
Request IR - 1

Reference: Exhibit C-1 (page 37, lines 10–13) 3 IESO Nova Scotia references the Net OM&A Deferral and Variance Account approved in principle in the 2025/2026 Revenue Requirement Application (M12412) and states that "The Net OM&A Deferral and Variance Account may be used to account for additional cost categories such as capital and costs associated with energy resource procurements, and is therefore being renamed the Net Revenue Requirement Deferral and Variance Mechanism to reflect its potential use in truing up various other cost categories in the future."

With regards to proposed changes in deferral account, please provide the following:

(a) The proposed revised definition of the deferral account including its purpose, scope, and specific types of costs to be included or excluded.

(b) All parameters, criteria and calculation methodologies associated with the account such as eligibility criteria, triggers and thresholds, calculations, and timing of entries.

(c) Comparison showing the existing Board approved definition and parameters vs the proposed changes.

(d) Any additional rationale for the proposed changes.

Response IR - 1

(a) Proposed revised definition of deferral account:

- Purpose – tracking and deferring any variance from the approved revenue requirement.
- Scope – to include all spending of IESO Nova Scotia that has gone through an approval process with the NSEB.
- Specific types of costs to be included or excluded – at this time, the only costs to be included are OM&A cost variances resulting from the 2025-2026 revenue application and 2026-2027 revenue application. In future, capital costs and costs associated with energy resource procurements may also be included. Costs that would be excluded are any costs that were not submitted to the NSEB for approval.

(b) Parameters and eligibility criteria for inclusion and exclusion are provided in response to part (a).

The Net Revenue Requirement Deferral and Variance Mechanism account is envisioned to function in the following manner:

- The NSEB approves a revenue application for the IESO for a given financial year. This is the trigger to start tracking actual costs against the approved amount.
- At the close of a financial year, IESO NS will complete a final accounting of costs for that period in comparison to the corresponding approved amount for that year. The difference is the variance that is recorded in the deferral account.

- When there is a balance in the deferral account it will be included as an item in the next revenue requirement application submitted by IESO Nova Scotia.
- Timing would be expected to follow a pattern such as (using hypothetical future dates):
  i. Revenue requirement application submitted by December 31, 2027 for the fiscal year April 1, 2028 – March 31, 2029. An approved amount related to this application is set by the NSEB on a subsequent date.
  ii. At December 31, 2028, a revenue requirement application is submitted for fiscal year April 1, 2029 – March 31, 2030. For clarity, this application will not include any deferral amount for the fiscal year April 1, 2028 – March 31, 2029 from point (i) which is still in progress.
  iii. Following the fiscal year end at March 31, 2029, the actual total expenses for the fiscal year are compiled and compared to the approved amount from point (i). Any variance is recorded in the deferral account at this time.
  iv. At December 31, 2029, a revenue requirement application is submitted for the fiscal year April 1, 2030 – March 31, 2031. This application will include the balance in the deferral account calculated in point (iii) as part of the revenue application.

(c) While the NSEB recently approved the Net OM&A Deferral and Variance Account under M12412, outside of the information provided in that proceeding, there are no existing Board approved definitions and parameters for the deferral and variance account at this time.

(d) The rationale for the proposed Net Revenue Requirement Deferral and Variance Mechanism as compared to the 2025/2026 revenue requirement application Net OM&A Deferral and Variance Account was for additional simplicity and clarity, and to accommodate potential other cost categories for inclusion.

Request IR - 2

Reference: Exhibit A-1 (page 8, lines 24-26) 20 IESO Nova Scotia states that "any references to capital costs in this Application are not included for approval at this time. The regulatory pathways for NSEB review and approval of these additional cost categories will be assessed in further detail in 2026."

(a) Please explain how capital costs would be reviewed for prudence and recovery if recorded in the deferral mechanism prior to Board approval?

Response IR - 2

(a) Please refer to DGT IR-01 for details on how the deferral mechanism will function. As stated in DGT IR-01, only those costs that have received NSEB approval would be eligible for recovery through the deferral mechanism. IESO Nova Scotia does not intend to record capital costs in the deferral mechanism prior to NSEB approval. Once NSEB approval of capital costs is received, actual capital costs would then be tracked and compared against the approved budget with any variance included in the deferral mechanism as described in DGT IR-01.

