Nova Scotia Energy Board

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

and

IN THE MATTER OF an application by the Nova Scotia Independent Energy System Operator for an Order or Orders made pursuant to Section 29 of the MAEA for the review of its proposed expenditure and revenue requirements and the fees it proposes to charge for the fiscal year between April 1, 2026 and March 31, 2027.

M12663

IESO Nova Scotia 2026/27 Revenue Requirement Application – Reply to Closing Submissions

August 7, 2026

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1 INTRODUCTION

On July 24, 2026, the Independent Energy System Operator of Nova Scotia (“IESO Nova Scotia”), the Consumer Advocate (“CA”), the Small Business Advocate ("SBA”), the Industrial Group (“IG”), and Port Hawkesbury Paper (“PHP”) filed Closing Submissions with the Nova Scotia Energy Board (“NSEB”, “Board”). In accordance with the NSEB’s hearing Order for IESO Nova Scotia’s 2026/27 Revenue Requirement Application (“Application”) (M12663), the Board provided IESO Nova Scotia and intervenors the opportunity to file Reply to Closing submissions on August 7, 2026. This submission is IESO Nova Scotia’s Reply to Closing, addressing the various issues raised in the intervenors’ Closing Submissions.

IESO Nova Scotia’s Application seeks approval of two items: its revenue requirement in full and the Net Revenue Requirement Deferral and Variance Mechanism (DVM). The intervenor Closing Submissions do not oppose approval of the Application. Rather, the recommendations that would directly affect the approvals sought by IESO Nova Scotia are limited to three areas: proposed adjustments to staffing-related budgets to reflect vacancies, removal of procurement-related costs, and approval of the DVM on an interim or conditional basis.

A central theme running through the intervenor submissions is the need for improved forecasting, further evidentiary detail, enhanced transparency, and more developed administrative processes in future applications. IESO Nova Scotia takes those comments seriously. It agrees that, as the organization matures, future revenue requirement applications will benefit from additional operating experience, more refined budgeting processes, and further documentation of internal controls and supporting methodologies. Otherwise, the CA provided that “does not oppose IESO

NS's Application"[1] and that "the Application should be approved, subject to the considerations expressed [in its closing submission]".[2]

Importantly, both the SBA and CA appear to acknowledge that the issues raised in this proceeding are in part a function of IESO Nova Scotia's relative infancy, and that this should be taken into consideration. The SBA notes that "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."[3] The CA provided the following:

> As noted in the Application, the IESO is a not-for-profit corporation established by the *More Access to Energy Act*, SNS 2024, c 2, Sch B (the "*Act*"). It is presently engaged in the important task of pursuing a phased transition of system operator functions from NS Power. This process will no doubt be complicated, and costly. As noted in the Application, as a result of the IESO's phased approach, annual revenue requirement submissions will adjust over time commensurate with the organization's increasing scope. It is not unreasonable to provide the IESO with some latitude as it grows into its important role in Nova Scotia's energy landscape.[4]

IESO Nova Scotia appreciates these comments with respect to affording IESO Nova Scotia the latitude to grow and learn, and notes that they align with the organization's submissions throughout this proceeding and in its Closing Submission. Notwithstanding, concerns broadly have been raised regarding the Application and provision of supporting evidence and transparency. For example, the CA provided the following comments regarding forecasting accuracy and transparency, respectively:

> …the CA is generally skeptical of IESO NS's costs forecasts as presented in the current Application. That said, there is unfortunately insufficient evidence to enable the Board to better test the accuracy, given how much the IESO appears to be relying upon "operational experience". As the IESO grows further into its role, the CA would

[1] CA Closing Submission (M12633), July 24, 2026, p.2.
[2] Ibid, p.32.
[3] SBA Closing Submission (M12633), July 24, 2026, p.2.
[4] CA Closing Submission (M12663), July 24, 2026, p.1.

> expect further and better particulars to be provided in future applications before the Board.[5]

And:

> The CA appreciates and acknowledges the time constraints and limited resources faced by the IESO in preparing this Application. However, the CA also remains concerned about the lack of transparency, and the impact this can have on the regulatory process. In the interests of ensuring a more efficient process in the interest of ratepayers, the CA would strongly encourage the IESO to be more forthcoming and transparent in future proceedings.[6]

IESO Nova Scotia agrees that improvements in future will help the NSEB and stakeholders to better assess the need, accuracy, and reasonableness of IESO Nova Scotia's various forecast and actual expenditures via its revenue requirement applications. A forward-looking approach for the new IESO Nova Scotia is a reasonable framework, focused on continuous improvement, to assess IESO Nova Scotia's Application as well as intervenors' various comments and recommendations. IESO Nova Scotia notes that any perceived lack of transparency or insufficiency of evidence should be viewed in the context of the organization's nascent status, and not as a function of operational intent. IESO Nova Scotia has been as transparent as possible, and provided as much evidentiary support as possible, in these very early days of its operations.

