BEFORE THE NOVA SCOTIA ENERGY BOARD

IN THE MATTER OF: The *More Access to Energy Act, 1998,* SNS 2024, c 2, Sch B, (the "Act")

- and -

IN THE MATTER OF: an application by the Nova Scotia Independent Energy System Operator for approval of its proposed expenditure and revenue requirements for the test year ending March 31, 2027.

CLOSING SUBMISSIONS

OF

THE SMALL BUSINESS ADVOCATE

The Small Business Advocate (SBA) appreciates the opportunity to provide these closing submissions with respect to the Nova Scotia Independent Energy System Operator's (IESO-NS) revenue requirement application for the 2026/2027 fiscal year, ending March 31, 2027[1] (the "Application").

The Application was filed on January 20, 2026, and was followed by an information request ("IR") process that involved over 100 IR's to IESO; evidence filed by Doane Grant Thornton; responses from IESO and from Doane Grant Thornton to IRs; a letter of comment from East Coast Environmental Law; 2 days of oral testimony and 11 undertakings. A great deal of information has been provided, analyzed, considered and tested; however, serious questions still remain. Outlined below are some areas that the SBA respectfully submits should be considered further by the Nova Scotia Energy Board (NSEB) in assessing the Application.

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[1] M12663 – Exhibit N-1(i), IESO-NS 2026-2027 Revenue Application

The SBA's submissions are focused on topics where the SBA submits IESO-NS has failed to provide transparent and fulsome information; where there are gaps in the policy or procedure of IESO-NS; and where the SBA recommends that steps need to be taken in order to mitigate the risk to ratepayers. Given that IESO-NS has only been operating with staff for less than a year, other issues may not have been highlighted as some accommodation for the learning curve that IESO-NS is currently on should be allowed. The SBA reserves the right to raise issues in future matters involving IESO-NS that may not have been raised here.

Employment Vacancies

At the time of the hearing, June 17 and 25, 2026, IESO-NS was approaching the end of Q1 for the 2026/2026 fiscal year. As the Application is for the whole of 2026/2027, the employment positions that remain unfilled as of the end of the first quarter require some consideration as to what the ultimate employment costs might be by the end of the year.

In IESO-NS's response to NSEB IR-11[2], it provided a chart of the administrative employee positions, broken out by categorical function, that set out whether or not the position was filled or vacant. At the time of the filing of the IR response, being March 10, 2026, there were 14 vacancies in total. During the hearing, IESO-NS provided an update to the chart and identified 9 positions that were either out in the market (for the first or second time) or are not yet in active recruitment[3]. IESO-NS did state, in response to questions from the Consumer Advocate, that there were 4 outstanding vacancies included in the Application yet to be hired, defining the remaining nine vacancies as being in active recruitment, meaning that there was, for those 9 positions, at a minimum, "a job out there that someone could apply to.[4]"

While IESO-NS does not believe that it is appropriate to consider including a vacancy rate in the 2026/2027 budget given the level of maturity of the organization, the SBA respectfully submits that there should be an accounting done of the impact of the vacancies that existed at of the end of

[2] M12663 – Exhibit N-6, NSEB IR 11a), Pages 2-3 of 4, Table of Administrative Employees broken down by categorical function.

[3] M12663 – Transcripts June 17, 2026, Page 183, Lines 12-19 and Page 184, Lines 1-9

[4] M12663 – Transcripts June 17, 2026, Page 54, Lines 15-16.

Q1 2026/2027. In an organization that intends to employ a total of 44[5] employees, having 9 or 4 (depending on how you define a 'vacancy') open positions can materially affect the resulting employment costs for the year. Those open positions represent between 9% to 20% of the total expected head count for IESO-NS.

Recruitment Fees

Within the 2026/2027 proposed budget, there is $100,000 allocated for "recruitment fees", which is detailed as potentially including a signing bonus[6]. IESO-NS confirmed at the hearing that no money had been allocated or spent for signing bonuses or retainers and also confirmed that there was no policy related to the use of recruitment fees being used for either signing bonuses or retainers[7].