Request IR - 3

Reference: Exhibit B-2 (page 21, lines 14–17)

IESO Nova Scotia explains that procurement costs may be reimbursed by successful proponents and that such amounts may be accounted for through the Net Revenue Requirement Deferral and Variance Mechanism.

(a) Please explain how reimbursed procurement costs will be credited to the mechanism and how timing differences will be addressed.

Response IR - 3

a) Reimbursed project costs will be recorded upon receipt of the reimbursement. That reimbursement would be captured in the Net Revenue Requirement and Deferral Mechanism and addressed in the next Revenue Requirement application.

Request IR - 4

Reference: Exhibit D-1 (page 40, lines 23–26)

IESO Nova Scotia explains that a minimum of $950,000 per month is required to ensure it can meet its liabilities as they become due.

(a) Please explain how this $950,000 was calculated, providing the underlying supporting calculations, if available.

(b) Please provide a detailed forecast, on a monthly basis, demonstrating why IESO Nova Scotia will be unable to meet its liabilities absent the requested relief, including assumptions regarding timing of revenues, expenditures, and drawdown of the Provincial line of credit.

Response IR – 4

Please note that the NSEB approved the IESO Nova Scotia's request for temporary financial relief on February 25, 2026. Please also refer to IG IR-1 for IESO-NS's current and historical financial records as referred to in Mr. McFeters' affidavit.

(a) Please refer to pages 5 to 7 of IESO Nova Scotia's rebuttal submission of February 19, 2026.

(b) Please refer to pages 4 to 7 of IESO Nova Scotia's rebuttal submission of February 19, 2026.

Request IR - 5

Reference: Exhibit D-1 (page 41, lines 9–11)

IESO Nova Scotia explains that ahead of this filing, IESO Nova Scotia has consulted NS Power and can advise that NS Power is agreeable to the request 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."

(a) Please provide evidence of NS Power's approval and agreement to the $950,000 amount.

Response IR - 5

Please note that the IESO's request for temporary financial relief was approved by the NSEB on February 25, 2026.

(a) 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 Fuel Adjustment Mechanism (FAM), with the

Monthly Assessment being approved as a prudent cost of NS Power by way of its application.

Request IR - 6

Reference: Exhibit D-1 (page 42, lines 13–16; page 43, lines 1–6)

IESO Nova Scotia states 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 Fuel Adjustment Mechanism (FAM), with the Monthly Assessment being approved as a prudent cost of NS Power by way of this application."

(a) Please explain why the FAM is considered the most appropriate mechanism for recovery of the Monthly assessment. In your response, please explain how recovery of the Monthly Assessment is appropriate use of the FAM deferral.

(b) Please identify all alternative mechanisms considered and explain why each was rejected.

(c) What impact does the recovery of the Monthly Assessment through the FAM have on NS Power customers? How does this impact compare to other mechanisms considered?

Response IR - 6

(a-c)

Please note that the NSEB has approved IESO Nova Scotia's request for temporary financial relief by letter on February 25, 2026. In that letter, the Board advised that costs related to fees paid to the IESO Nova Scotia are not to be charged to the FAM. Instead, the NSEB allowed for NS Power to accrue the amounts in a separate deferral account, and to accrue interest at NS

Power's weighted average cost of capital. The IESO Nova Scotia respectfully suggests that incremental costs associated with NS Power's WACC may be calculated and reconciled via the permanent fee and cost recovery mechanism, with NS Power's input. Please also refer to pages 8 - 10 of IESO Nova Scotia's rebuttal submission of February 19, 2026.

Request IR - 7

Reference: Exhibit D-1 (page 42, lines 6–18)

IESO Nova Scotia explains that any over-collection or under-collection compared to the approved revenue requirement will be reconciled through future fees.

Please describe the specific safeguards in place, if any, to ensure that:

(a) amounts collected do not exceed the Board approved revenue requirement; and

(b) any excess amounts are fully and timely returned to NS Power and, ultimately, ratepayers.

