M12663

NOVA SCOTIA ENERGY BOARD

IN THE MATTER OF: **THE MORE ACCESS TO ENERGY ACT**

- and -

IN THE MATTER OF: **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, 2027

NON-CONFIDENTIAL INFORMATION REQUESTS

To: **The Nova Scotia Independent Energy System Operator ("IESO Nova Scotia")**

From: Doane Grant Thornton LLP

Responses Due: **March 10, 2026**

Copies: 2 electronic copies - 1PDF (searchable), 1 Microsoft Word

Contact Person:
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Issued at Halifax, Nova Scotia, this 17th day of February 2026.

Lisa Wallace
for Crystal Henwood, Clerk of the Board

Request IR-1:

Reference: Exhibit C-1 (page 37, lines 10–13)

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.

Request IR-2:

Reference: Exhibit A-1 (page 8, lines 24-26)

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."

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

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.

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

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.

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."

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

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?

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.

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."

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.

Request IR-9:

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

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.

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.

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?

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.

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.)?

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.

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.

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 relied 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?

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.

Request IR-18:

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

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.

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."

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.

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.

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.

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.

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?

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.