The SBA respectfully submits that there should be a fulsome consideration given to whether public funds should be used by a not-for-profit for signing bonuses. Between the written evidence provided[8] and oral testimony, as well as undertaking responses[9], there was a lot of discussion about how the salaries for the various positions were determined and documentation provided confirming that external expert consultants were involved in making recommendations relating to many of the non-CEO positions. The SBA respectfully submits that providing signing bonuses, which are not discussed in the information provided regarding recommendations for salary ranges, raises concerns about the total compensation exceeding what is recommended by the expert consultants. While it is important that IESO-NS recruit and retain experienced and trained individuals to carry out the necessary work, it is also equally important that their compensation is in line with industry standards and the geographic area in question.

[5] M12663 – Transcripts June 25, 2026, Page 410, Lines 7-12.
[6] M12663 – Exhibit N-6 – NSEB 11(g), Page 4 of 4.
[7] M12663 – Transcripts June 17, 2026, Page 187, Lines 18-24 and Page 188, Line 1-4.
[8] As an example, Exhibit N-3, Consumer Advocate IR 7(c), Pages 3-4 of 6.
[9] M12663 – Exhibit N-18, IESO-NS Undertaking 1, Pages 1-2 of 2.

Office Costs

Throughout the Application, the IRs and during the hearing, a great deal of time was spent reviewing the 2025/2026 expected results, with the acknowledgment that the final audited financials had not been completed at the time of the hearing. There were concerns raised by counsel for IESO-NS about questions regarding the 2025/2026 budget and spending, as the Application before the NSEB is in relation to the 2026/2027 fiscal year. However, IESO-NS also stated that the 2026/2027 proposed budget is actually built on the 2025/2026 budget[10]. As such, and further noting that IESO-NS is a new organization with a limited history, namely only the 2025/2026 fiscal year, it is essential for the NSEB and intervenors to understand what has been done in the past (i.e. the budget and actual spend for 2025/2026) in order to determine whether the proposed 2026/2027 budget is reasonable.

In the Application[11] IESO-NS includes $100,000 in the budget for Office Costs, which IESO-NS in turn breaks down in response to Doane Grant Thornton LLP IR 11(c)[12]. That breakdown includes 'Other Expense' of $24,000, which represents 25% of the total Office Costs budget.

While IESO-NS could not confirm at the hearing what that $24,000 was intended to be used for,[13] it did provide a response in Undertaking U-4, which states that those costs are associated with travel requirements, including attending conferences, meetings and discussions with other independent system operators[14].

Given the breakdown of expenses under Exhibit N-1(i) Appendix B, Page 16, Table 4: OM&A Costs for the Corporate Administrative Cost Category, it is unclear why such a significant cost would be lumped under 'Other Expense'. The SBA respectfully submits that, to encourage transparency and accountability, travel and associated expenses should have a separate category, either under the Office Costs budget or the Corporate Administrative budget.

[10] M12663 – Transcripts June 17, 2026, Page 78, Lines 16-19 and Page 79, Lines 1-7.
[11] M12663 – Exhibit N-1(i), the Application, Appendix B, Page 16, Line 1, Table 4: OM&A Costs for the Corporate Administrative Cost Category.
[12] M12663 – Exhibit N-4, IR 11(c), Page 3 of 4, Line 42.
[13] M12663 – Transcripts June 17, 2026, Page 226, Lines 21-22 and Page 227, Lines 1-3.
[14] M12663 – Exhibit N-18, IESO-NS Undertaking U-4, Page 1 of 1.

The SBA notes that including significant costs within an 'Other Expense' category rather than demonstrating transparency as shown in the response to Undertaking U-4 could be considered an example of past budget and spending practices that should be addressed through an accounting policy review. It is important for there to be clarity as to what needs to be broken down by individual cost category.

Procurement Guidelines

While it has not been determined whether IESO-NS is a utility subject to the requirements under the *Public Utility Act*[15], IESO-NS has committed to making "ethical, transparent, and accountable purchasing decisions[16]" based on the purpose set out in its Procurement Guidelines. Within those Procurement Guidelines, which IESO-NS was unable to confirm have been approved by the IESO-NS Board[17], there is a chart that sets out the method to be followed for procurement, depending on the estimated value of the contract[18]. While there is "room for some judgement[19]" for those contracts that are worth between $5,000 and $10,000, the remaining classifications are clear on the applicable requirements. However, the SBA notes that the Procurement Methods chart is then followed by a Flexibility Clause, which states:

> In exceptional circumstances, where strict adherence to these procurement thresholds would significantly impede operations, the CEO, Executive Sponsor or Board Chair may approve an alternative procurement approach.