Response IR - 7

(a-b) 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. The reference noted by DGT above was with respect to actual costs incurred as compared to the NSEB approved budget and corresponding fees. 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, "[g]oing forward, any true-ups related to a permanent fee recovery mechanism is proposed via the Net Revenue Requirement and Deferral and Variance Mechanism, which will ensure only actual IESO Nova Scotia costs are ultimately passed onto market participants."[1] Exhibit C-1, which describes the proposed Net Revenue Requirement and Deferral and Variance Mechanism, provided an example of what would occur when actual expenditures are less than budgeted revenue requirement and fees, representing an over-recovery: "… during the fiscal year April 1 to March 31, IESO Nova Scotia incurs actual costs of $90 (cost category 2), lower than the NSEB approved budget. The Net Revenue Requirement Deferral and Variance Mechanism balance is therefore $10 (i.e., $100 – 90) (cost category 3). The $10 is effectively an over-recovery, and will then be incorporated into associated fees reducing what the fees might otherwise be in the next Revenue Requirement and Fee application."[2] The reduction in fees would effectively flow through to customers via market participants' cost recovery mechanisms, effectively ensuring that customers only pay for the actual costs of IESO Nova Scotia over time.

[1] IESO Nova Scotia 2026/2027 Revenue Requirement Application (M12663), January 20, 2026, Exhibit D-1; p.42
[2] IESO Nova Scotia 2026/2027 Revenue Requirement Application (M12663), January 20, 2026, Exhibit C-1; p. 39

Request IR - 8

Reference: Exhibit D-1 (page 43, lines 14–17)

IESO Nova Scotia proposes that "any true-ups related to a permanent fee recovery mechanism is proposed via the Net Revenue Requirement and Deferral and Variance Mechanism, which will ensure only actual IESO Nova Scotia costs are ultimately passed onto market participants."

(a) Please explain in detail how this will be recorded within the mechanism and how double counting or misalignment with future revenue requirement true-ups will be avoided.

Response IR - 8

(a) See DGT IR-01 for a description of the Net Revenue Requirement Deferral and Variance Mechanism. Please note that the NSEB approved the IESO's requested Net OM&A Deferral and Variance Account by Decision and Order on February 25, 2026. In the Board's Decision, the NSEB directed IESO Nova Scotia to develop guidelines for the Net OM&A Deferral and Variance Account. The detail raised by DGT in this IR will be addressed as part of that work.

Request IR - 9

Reference: Exhibit B-1 (page 9, Table 1)

(a) Please provide year to date actual results for all the OM&A cost categories detailed in Table 1. In your response, provide explanations for any variances from the 2025/2026 budget.

Response IR - 9

(a) Please refer to the response to NSEB IR-07.

Request IR - 10

Reference: Exhibit B-2 (page 14, lines 11-16, Employees administration)

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

(a) Please provide the budgeting methodology for "employees (administration)" cost.

(b) Please provide supporting calculations for the 2025/2026 Annualized amount for the "Compensation" subcategory.

(c) The 2025/2026 budgeted amount for "employees (administration)" cost is 176% lower than the 2025/2026 annualized amount and 183% lower than the 2026/2027 budgeted amount. We understand that this difference driven by the increase in the "compensation" subcategory. Please provide additional details on the nature of the compensation cost increases (number of positions, their roles, salaries, etc.)

(d) Please explain whether the 23 administration employees actively employed from April 1, 2026 to March 31, 2027 are expected to represent the staffing level going forward. If not, please explain why.

Response IR – 10

(a) The budgeting methodology 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, HR, and communications/stakeholder engagement required in all energy sector, public sector, and regulated utility sectors such as NS Power, OPG, NFLD Power, AESO, and NB Power system operators.

The compensation philosophy and structure for the 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 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.

(b) The 2025/2026 annualized amount for the Compensation subcategory of Employees (Administration) 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.

(c) The increased compensation in 2026/2027 over 2025/2026 is due to the following:

Pay Bands	**2025/2026**	**2026/2027**
Sr Managers	6	7
Managers	3	6

Specialists	3	7
Administration	1	3
Total FTEs	13	23
Total $	$1,449k	$4,330k
# of months	6.2	12
Annualized cost per employee	$216k	$188k

As demonstrated in the table above, 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 FTEs was in the Specialists band.

(d) 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.

Request IR - 11

Reference: Exhibit B-2 (page 17, lines 3-7, Corporate Administration)

IESO Nova Scotia states that "Office costs were not anticipated in the 2025/2026 budget, thus increasing the total costs in the Office costs subcategory from $nil to approximately $100,000 for the fiscal year. Additionally, IESO Nova Scotia was able to offset this increase by lowering external consultancy costs for IESO Nova Scotia's stakeholder engagement consultant and communications consultant through internally hiring a Manager, Communications and Indigenous, Government, and Stakeholder Engagement."

