February 12, 2026

VIA EMAIL

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

Dear Ms. Henwood:

Re: M12663 – Nova Scotia Independent Energy System Operator (IESO Nova Scotia) – 2026/2027 Revenue Requirement and Fees – Proposed Temporary Financial Relief

The Small Business Advocate (SBA) has reviewed the application filed by IESO Nova Scotia on January 20, 2026 (the "Application")[1] and appreciates the opportunity to provide comments on IESO Nova Scotia's request for Immediate Temporary Financial Relief (the "Financial Relief"), as outlined in Exhibit D-1 to the Application.

IESO Nova Scotia's request is as follows:

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

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

   (a) March 31, 2027, or

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

3. Authorization for NS Power to record, defer, and recover such payments through its FAM, with the Monthly Assessment being approved as a prudent cost of NS Power by way of this application[2].

[1] M12663, Exhibit N-1, 2026-2027 Revenue Application - Notice of Application; and Exhibit N-1(i), 2026-2027 Revenue Application, (collectively the "Application").
[2] M12663, Exhibit N-1(i), 2026-2027 Revenue Application, Exhibit D-1, Page 42, Lines 23-26 and Page 43, Lines 1-6.

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In the Application, IESO Nova Scotia provides the historical background of its organization, noting both that the Board of Directors was established on February 18, 2025 and that there has been a great deal of work undertaken since that time to get itself up and running[3].

As part of that work, IESO Nova Scotia filed an application for approval of its 2025/2026 Revenue Requirement on August 5, 2025 (the "2025/2026 Application)[4]. In that filing, IESO Nova Scotia notes that it "…is not yet in a position to propose a mechanism for rate recovery. It is the NSIESO's proposal to defer the approval of a rate recovery mechanism until a future application.[5]" The SBA notes that IESO Nova Scotia has not provided a proposed rate recovery mechanism as part of this current Application; rather it has requested that monthly payments be made, in the amount of $950,000, by Nova Scotia Power Inc. (NSPI), to IESO Nova Scotia with the payments being recorded in the FAM account.

The SBA respectfully submits that the Application does not provide sufficient information or explanation with respect to a number of issues relevant to IESO Nova Scotia's request for Financial Relief to justify its approval, especially prior to the full hearing of the Application. Outlined below are some of the key issues that the SBA respectfully submits require close Board consideration.

1. **Legislative Requirements**:

Under the *More Access to Energy Act*, which created IESO Nova Scotia, it states:

> 30(2) The Energy Board shall establish a mechanism to recover the costs referred to in subsection (1) from ratepayers, and the public utilities connected to the IESO grid shall collect these amounts and remit them to the IESO[6].

This section refers to recovery from ratepayers and not FAM customers. The SBA notes that FAM customers and ratepayers are not interchangeable terms as the FAM is not paid by all Nova Scotia ratepayers. For example, it is not paid by PHP under the ELIADC tariff currently in place.

As such, the SBA respectfully submits that the proposed Financial Relief, using the FAM account, does not fulfill the requirements under the legislation.

2. **Prudency Review**

IESO Nova Scotia has also asked that the Board approve the Financial Relief and confirm that the payments by NSPI are prudent. The Board may approve payments by NSPI to IESO Nova Scotia, similar to how NSPI makes monthly payments to Nova Scotia Power Maritime Link (NSPML) on the basis of an approved Revenue Requirement. Notwithstanding that the Board may consider these types of payments as prudent actions by NSPI due to them being made pursuant to a Board

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[3] M12663, Exhibit N-1(i), 2026-2027 Revenue Application, Exhibit D-1, Page 40, Lines 2-8

[4] M12412, Exhibit N-1, Nova Scotia Independent Energy System Operator (IESO Nova Scotia) - Proposed expenditure and revenue requirements for test year ending March 31, 2026, Notice of Application, and Exhibit N-1(i) Application Exhibits, (collectively the "2025/2026 Application")

[5] M12412, Exhibit N-1(i), 2025/2026 Application, Exhibit C-1 Deferral and Variance Accounts Page 33 of 36, Lines 2-3

[6] *More Access to Energy Act*. SNS, 2024, c. 2, Sch. B, s. 1., Section 30(2) [*Act*]

order, it still remains open for the Board to examine the prudent actions by NSPML (and in turn IESO Nova Scotia) as to their use of the funds paid by NSPI.

The SBA respectfully submits that there can be no decision on IESO Nova Scotia's prudency prior to IESO Nova Scotia undertaking the work and incurring costs. Moreover, any payments under the FAM are subject to the bi-annual FAM Audit in addition to any audit to which IESO Nova Scotia may be subject.