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[15] M12663 – Exhibit N-6, ISEO-NS Response to NSEB IR-10(d), Page 3 of 4, Lines 56-58, Transcripts June 17, 2026, Page 164, Lines 17-19 and Page 165, Lines 1-2.
[16] M12663 - Exhibit N-3 – CA IR 1b) – Attachment #1, Nova Scotia Independent Energy System Operator Procurement Guidelines, Page 3, Purpose.
[17] M12663 – Transcripts June 17, 2026, Page 140, Lines 11-19 and Page 141, Lines 1-14
[18] M12663 - Exhibit N-3 – CA IR 1b) – Attachment #1, Nova Scotia Independent Energy System Operator Procurement Guidelines, Page 5, Procurement Methods.
[19] M12663 – Transcripts June 17, 2026, Page 144, Lines 18-19

> Such exceptions must be documented in writing with justification and reported to the Board of Directors for transparency. Such exceptions should be rare and must not be used to circumvent the intent of these guidelines[20].

In cross-examination, IESO-NS confirmed that it has utilized the Flexibility Clause, providing as an example a situation where they could only locate one organization that could meet the requirements of the contract[21]. While there was no information provided as to the cost of the contract in question, it should be noted that sole source procurement is allowed under the Procurement Methods chart if there is no practical or viable alternative available, with the minimum requirements of having the single source procurement approved by either the CEO, Board Chair or Board of Directors, depending on the value of the contract.

Notably, despite the Flexibility Clause stating that exceptions must be recorded in writing, with accompanying justification, when asked about reporting on its use of the Flexibility Clause IESOS-NS stated that:

> As a brand new organization that's just been getting stood up, we have not been capturing that in some sort of reporting framework at this point of time[22].

And further noted that "[a]nd it's been a handful of times when we say that we've gone outside of this policy.[23]"

IESO-NS could not provide a definition of 'exceptional circumstances', noting it was left relatively flexible[24]. It was also noted that, while there is no written limit on the use of the Flexibility Clause, IESO-NS intends to manage it in a way that anything over $100,000 would need full approval[25].

The SBA acknowledges the need for IESO-NS to carry out procurement activities in an efficient manner but respectfully submits that having a Flexibility Clause that essentially allows those

[20] M12663 - Exhibit N-3 – CA IR 1b) – Attachment #1, Nova Scotia Independent Energy System Operator Procurement Guidelines, Page 5.
[21] M12663 – Transcripts June 17, 2026, Page 145, Lines 2-9.
[22] M12663 – Transcripts June 17, 2026, Page 145, Lines 19 and Page 146, Lines 1-3.
[23] M12663 – Transcripts June 17, 2026, Page 147, Lines 12-13.
[24] M12663 – Transcripts June 17, 2026, Page 146, Lines 15-19.
[25] M12663 – Transcripts June 17, 2026, Page 147, Lines 7-11 and Page 148, Lines 2-5.

guidelines to be ignored, for purchases up to $100,000 (assuming that IESO-NS follows its stated intentions), does not align with the stated purpose of the Procurement Guidelines, namely "ethical, transparent, and accountable purchasing decisions[26]", especially if the use of the Flexibility Clause is not conveyed to the NSEB and/or stakeholders.

The SBA respectfully submits that ratepayers are entitled to expect that IESO-NS will have, and follow, reasonable procurement guidelines, including timely documentation of relevant decisions in a record that can be readily reviewed throughout the procurement process, which are intended to ensure that the costs that ratepayers must bear are the lowest possible in the market and represent the best value for the costs incurred.

Costs to be Paid by Third Parties

The Application sets out a budget as well as a plan for the work to be completed by IESO-NS in 2026/2027[27]. Part of that work includes the procurement of fast-acting generation, which involves IESO-NS continuing to undertake "site development until handoff to awarded proponents.[28]"

When responding to questions about what was included in that site development work, IESO-NS provided a number of examples of things required for the environmental assessment process and confirmed that the costs for those items are not included as part of the Application[29]. IESO-NS explained that those costs will be ultimately paid to IESO-NS by the successful proponents, including any interest that is accrued in the interim[30].