(a) Please provide the budgeting methodology for "corporate administrative" costs.

(b) Please provide supporting calculations for the 2025/2026 Annualized expenses for subcategories "Stakeholder engagement" and "Web hosting".

(c) The 2026/2027 budget for corporate administrative cost is 13% higher than the 2025/2026 budget, which is largely driven by the increase in "office costs" and "web hosting" subcategories. Please provide additional details on these variances as well as a breakdown of the "office costs" budget.

(d) The 2025/2026 annualized amount for corporate administrative cost is 17% higher than the 2025/2026 budgeted amount. We understand that this is largely attributable to the increase in "web hosting" and "stakeholder engagement" subcategories. Please provide additional details on the reason for these variances.

(e) Why is the "various insurance coverages" subcategory expected to decrease by 63% from 2025/2026 budget and annualized amounts?

(f) Why is the "communications" subcategory expected to decrease by 43% from 2025/2026 budget and annualized amounts?

Response IR – 11

(a) The budgeting methodology for corporate administrative costs 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.

(b) Stakeholder Engagement costs 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.

Web hosting was budgeted at $5,000 per month for a total of $60,000 for the fiscal year. It was assumed that an upgraded website is to be developed and hosting is complex.

(c) See table below for the breakdown of office costs. None of these expenses were contemplated when the 2025-2026 budget was developed, which was an oversight, leading to the variance in 2026-2027.

Office Cost type	**Detail**	**Amount ($)**
Printing		$1,200
Postage/Shipping/Delivery		2,400
Stakeholder Meetings	Hospitality, room rentals, supplies	6,000
Office supplies		22,560
Photocopier lease	Supplies and service	3,600
Cleaning		9,600
Other Expense		24,000
Subscriptions	Subscriptions to relevant recruiting and information web platforms.	12,000
Bank charges, Office equipment, maintenance		18,100
Total		**$99,460**

(d) The increase in corporate administrative costs is due to the increase in office costs which are reviewed in part (c).

(e) 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 the 2026-2027 budget leading to the variance noted.

(f) The Communications sub-category cost is expected to decline in 2026/2027 compared to 2025/2026 with less external support required as IESO Nova Scotia added an internal resource with the hiring of a Manager, Communications and Indigenous, Government and Stakeholder Engagement in late 2025.

Request IR - 12

Reference: Exhibit B-2, page 20 (lines 11-13, Legal and regulatory)

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

(a) Please provide the budgeting methodology for "legal and regulatory" costs.

(b) Please provide supporting calculations for the 2025/2026 Annualized "legal and compliance" sub-category. In your response, please explain why the annualized amount is greater than 2025/2026 budget.

(c) The 2026/2027 budget for Legal and regulatory cost was 42% higher than the 2025/2026 budgeted amount and 35% higher than the 2025/2026 annualized amount. We understand that the change is due to anticipated increased workload and external legal counsel costs in the preparation for the Phase II transition which are captured in the "legal and compliance cost" sub-category. Please provide additional details on the assumptions used in formulating this estimate.

(d) Please explain whether the 2026/2027 budget is reflective of legal and regulatory cost going forward, or if these are expected to increase or decrease as Phase II progresses.

Response IR - 12

(a) The "legal and regulatory" cost category includes two subcategories, "regulatory proceedings and assessments" and "legal and compliance". Built into the estimate for both cost subcategories is acknowledgement that the IESO has only one internal lawyer, the General Counsel and Corporate Secretary, who oversees matters pertaining to governance, enterprise risk management, regulatory affairs, and compliance. Given the volume of activities involved in each of those respective functions, as the organization matures, at this time, it is expected that a material volume of the legal work will need to be completed with the aid of external counsel.

The "regulatory proceedings and assessments" subcategory includes the budget amounts for IESO Nova Scotia's 2027/2028 Revenue Requirement and Fees Application (which IESO Nova Scotia is required under the Act to file no later than December 31, 2026), and the IESO's Annual Report to be submitted to the NSEB in accordance with the *More Access to Energy Act*, which will also be filed during the 2026/2027 fiscal year. Please also refer to NSEB IR-3 for a detailed workplan including expected regulatory activities.

