanding its use risks departing from its statutory design. • The FAM already carries a significant deficit. Adding interim IESO Nova Scotia amounts	The IESO Nova Scotia highlighted the following key points in response: • The IESO Nova Scotia agrees that using the FAM is outside its usual scope but emphasizes that the circumstances are exceptional, time-limited, and driven by the absence of any other immediate funding option • The FAM is proposed solely as an interim recording and deferral tool, not as a final recovery mechanism or a determination of customer allocation or prudency. • Alternatively, IESO Nova Scotia supports establishing a distinct, clearly identified sub-account within the FAM for interim amounts, with carrying costs applied only as directed by the Board. Or, if the Board declines use of the FAM, IESO Nova Scotia proposes a stand-alone, Board-directed deferral account to achieve the same interim purpose while preserving regulatory clarity.

Topic	Intervenor concern	IESO Nova Scotia's explanation/supporting evidence provided[101]
	would increase the regulatory asset balance and accrue additional financing costs at NS Power's WACC, directly increasing customer bills. • Using the FAM does not meet legislative requirements as not all ratepayers contribute to it.	
Prudency of costs	Approving interim payments could amount to a premature prudency findings, exposing customers to costs that have not yet been incurred or reviewed, particularly given IESO Nova Scotia's limited operating history and forecasting uncertainty. This could result in customers effectively pre-funding costs without adequate regulatory protection.	The IESO Nova Scotia's preference is that the costs allocated to NS Power, and the resulting FAM, be assessed prudent at the time they are ordered. However, IESO Nova Scotia agrees that full prudency review may not be feasible on the current timeline. Instead, IESO Nova Scotia proposes deferral and true-up mechanisms so that any costs later found imprudent can be adjusted or refunded. IESO Nova Scotia further highlighted the following: • Interim funding does not eliminate future prudency review; • Customer pre-funding is a common feature of interim orders that is routinely mitigated through later reconciliation; and, • Most costs reflect previously reviewed NS Power functions, reducing the forecasting risk.
Payment start and effective date	Lack of clarity around the distinction between the effective date of the interim payments and the payment start date. Intervenors questioned why payments would be effective February 1, 2026, if NS Power would not begin paying until April 1, 2026.	The IESO Nova Scotia clarified that the effective date determines when interim fees begin to accrue, while the payment date determines when NS Power must remit the accumulated amounts. This allows the Board time to consider the Application while ensuring IESO Nova Scotia does not face a liquidity shortfall immediately before its existing funding is exhausted. In practice, this means fees for February, March, and April would be paid together on April 1, 2026.

7.3.1 NSEB decision

On February 25, 2026, the Board issued its decision, approving IESO Nova Scotia's request for interim temporary financial relief, in part. The Board ordered that:

- Nova Scotia Power Incorporated will pay monthly fees to IESO Nova Scotia in the amount of $950,000 per month, exclusive of applicable taxes.
- The monthly payments are effective February 1, 2026, and will continue until the earlier of the effective date of a Board-approved permanent fee recovery mechanism for IESO Nova Scotia or March 31, 2027.

- The first payment will be made April 1, 2026, and will include the monthly fees for February, March and April 2026.
- NS Power may accrue these payments in a deferral account for later recovery, together with its weighted average cost of capital on the outstanding balance.
- The way the deferred costs are allocated to and recovered from ratepayers will need to be determined.
- These payments are subject to being retroactively reviewed and adjusted by the Board in its final order in this proceeding, which may include a requirement that IESO Nova Scotia repays NS Power for any amounts determined to have been overpaid, including NS Power's weighted average cost of capital in respect of those amounts.

NSEB explained that their decision reflects a reluctant but pragmatic response to a situation created by IESO Nova Scotia's own failure to put an approved fee recovery mechanism in place within a timely manner. While the Board acknowledged IESO Nova Scotia's lack of diligence, disregard for the regulatory process, and the fact that it brought itself to the brink of insolvency, it concluded that denying relief would risk making a bad situation worse by jeopardizing system operations and the public interest. As a result, the Board determined it had clear authority under section 29 of the Act to approve interim funding, even in the absence of previously approved fees, in order to ensure IESO Nova Scotia could continue to operate on a not-for-profit basis and fulfill its statutory mandate.[104]

However, NSEB rejected the use of Nova Scotia Power's FAM and instead imposed a separate deferral account and explicitly preserving full authority to later review, adjust, reallocate, or require repayment of any interim amounts. NSEB states that since this deferral has been made necessary because of IESO Nova Scotia's lack of diligence in filing a fee recovery mechanism for approval, the Board finds it is appropriate for this deferral to accrue interest at NS Power's WACC. At the time of this report, the way the deferred costs are allocated to and recovered from customers will need to be determined.[105]

7.4 Conclusion

Based upon our review of IESO Nova Scotia's request for immediate temporary financial relief and the Board's letter published on February 25, 2026, we offer the following comments:

- We recognize the need for approval of the financial relief in order to prioritize public interest and allow IESO Nova Scotia to continue operating – this aligns with the GUP principal of reliability.
- Doane GT is aligned with intervenors and the Board, supporting the movement away from use of the FAM. Using the FAM to record, defer, and recover monthly assessment costs contradicts the narrow definition of the FAM which specifies its intended use is for fuel and purchased-power costs only. Using a mechanism for a purpose outside of the scope of its defined and intended use would create misalignment with the GUP principal of regulatory compliance.
- At the time of this report, the way the deferred costs are allocated to and recovered from customers has not been determined. Establishing this process should be prioritized to ensure clarity going forward.