While that approach appears reasonable, the SBA submits that there is a risk that is borne by IESO-NS, and in turn ratepayers, in the event that the procurement process does not proceed as expected. For example, some of the costs listed by IESO-NS in relation to site development work include geotechnical exploration and assessment of water availability[31] which raises the question of what

[26] M12663 - Exhibit N-3 – Consumer Advocate IR 1b) – Attachment #1, Nova Scotia Independent Energy System Operator Procurement Guidelines, Page 3, Purpose.
[27] M12663 – Exhibit N-6 – NSEB IR 3(a), Attachment 1.
[28] M12663 – Exhibit N-6 – NSEB IR 3(a), Attachment 1, Procurement: Fast Acting Generation.
[29] M12663 – Transcripts June 17, 2026, Page 168, Lines 16-19 and Page 169, Pages 1-8.
[30] M12663 – Transcripts June 17, 2026, Page 169, Lines 14-18 and Pahe 170, Lines 4-7.
[31] M12663 – Transcripts June 17, 2026, Page 168, Lines 16-19 and Page 169, Line 1-4

happens if those studies result in negative outcomes and/or the environmental assessment fails? It was stated by IESO-NS that if the Tolling Agreement for fast-acting capacity is not signed, the financial risk for IESO-NS, and in turn for Nova Scotia ratepayers, would be $1.5 million[32].

The SBA respectfully submits that IESO-NS should follow appropriate accounting policy and rules for identifying financial risks, including the magnitude of those risks, in its proposed revenue requirement applications going forward. This would contribute to the transparency that IESO-NS has committed to and ensure that the NSEB and ratepayers have access to all relevant information regarding known costs and risks.

While all risks cannot be avoided, it is respectfully submitted that IESO-NS needs to be cautious in undertaking work that is not guaranteed to be reimbursed if ratepayers are going to be expected to be liable for those costs in the event IESO-NS is unable to collect those costs from the successful proponents or the project does not proceed.

Net Revenue Requirement Deferral and Variance Mechanism Account

There remains a great deal of uncertainty with respect to the actual application and operation of the Net Revenue Requirement Deferral and Variance Mechanism Account in practice. As it is being proposed by IESO-NS, the Net Revenue Requirement Deferral and Variance Mechanism Account has no maximum amount that could be accumulated within it. This creates a significant risk for ratepayers who would ultimately be expected to pay for these accumulated costs.

The issue of a maximum amount to be included in the Net Revenue Requirement Deferral and Variance Mechanism Account, or a cap, was raised by the Industrial Group counsel in cross-examination. When asked about whether IESO-NS would agree to a cap on the amount to be included in the Net Revenue Requirement Deferral and Variance Mechanism Account, IESO-NS would not agree to the proposition, on the basis that if something unforeseen arose, it would need the flexibility to spend funds in order to satisfy its obligations to ratepayers[33]. IESO-NS did acknowledge that it would have the option to apply to the NSEB if something of that nature

[32] M12663 – Transcripts June 17, 2026, Page 215, Lines 22-25.
[33] M12663 – Transcripts June 17, 2026, Page 255, Lines 11-19 and Page 256, Lines 1-8.

occurred, but IESO-NS took the position that the NSEB's timeline would prevent it from meeting "its statutory mandate in terms of serving customers.[34]"

The SBA respectfully submits that IESO-NS has not established why a cap on the Net Revenue Requirement Deferral and Variance Mechanism Account should not be considered and imposed by the NSEB. What must be kept in mind is that, absent a process for determining imprudence that does not involve ratepayers covering all expenses, the total amount contained within the Net Revenue Requirement Deferral and Variance Mechanism Account will have to be paid by Nova Scotian ratepayers. While IESO-NS raised the issue of the NSEB's timelines being a concern, there is no reason why there cannot be consideration given on an expedited basis in the event of a serious emergency. The overall purpose of a cap on the Net Revenue Requirement Deferral and Variance Mechanism Account is not about preventing IESO-NS from carrying out their mandate but about protecting ratepayers from unforeseen expenses without limitation. The maximum amount allowed should fairly reflect what IESO-NS deems as reasonable in the circumstances, but with consideration given to the impact of the amount of the cap on ratepayers.