IESO Nova Scotia has included the same estimate for the "regulatory proceedings and assessments" subcategory in its 2026/2027 Application that 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.

Note, IESO Nova Scotia does not yet have an exact breakdown of actual costs incurred under the "regulatory proceedings and assessments" subcategory 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, the IESO had not yet undergone a full application process, and were unable to rely on actual costs while budgeting in this cost subcategory.

Further, at the time of submitting the 2026/2027 Revenue Requirement Application, the NSEB had not been required to assess any expenses against IESO Nova Scotia because IESO Nova Scotia's initial Revenue Requirement application had not yet been approved (as per section 85 of the *More Access to Energy Act*).

The budget estimates for the "legal and compliance" subcategory was calculated using the following data points:

- First, wherever available, IESO Nova Scotia reviewed actual costs incurred within this category during the 2025/2026 fiscal year as collected at the time of budget preparation.

- Second, IESO Nova Scotia reviewed expense drivers for "legal and compliance" costs. Specifically, the IESO reviewed the anticipated work for the 2026/2027 fiscal year which may require legal services. These assumptions are discussed below in part (c).

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 was also informed that, based on IESO Nova Scotia's anticipated legal needs, the IESO should budget for a monthly legal support spend in the $50k-$80k 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 subcategory.

(b) The 2025/2026 annualized "legal and compliance" sub-category included the cost of expenditures as if they had been accrued for the entire 2025/2026 fiscal year, offset by the assumption of in-house counsel for part of the year.

(c) The estimated expenses in the "legal and compliance" cost subcategory increased in the 2026/2027 fiscal year because of 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.

The following is a non-exhaustive list of the areas where IESO Nova Scotia will likely require legal support during the 2026/2027 fiscal year:

<u>Corporate/Commercial</u>:

- Assumption of responsibilities from NS Power, including any existing agreements where the IESO Nova Scotia is legislatively mandated to take over responsibilities, including SGIP administration matters;
- Operational matters with third party entities, including contract drafting and/or review.

<u>Phase II Transition</u>:

- Transfer of grid operation responsibilities from NS Power to IESO Nova Scotia;
- Any required procurement or conveyance of real and personal property.

<u>Labour and Employment</u>:

- Transfer of all personnel from NS Power, including bargaining unit staff;
- Possible legal work arising from the assumption of a collective agreement for unionized employees;

- Immigration support with respect to temporary foreign workers, if applicable;
- General labour and employment support for matters arising through the year;
- The provision of advice in relation to matters pertaining to human resource management, including standardized practices associated with employee management, such as policy development.

<u>Regulatory Compliance</u>:

- NERC/FERC/NPCC compliance and legal advice in relation thereto;
- Regulatory advice to support understanding of the regulatory obligations framework.

<u>Governance</u>:

- Alignment of board governance processes with industry best practice (terms of reference, development of resolutions and general support to corporate secretary in relation to those functions).

<u>Privacy, IT and Cybersecurity</u>:

- Privacy matters including assessment of statutory obligations and involvement in any disputes in relation to privacy matters;
- Negotiation and execution of IT service agreements;

- Formation of a cybersecurity governance structure

Other:

- Enterprise risk management matters which include the assessment of legal risk, such as issues relating to community engagement and indigenous consultation;
- IESO Nova Scotia's participation as an intervenor or interested party in regulatory matters before the Energy Board;
- Development of IESO Nova Scotia's inaugural Integrated Resource Plan.

The budget for this cost subcategory relies on the assumption that the above activities can be completed with a reasonable level of legal effort.

(d) IESO Nova Scotia is 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 the IESO would expect legal and regulatory costs to decrease in future years as the implementation of Phase II is completed and the IESO settles into regular business.

Request IR - 13

Reference: Exhibit B-2 (page 22, lines 13-17, Procurement)

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

(a) Please provide the budgeting methodology for "procurement" costs.

(b) The 2026/2027 budget for procurement cost is 10% lower than the 2025/2026 budget and 10% lower than the 2025/2026 annualized. We understand that this is largely a result of the decrease in capacity contract and 300 MW RFP cost. Please provide additional details on this variance.

(c) The 2026/2027 budget has a new subcategory for "additional procurement" costs, amounting to $0.48 million. We understand that this includes technical experts, legal, communication support, and a procurement consultant. Can you please provide additional details on these increases (positions, roles, related costs, etc.)?