3. Interest on Debt/Operating Line of Credit

While it is not addressed directly in IESO Nova Scotia's Application, it is presumed that the funds transferred by NSPI, and recorded in the FAM account, will be subject to the same interest rate as the remainder of the FAM account, which is NSPI's Weighted Average Cost of Capital (WACC). Given the significant issues with outstanding FAM account debt over the last several years, any additional debt in the FAM account is of significant concern to ratepayers.

In the Application, IESO Nova Scotia states that it was able to obtain, in December 2025, a $10 million Operating Line of Credit, with the intention that the total amount was advanced for all of 2026/2027[7]. The interest rate on that Operating Line of Credit, as set out in the Application, is "...prime (4.5%) + 0.5%[8]" which is less than the currently approved WACC. The SBA submits that it is unclear why FAM customers should bear a higher interest rate for the Financial Relief if IESO Nova Scotia has an Operating Line of Credit at a lower interest rate. It is acknowledged that the funds available under that Operating Line of Credit may not be sufficient to provide financing until a permanent cost recovery mechanism can be approved and established, but the SBA respectfully submits that the Operating Line of Credit should be exhausted prior to any funds being provided that will result in higher costs to ratepayers.

The SBA acknowledges IESO Nova Scotia's statement that even with the Operating Line of Credit it will not be able to "...meet its liabilities as they become due in May 2026[9]" but as the Operating Line of Credit was not provided until December 2025, and the reference is to it covering 2026-2027, it is unclear from the information provided in the Application why that is the case.

IESO Nova Scotia states that the amount of the Financial Relief does not affect the ultimate amount to be approved by the Board and that any extra that is received by IESO Nova Scotia through the Financial Relief will be reconciled through the permanent cost recovery mechanism[10]. However, if more money is paid to IESO Nova Scotia under the Financial Relief than is ultimately approved by the Board in the final decision on the Application, FAM customers will have to absorb the interest on that overpayment. While the remaining overpayment will be addressed through the permanent cost recovery mechanism, IESO Nova Scotia did not address this issue of additional interest that would accumulate in the FAM account in the Application. It is imperative that the impact on FAM customers be considered, especially in light of the wording of the *Act*.

[7] M12663, Exhibit N-1(i), Application, Exhibit B-2, Page 27, Lines 9-13
[8] M12663, Exhibit N-1(i), Application, Exhibit B-2, Page 27, Lines 9-13
[9] M12663, Exhibit N-1(i), Application, Exhibit D-1, Page 40, Lines 18-20
[10] M12663, Exhibit N-1(i), Application, Exhibit D-1, Page 42, Lines 6-9

4. Timing

In the Application, it refers to the Financial Relief being paid in March 2026, but "...effective January 1, 2026" and continuing until the end of March 2027[11]. However, later in the Application, it states that IESO Nova Scotia is requesting the direction for payment to be effective February 1, 2026 and the end date would be either March 31, 2027 or when the Board approves a permanent recovery mechanism[12].

The SBA respectfully submits that it is unclear what exactly IESO Nova Scotia is requesting. The request appears to allow for the interpretation that they are requesting, beginning in April 2026, for payments of $950,000 for April forward and are requesting retroactive payments to either January or February, 2026. The SBA respectfully submits that it would be inappropriate for any payment to be made regarding January, February or March 2026 under this Application, as those months are covered under the 2025/2026 Application, which is yet to be approved.

The SBA also notes that IESO Nova Scotia has indicated that it is working on developing the permanent cost recovery mechanism and expects to have it ready for filing in Q2 2026[13]. The SBA respectfully submits that it would be helpful to understand how much of this process IESO Nova Scotia has completed and whether they have consulted with any stakeholders concerning their proposed cost recovery mechanism. It is imperative that this be completed as soon as possible.

5. Applicable Taxes

The request by IESO Nova Scotia refers to the $950,000 monthly payment being "...exclusive of applicable taxes[14]" but it is unclear from the information provided in the Application what taxes may apply and what the actual ultimate amount of the payment would be. The SBA respectfully submits this may result in a significant impact to ratepayers and requires clarification.

Summary

The SBA respectfully submits that there is a lack of detailed explanation regarding several aspects of this request for Financial Relief, including whether the Application is allowed under the *Act*, and submits that the Board should not approve IESO Nova Scotia's request for immediate temporary Financial Relief.

Yours truly,

Melissa P. MacAdam
Small Business Advocate

[11] M12663, Exhibit N-1(i), Application, Exhibit A-1, Page 3, Lines 11-14
[12] M12663, Exhibit N-1(i), Application, Exhibit D-1, Page 41, Lines 8-12
[13] M12663, Exhibit N-1(i), Application, Exhibit D-1, Page 41, Lines 21-23
[14] M12663, Exhibit N-1(i), Application, Exhibit D-1, Page 41, Line 10