Net Revenue Requirement Deferral and Variance Mechanism Account - Monthly Reports

For the Net Revenue Requirement Deferral and Variance Mechanism Account, the SBA also respectfully submits that it is important, at least the fiscal year of 2026/2027, for there to be monthly reports received from IESO-NS. Given IESO-NS's comments about being a new organization with limited historical information[35]; their admitted missed heads of costs from 2025/2026[36]; the reliance on the 2025/2026 budget as the basis for the 2026/2027 budget[37]; and the fact that Nova Scotia ratepayers will be required to pay for all prudently incurred costs, it is essential that the NSEB and stakeholders have timely insight into what is happening at IESO-NS from a financial perspective. Just as NS Power files monthly fuel adjustment mechanism reports,

[34] M12663 – Transcripts June 17, 2026, Page 256, Lines 9-18.
[35] M12663 – Transcripts June 17, 2026, Page 207, Lines 3-6.
[36] M12663 – Transcripts June 17, 2026, Page 181, Lines 11-14.
[37] M12663 – Transcripts June 17, 2026, Page 78, Lines 16-19 and Page 79, Lines 1-7.

which has a similar requirement for NS Power ratepayers to pay for all prudently incurred FAM costs, IESO-NS should provide similar reports.

In response to questions arising from IESO-NS's response to NSEB IR-28(h)[38], regarding minimizing the volatility with the Net Revenue Requirement Deferral and Variance Mechanism Account, IESO-NS referred to the need to get "experience under our feet and having historical data to look at.[39]" This comment supports the recommendation that IESO-NS should be examining what happens each and every month in order to understand what is occurring and how to adjust things in a timely manner.

While IESO-NS noted that it would put "significant incremental burden on a small organization that's trying to get stood up[40]", the fact is that IESO-NS should have monthly insight into how their costs compare to their budget and what the potential impact is for the Net Revenue Requirement Deferral and Variance Mechanism Account. While clarity is lacking somewhat as to exactly how the Net Revenue Requirement Deferral and Variance Mechanism Account will operate in practice, as IESO-NS appears to intend to only update it once per year[41], the SBA respectfully submits there should still be some type of accounting between budget and actuals on a monthly basis.

The SBA respectfully submits that IESO-NS should be required to provide monthly reports on the Net Revenue Requirement Deferral and Variance Mechanism Account, and/or what is expected to be added to the Net Revenue Requirement Deferral and Variance Mechanism Account if IESO-NS intends for the Net Revenue Requirement Deferral and Variance Mechanism Account only to be utilized at the end of the year.

Imprudence

There remains serious concern about the potential lack of accountability/recourse in the event that IESO-NS is deemed to have been imprudent. Questions were asked by the Consumer Advocate

[38] M12663 – Exhibit N-6, NSEB IR 28(h), Pages 6-7 of 7.
[39] M12633 – Transcripts June 17, 2026, Page 207 Lines 2-3
[40] M12663 – Transcripts June 17, 2026, Page 201 Lines 15-16.
[41] M12663 – Transcripts June 17, 2026, Page 239, Lines 5-15

regarding the risk that IESO-NS faced in the event that the New Brunswick Energy and Utilities Board did not approve New Brunswick Power's RIGS facility and the answer was an alarming $15 million, although it was noted by IESO-NS that if the project had not proceeded the equipment in question could have been reused in other projects[42], thus reducing the other overall risk.

Acknowledging that the risk regarding the New Brunswick Power's RIGS facility appears to have been mitigated[43], the situation highlights the concern raised by intervenors and the Board about what might happen in the event of an imprudent decision by IESO-NS. Notably, the process envisioned by IESO-NS, in the event of an unforeseen event occurring, is that IESO-NS will incur costs and explain them after the fact:

> A. (Johnston) IESO's position is that we should plan prudently and bring our costs before, but it's not impossible that something may come up that requires a response and in which case we then need to come back and explain our actions afterwards[44].