Response IR - 13

(a) 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.

(b) With regards to the totals provided in Table 10 of Exhibit B-2, page 23, the decreases in capacity contract and 300 MW RFP costs are attributable to a reduced estimated resource loading relative to the previous fiscal period:

- 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 Additional Capacity Procurement (capacity and/or storage) budget 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.

(c) Please refer to the response to part (b) above. 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 IRP process, and so represent new costs in the 2026/27 fiscal year that were not present in the 2025/26 fiscal year.

Request IR - 14

Reference: Exhibit B-2 (page 23, lines 4-7, Facilities and technology)

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

(a) Please provide the budgeting methodology for "facilities and technology" cost.

(b) Please provide the supporting calculations for the 2025/2026 Annualized amounts for "Office lease" and "Managed IT services" sub-categories.

(c) The 2026/2027 budget for facilities and technology is 79% higher than the 2025/2026 budget and 36% higher than the 2025/2026 annualized amount. We understand that these differences are largely attributable to changes in "IT application software", "office lease" and "other tech costs" subcategories. Please provide additional explanations for the nature of these variances including breakdowns of what costs are included in these increases.

(d) The 2025/2026 annualized cost for facilities and technology was 32% higher than 2025/2026 budget. This appears to be driven by the "office lease" and "Managed IT services" subcategories. Please provide additional explanations on the nature of these increases.

Response IR - 14

(a) The budgeting methodology 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 fulfill work plans for the 2026/2027 fiscal year, and the number of employees planned; and
- With those data points informing the process, budget estimates were calculated.

(b) 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.

(c) 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.

(d) The office lease included a fixturing period, and Managed IT services began in November 2025. The cost increase reflects a full year of these services.

Request IR - 15

Reference: Exhibit B-2 (page 25, lines 13-15, Facilities and technology)

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

(a) Please state the types of costs included in the Employee Technology Hardware and Software subcategory that will now be treated as capital expenditures for 2026/2027 fiscal year.

(b) Please explain the process for removing these costs from the Employee Technology Hardware and Software subcategory and treating them as capital expenditures.

Response IR – 15

(a) The Employee Technology Hardware and Software subcategory includes computer hardware such as laptops, servers and workstations, audio-visual equipment, and certain software applications.

(b) These costs have been capitalized on the balance sheet of the IESO financial statement in accordance with the IESO's draft capitalization policy (please refer to IG IR-17

Attachment 1) and GAAP accounting standards. 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 2025/2026 Revenue Requirement application (M12412), these costs were included with transition costs that are covered by the Provincial grant.

Request IR - 16

Reference: Exhibit B-2 (page 28, lines 11-13, Finance)

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

(a) Please provide budgeting methodology for "finance" cost.

(b) Please provide supporting calculations for the 2025/2026 Annualized cost for "payroll and accounting subscription services" subcategory.

(c) The 2026/2027 budget for finance cost is 306% higher than the 2025/2026 budget and 282% higher than the 2025/2025 annualized amount. We understand that "financing costs on operating line of credit from the Province" is the primary driver for this increase. Please provide additional details on the financing costs. In your response, please explain what, if any, impact the immediate temporary financial relief required in Exhibit D-1 of the application will have on the projected financing costs.

(d) The 2026/2027 budget for payroll and accounting subscription services is 50% higher than the 2025/2026 budget. What is the reason for this increase?

Response IR - 16

(a) Due to the inherent uncertainty with IESO Nova Scotia's request for temporary financial relief at the time of submission, the Application budgeted finance costs were 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.

(b) The 2025/2026 revenue requirement application included the annualized cost for "payroll and accounting subscription services" 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.

(c) As explained in part (a), the sub account "financing costs on operating line of credit from the Province" 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 the IESO draws from the Line of Credit facility by $3M -$4M in 2026-2027 with a corresponding reduction in interest costs.

(d) The 2025/2026 revenue requirement application assumed minimal costs for 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.

Request IR - 17

Reference: Exhibit B-2 (page 31, lines 8-18, Operations)

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

(a) Please provide the budgeting methodology for "operations (system planning)" cost.

(b) Please provide supporting calculations for the 2025/2026 Annualized costs for "Salaries and wages for technical staff", "Third party recoveries", and "integrated resource planning" subcategories.