  The IESO Nova Scotia has produced actual and historical financial records along with a high-level cash flow modeling exercise in response to IG-RIR-1. However, as IESO Nova Scotia works through the process of imposing a separate deferral account per the Board's order, it is recommended that a stringent forecasting and tracking process be implemented. At the core of GUP lies clear and transparent data access and

[104] 101051 - NSEB - Decision letter re: interim temporary relief – February 25, 2026 – page 3
[105] 101051 - NSEB - Decision letter re: interim temporary relief – February 25, 2026 -page 3

supporting information. Therefore, to align with this principle, a more detailed forecasting process should be implemented for future applications.

Appendix A - Glossary of terms

Abbreviation	Term
2025/2026A	2025/2026 Annualized budgeted expenditures
2025/2026B	2025/2026 budget
2026/2027B	2026/2027 budget
Act	The More Access to Energy Act
AESO	Alberta Electric System Operator
Application or M12663	2026-2027 Revenue Requirement Application
CA	The Consumer Advocate
DAR	Deferral account reconciliation
Deferral Mechanism	The proposed Net Revenue Requirement Deferral and Variance Mechanism
FAM	Fuel adjustment mechanism
FTE	Full time equivalent
FVDA	Forecast variance deferral account
GAAP	Generally Accepted Accounting Principles
GUP	Good Utility Practice
HR	Human resources
IG	The Industrial Group
IR	Information request
IT	Information technology
ISO	Independent system operator
M12412 or the M12412 Application	2025-2026 Revenue Requirement Application
MW	Megawatt
IESO Nova Scotia or IESO Nova Scotia	Nova Scotia Independent Energy System Operator
NSEB or the Board	Nova Scotia Energy and Regulatory Boards Tribunal
NL Power	Newfoundland Power
NS Power	Nova Scotia Power
Ontario IESO	Independent Electric System Operator of Ontario
OM&A	Operations, maintenance, and administration
OPG	Ontario Power Generation
PHP	Port Hawkesbury Paper LP
PMO support	Project management support
Rider C	Rider C- Deferral Account Adjustment Rider
RFP	Request for proposal
SBA	The Small Business Advocate
SME	Subject Matter Expertise
Sub-Account No. 1	Net Ongoing OM&A Deferral Account
Sub-Account No. 2	Net OM&A Variance Account
Sub-Account No. 3	Actual Net OM&A Account
We, us, our, Doane GT or Doane Grant Thornton	Doane Grant Thornton LLP

Appendix B – Documents referenced

#	Document
1	100921 - NSEB – Submission – PHP – February 12, 2026
2	100923 - NSEB – Submission – CA – February 12, 2026
3	100924 - NSEB – Submission – SBA – February 12, 2026
4	100926 - NSEB – Submission – IG – February 12, 2026
5	101002- IESO Nova Scotia Rebuttal submission re: temporary financial relief – February 19, 2026
6	101051 - NSEB - Decision letter re: interim temporary relief – February 25, 2026
7	101053 – M12412 Board Decision – Nova Scotia Energy Board – 2026 NSEB 5
8	Alberta Electric System Operator - *Alberta Electric System Operator 2024 Deferral Account Reconciliation Application* – July 31, 2025 - AESO-2024-Deferral-Account-Reconciliation-Application.pdf. Accessed March 17, 2026.
9	Alberta Utilities Commission - *Alberta Electric System Operator Deferral Account Reconciliation Methodology Revision, September 26, 2023*. Accessed March 17, 2026.
10	Document 228443 – Electricity Mandate – Fuel Adjustment Mechanism (“FAM”) - fam_faq.pdf – Accessed March 20, 2026
11	Nova Scotia, More Access to Energy Act, Section 29 -More Access to Energy Act
12	N-1(i) – M12412 – IESO Nova Scotia 2025-2026 Revenue Requirement Application, August 5, 2025
13	N-1(i) – M12663 – IESO Nova Scotia 2026-2027 Revenue Requirement Application, January 20, 2026
14	N-3(1) – IESO Nova Scotia Responses to CA Information Requests – IR-7
15	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-1
16	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-3
17	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-5
18	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-7
19	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-8
20	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-9
21	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-10
22	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-11
23	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-12
24	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-13
25	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-14
26	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-15
27	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-16
28	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-17
29	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-19
30	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-20
31	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-21
32	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-22
33	N-4 - IESO Nova Scotia Responses to DGT Information Requests – IR-23
34	N-5 - IESO Nova Scotia Responses to IG Information Requests – IR-28
35	N-5 (C) - IESO Nova Scotia Responses to IG Information Requests – IR-1 –Attachment #5
36	N-6 - IESO Nova Scotia Responses to NSEB Information Requests – IR-7