This creates a situation where the actions of IESO-NS are being reviewed after the fact, with the NSEB having to review what IESO-NS did through a prudency lens. IESO-NS acknowledged that "the Board aways maintains its right to deem a cost imprudent" but there remains a question of what happens in that event[45]. While IESO-NS discusses the uniqueness of its situation, pointing out that IESO-NS is a non-for-profit organization and not a provincial body[46], that does not provide comfort to ratepayers who have no control over what costs they may be forced to pay, especially in the event of imprudence by IESO-NS.

> …At this time there is no established methodology on how NSEB disallowances might be treated, but the IESO Nova Scotia submits that should the Board deemed costs to be imprudent, an appropriate treatment of those costs can be determined at that time.

[42] M12663 – Transcripts June 17, 2027, Page 46, Lines 3-8.
[43] M12663 – Transcripts June 17, 2026, Page 43, Lines 17-19 and Page 44, Lines 1-2.
[44] M12663 – Transcripts June 17, 2026, Page 258, Lines 6-10.
[45] M12663 – Transcripts June 25, 2026, Page 514, Lines 10-14.
[46] M12663 – Transcripts June 17, 2026, Page 34, Lines 10-15 and Pages 202-204.

> Consideration of disallowances must take into account the IESO Nova Scotia's not-for-profit status, and the particular impacts that they may have on its operations[47].

The SBA respectfully submits that it is crucial for the protection of ratepayers that a plan, policy or some type of approach is determined with respect to what would happen in the event that ISEO-NS was deemed to have been imprudent (including whether the imprudence finding applies only to amounts greater than 10% above an approved budget[48]) as soon as possible. This may include a requirement for IESO to obtain pre-approval for projects that result in a risk to NS ratepayers that cannot be mitigated. This should be considered and determined prior to a situation arising.

Summary

The SBA respectfully submits that, along with IESO-NS having to work to develop its historical experience, the NSEB and stakeholders are still working on understanding how the IESO-NS will operate and be held accountable for the costs to be charged to ratepayers.

The issues identified in these closing submissions are focused on ensuring that Nova Scotia ratepayers are only being charged for fair and valuable services. While it is acknowledged that the Net Revenue Requirement Deferral and Variance Mechanism Account should ensure that ratepayers are made whole ultimately, that will not occur until 2 years after the payments are made by ratepayers. It is important that the budget put forward for IESO-NS is fully tested and assessed to reduce the variability in the Net Revenue Requirement Deferral and Variance Mechanism Account as much as possible. It is also key that ratepayers have assurance that they are protected from significant changes to the expected costs from year to year, whether as a result of imprudence or not.

As such, the SBA respectfully submits that:

1. ISEO-NS should provide an accounting of the impact due to employment vacancies that existed at of the end of Q1 2026/2027on the 2026/2027 budget;

[47] M12663 – Exhibit N-6, NSEB IR 28(3), Pages 5 of 7, Lines 77-82.
[48] M12663 – Exhibit N-6, NSEB IR 28(f), Pages 5 of 7, Lines 84-86.

2. The NSEB should determine whether IESO-NS can include signing bonuses or retainers in the 2026/2027 budget;
3. Travel and associated expenses should be identified under a separate category within the budgets going forward and not lumped together under 'Other Expenses' in the Office Costs category;
4. The NSEB should confirm that IESO-NS should either remove the Flexibility Clause under the Procurement Guidelines or, at a minimum, document the use of the Flexibility Clause and the justification for its use;
5. IESO-NS should follow appropriate accounting policy and rules for identifying financial risks relating to costs to be recovered from third parties, including the magnitude of those risks, in its proposed revenue requirement applications going forward; The NSEB should establish a cap on the Net Revenue Requirement Deferral and Variance Mechanism Account;
6. IESO-NS should file monthly reports on its actual costs compared to budget and/or the Net Revenue Requirement Deferral and Variance Mechanism Account, depending on how the Net Revenue Requirement Deferral and Variance Mechanism Account is used by IESO-NS; and
7. Require IESO-NS to develop a plan, policy or some type of approach with respect to what would happen in the event that IESO-NS was deemed by the NSEB to have been imprudent.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 24th day of July, 2026.

Melissa P. MacAdam
Small Business Advocate