(c) The 2025/2026 budget for operations (system planning) cost is 119% less than the 2025/2026 annualized amount and 126% less than the 2026/2027 budget. Please provide additional details and cost breakdowns for the increases in "salaries and wages for technical staff", "third party recoveries" and "integrated resource planning consulting fees" cost categories.

Response IR - 17

(a) 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.

(b) The 2025/2026 annualized amount for the Salaries and wages for technical staff was 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.

The 2025/2026 annualized costs for third party recoveries and integrated resource planning subcategories were forecasted to be twice that of 2025/2026 as the original budget was for approximately half a year.

(c) The increased costs salaries and wages for technical staff in 2026/2027 over 2025/2026 is due to the following:

	2025/2026	**2026/2027**
Total Technical FTEs	23	21

Total compensation $	$1,651k	$3,720k
# of months	6	12
Avg annualized cost per employee	$143k	$177k

As demonstrated in the table above, 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 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.

Request IR - 18

Reference: Exhibit B-3 (page 36 , Table 2)

(a) Please provide year to date actual results for all the transitional costs detailed in Table 2. In your response, provide explanations for any variances from the 2025/2026 budget.

Response IR - 18

(a) Year to date actual results for transitional costs detailed in Table 2:

Cost Category	2025/2026 Budget ($) (Millions) A	Actual Results December 31, 2025 ($) (Millions) B	Variance (A-B) (over)/under budget
PMO Support	0.72M	0.89M	(0.17M)
Subject Matter Expertise – Phase II	0.07M	0.06M	0.01M
Compliance Preparedness and Assurance	0.44M	0.97M	(0.53M)
Total Transitional Expenses	1.23M	1.92M	(0.69M)

Explanations for variance to 2025/2026 budget:

- PMO Support includes Program and project management, HR transition planning, and change management and accounting setup. These items are 0.17M over budget as of December 31, 2025 due to increased scope of activities to stand up operations of the IESO Nova Scotia as fast as possible in 2025 and progress the work required under the legislated mandate.

- Compliance Preparedness and Assurance includes NERC compliance and assurance consultants and Office and Employee Technology Hardware and Software. This category is over budget by $0.53M as of December 31, 2025 due to the inclusion of computer hardware and software required to stand-up the IESO Nova Scotia.

Request IR - 19

Reference: Exhibit B-3 (page 33, lines 9-12)

IESO Nova Scotia states that "As there remains considerable work to be done to build out the Phase II transition roadmap, there may be additional costs that have not been anticipated at this time. In particular, IESO Nova Scotia anticipates there will be capital requirements associated with implementing the technology requirements which are not included in this Application."

(a) Please provide additional detail on the nature of the capital requirements referenced above, including the type of technology implementation and Phase II activities these costs pertain to.

Response IR - 19

(a) The anticipated capital requirements referenced in the Application relate to Phase II implementation activities associated with the transfer of real-time dispatch operations from NS Power to IESO Nova Scotia.

While detailed scoping work is still underway, 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.

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

Request IR - 20

Reference: Exhibit B-3 (page 34, lines 14-22)

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

(a) Given that there is uncertainty surrounding the exact scope of work to be conducted in Phase II, please provide the budgeting methodology and key assumptions used to determine the estimated $0.36M and $0.5M amounts stated above.

(b) Please provide further detail on the scope of additional advisory work included in the $0.36M and explain whether this support is a one-time occurrence or if it is expected to extend beyond 2026/2027.

Response IR - 20

(a) The $0.36M in additional advisory support associated with Phase II was 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.

Resource	**Min Daily Rate**	**Max Daily Rate**	**Allocation Factor**
Project Manager	$1,200	$2,200	10%
Subject Matter Expert	$2,500	$4,000	100%
Technical Specialist	$1,700	$3,500	20%
Business Analyst	$1,200	$2,200	100%
Business Analyst	$1,200	$2,200	100%

This resulted in a range of estimated costs from $321,600 to $535,200. Recognizing the range of uncertainty at this stage, the IESO Nova Scotia used $360,000 (towards the bottom of this range) in its application.

The $0.50M in adjustments to electricity market arrangements and rules associated with Phase II 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.