#	Document
37	N-6 - IESO Nova Scotia Responses to NSEB Information Requests – IR-11
38	N-10 - Evidence of Doane Grant Thornton – Review of M12412 Revenue Requirement Application – October 28, 2025
39	Ontario Energy Board – Backgrounder – Decision and Order EB -2022-0318 – Independent Electricity System Operator – August 29, 2023 - Backgrounder - DECISION AND ORDER - EB-2022-0318 - August 29, 2023. Accessed March 17, 2026

Appendix C – Angie Brown resume

CPA, CA, CIA, BComm (Hons)

Partner, Advisory

Angie currently leads our advisory services team in Newfoundland and Labrador.

Education

- Memorial University - Bachelor of Commerce in 2009
- Chartered Professional Accountant in 2015 - originally certified as a Chartered Accountant in 2011.
- Certified Internal Auditor in 2011

Regulatory advisory experience

Since 2012, Angie has advised regulatory bodies across Canada. Some examples include:

- Board of Commissioners of Public Utilities - Newfoundland & Labrador – Financial consultant including:
  - Review of GRA filings by Newfoundland Power Inc. and Newfoundland and Labrador Hydro.
  - Review of the Costs of Supply and Distribution of Maximum Price Regulated Petroleum Products 2019/2020.
- Work stream leader and project manager for the two-phase forensic audit for the Commission of Inquiry Respecting the Muskrat Falls Inquiry in 2018-2019.
- Review of the 2021 General Rate Application and Hurricane Dorian Storm Restoration Costs filed by Maritime Electric Corporate Inc. for the Island Regulatory and Appeals Commission.
- Business plan and market impact analysis for a municipality in Alberta. This included developing a 10-year business plan for the potential transfer of utility operations.
- Regulatory consulting services for the City of Edmonton in 2016 and 2021 regarding the review of EPCOR’s PBR filings for water, wastewater, and drainage.
- Regulatory consulting services to the Nova Scotia Utility and Review Board (NSUARB) regarding matter M10431 – Nova Scotia Power Inc. – 2022 General Rate Application
- Regulatory consulting services to the City of Summerside regarding the Maritime Electric 2021/2022 - Open Access Transmission Tariff (OATT) application
- Preparation of the 2022/23-2024/25 Energy, Efficiency and Conservation Plan for the Government of Prince Edward Island through efficiencyPEI.

- Regulatory consulting services to the New Brunswick Energy and Utilities Board (NBEUB) regarding Matter No. 549 - the cost of carbon adjustor (2023)

- Regulatory consulting services to the Nova Scotia Utility and Review Board regarding a review of the cost of carbon adjustor mechanism in connection with Matter 10853 – Petroleum Products Wholesale Margin Review (2023).

- Regulatory consulting services to the New Brunswick Energy and Utilities Board (NBEUB) regarding Matter No. 566 - the six-month period review of a mechanism to set the cost of carbon adjustor.

- Regulatory consulting services to the New Brunswick Energy and Utilities Board (NBEUB) regarding Matter PT-003-2025 – review of the Cost of Carbon Adjustor.

- Regulatory consulting services to the Nova Scotia Energy Board regarding matter M12412 – in the matter of an application by the Nova Scotia Independent Energy System Operator for approval of its proposed expenditure and revenue requirement for the test year ending March 31, 2026.

- Regulatory consulting services to the Government of Prince Edward Island regarding insights, financial advice, and financial analysis on the power industry to help the Government develop its go forward strategy (2025).

- Regulatory consulting services to the Public Intervener of New Brunswick regarding Matter PT-001-2025 – review of maximum retail margins, maximum delivery costs and maximum full-service charge for motor fuels and furnace oil.

- Regulatory consulting services to the Public Intervener of New Brunswick regarding Matter PT-002-2025 – review of maximum wholesale margins, maximum delivery costs and maximum full-service charge for motor fuels and furnace oil.

- Regulatory consulting services to the Nova Scotia Energy Board regarding Matter M12451 – Nova Scotia Power Inc. – 2026 General Rate Application.

- Regulatory consulting services to the Public Intervener of New Brunswick regarding Matter PT-005-2025 – in the matter of a review as a consequence of the pending repeal of the Cost of Carbon Adjustor from the *Petroleum Products Pricing Act.*

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