Resource	Min Daily Rate	Max Daily Rate	Allocation Factor
Project Manager	$1,200	$2,200	10%
Subject Matter Expert	$2,500	$4,000	100%
Technical Specialist	$1,700	$3,500	50%
Business Analyst	$1,200	$2,200	100%

This resulted in a range of estimated costs from $467,000 to $797,000. Recognizing the range of uncertainty at this stage, the IESO Nova Scotia used $500,000 (towards the bottom of this range) in its application.

(b) The $0.36M in additional advisory support associated with Phase II was contemplated for final activities that might be required to complete and confirm readiness, prepare for cutover, and reduce the risk for any potential issues as control room accountability shifts from NS Power to IESO Nova Scotia. As implementation plans for Phase II are solidified the exact scope of this work will be further refined, but it is anticipated to include:

- Refining cut-over plans and readiness stage gates;
- Completing any final documentation for new ways of working or new hand-offs between NS Power and IESO Nova Scotia and identified as a gap during final preparations for cutover;

- Final competency checks or training needs and
- Any additional dry runs, testing or assurance as needed.

These are anticipated as one-time costs.

Request IR - 21

Reference: Exhibit B-3 (page 34, lines 12-14, Subject matter expertise)

IESO Nova Scotia states that "The costs for Phase II subject matter expertise is budgeted at $0.86M. These costs address the individual consultants which IESO Nova Scotia will require to ensure Phase II preparedness."

(a) Please provide supporting calculations for the 2025/2026 Annualized "Subject matter expertise - Phase II" costs.

(b) The 2026/2027 budget for "subject matter expertise - Phase II" is 617% higher than 2025/2026 annualized and 1129% higher than 2025/2026 budget. We understand that the two specific pieces of work stated above are contributing factors. Please provide additional details on these two pieces of work including costs and timelines.

Response IR - 21

(a) For the annualized calculations, IESO Nova Scotia 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. For the PMO Support Category it was 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, so IESO Nova Scotia based the annualized amount on actual spend at the time of preparation of the budget. The Subject Matter Expertise – Phase II annualized amount was based on 2025/2026 monthly estimate of $10k per month. For the Compliance, Preparedness and Assurance Category, 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.

(b) Please refer to IG IR-28.

Request IR - 22

Reference: Exhibit B-3 (page 35, lines 11-14, Compliance preparedness and assurance)

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

(a) 2026/2027 budget for "compliance preparedness and assurance" is 23% lower than 2025/2026 annualized and 2025/2026 budget. We understand that consulting fees contribute to this difference. Can you please elaborate further on the reason for this decrease?

Response IR - 22

(a) The decrease in the 2026/2027 budget for Compliance Preparedness and Assurance compared to the 2025/2026 annualized amount is primarily attributable to the completion of significant upfront consulting work undertaken in 2025/2026.

In 2025/2026, IESO Nova Scotia retained external consultants to support both Phase I and preliminary Phase II compliance planning activities. 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.

For 2026/2027, the budget 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, the 2026/2027 forecast assumes a lower level of external advisory support relative to the initial planning and readiness work completed in 2025/2026.

Request IR - 23

Reference: Exhibit B-3 (page 33, lines 16-20, PMO Support)

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

(a) Please provide support for calculations of the 2025/2026 Annualized "PMO" Support costs. In your response, please explain why the annualized amount is 79% higher than 2025/2026 budget.

(b) The 2026/2027 budget for "PMO support" is 56% lower than 2025/2026 annualized and 21% lower than 2025/2026 budget. We understand that much of the HR work being completed in 2025/2026 contributes to this difference. Please provide additional detailed support on which PMO support activities were completed in 2025/2026 and are no longer required in 2026/2027.

(c) Please state which PMO support activities are expected to continue in 2026/2027 and explain how their scope will differ from the activities conducted in 2025/2026 annualized.

Response IR - 23

(a) In general, the PMO support costs were annualized on the basis that the 2025/2026 budget was for 7 months of services and the annualized figure is for 12 months. Additionally, the annualized amount is 79% higher than the 2025/2026 budget primarily based on anticipated needs of the Phase II transition work in 2026/2027 which occurs primarily in that fiscal year.

(b) The 2025/2026 PMO budget included 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.

(c) In 2026/2027, the PMO will continue core functions. 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, the PMO will shift from startup tasks to supporting increased SME involvement and providing complementary oversight within a more mature delivery and governance framework.