IESO Nova Scotia views its Application as a natural full-year extension of its 2025/26 revenue requirement application (M12412), which the Board's consultant Doane Grant Thorton (DGT) deemed reasonable, and the NSEB saw fit to approve with direction for improvements in the next revenue requirement application. (DGT also found that this Application was reasonable, despite the Board's direction in M12412 being received after IESO Nova Scotia's submission of this

[5] Ibid, p.19.
[6] Ibid, p.15.

Application.) Accordingly, IESO Nova Scotia submits that the Board's previous direction under M12412 also naturally extends to the Application.

IESO Nova Scotia is committed to carrying out its important mandate within the regulatory framework established under the MAEA, and requires its revenue requirement approval from the NSEB in order to do so. For the reasons set out in this Reply to Closing, IESO Nova Scotia submits that the proposed adjustments to staffing- and procurement-related costs are neither necessary nor advisable. IESO Nova Scotia further submits that the DVM may be approved as proposed, whether on a final or interim basis, having regard to the Board's prior direction in its decision on IESO Nova Scotia's 2025/26 revenue requirement application (M12412). Accordingly, and subject to the specific submissions that follow, IESO Nova Scotia respectfully requests that the Board approve the Application as submitted, including the proposed 2026/27 revenue requirement and the DVM.

2 NET REVENUE REQUIREMENT DEFERRAL AND VARIANCE MECHANISM

Intervenor submissions provided comments and recommendations on IESO Nova Scotia's DVM. Intervenor submissions include recommendations regarding interim approval only subject to certain conditions being met, a cap on expenditures, process for unforeseen costs, documenting procedure, and monthly reporting.

In their closing submissions, intervenors submit that "it would be premature for the Board to approve the proposed Deferral Account "in perpetuity" at this time.",[7] "If the Board is inclined to approve a deferral for the 2026/2027 fiscal year, it should do so only on a limited and interim basis, with robust protections for ratepayers",[8] "it should be understood as approval to further develop the mechanism, with any final authorization contingent upon the Board's review and approval of the safeguards and administrative framework that it previously directed be put in place,"[9] and "we would recommend that the Board maintain this mechanism on an interim basis only (for the IESO's current fiscal year) and reject the IESO's request to make this mechanism permanent at this time."[10]

The intervenors' recommendations regarding interim approval are based on concerns regarding establishing cost protections and an administrative framework regarding the DVM, such as capping amounts available to pass through the DVM and process to accommodate unforeseen costs. In particular, the IG provides that "If any deferral is approved, the Industrial Group submits that it would be appropriate to impose a hard dollar cap limited to a 10% variance on the cumulative

[7] PHP Closing Submission (M12633), July 24, 2026, p.2.
[8] IG Closing Submission (M12633), July 24, 2026, p.2.
[9] Ibid, p.5.
[10] CA Closing Submission (M12633), July 24, 2026, p.32.

balance that may accumulate without further Board approval" and that the NSEB "require IESO-NS to apply to the Board for approval when significant unforeseen costs arise during a fiscal year, rather than permitting recovery through an open-ended deferral mechanism".[11] The SBA made a similar recommendation regarding a cap on the DVM, and the CA and PHP made similar recommendations regarding pre-approval of significant unforeseen costs.

To that end, intervenors go on to recommend establishing documentation regarding the administration of the DVM. The IG provided the following:

> if any deferral mechanism is approved for the 2026/2027 fiscal year, approve it only on a limited, interim, and conditional basis, with a direction to initiate a stakeholder session to complete the applicable plan of administration, and include all governance elements previously directed by the Board as pre-requisites to the account implementation, including:
> (a) Finalized accounting policies;
> (b) A hard dollar cap or cumulative limit not exceeding 10% variance;
> (c) A confirmed carrying cost rate;
> (d) A defined sub-ledger template;
> (e) Cost category-level reporting; and
> (f) A functioning review and/or disallowance methodology[12]

The CA provided the following:

> … given that IESO NS has not yet finalized the applicable guidelines for the mechanism, or the required financial controls, the Board may wish to set a firm deadline for completion of these items, and to require IESO to file them with the Board once completed.[13]

IESO Nova Scotia continues to support the approval, interim or in full, of the DVM as proposed in its Application. IESO Nova Scotia notes that many of the issues raised by intervenors in their closing submissions are addressed by the NSEB's direction in its Decision under M12412

[11] IG Closing Submission (M12663), July 24, 2026, p.5 and 19.
[12] Ibid, p.18.
[13] CA Closing Submission (M12633), July 24, 2026, p.32.

regarding the DVM's preceding Net OM&A Deferral and Variance Account. IESO Nova Scotia's closing submission provided the following:

> …the DVM is merely an extension of the Board-approved Net OM&A Deferral and Variance Account under M12412, which was revised in order to achieve two main objectives:
> • Simplify its calculation and presentation; and
> • Capture all aspects of IESO Nova Scotia's revenue requirements

And:

> For additional clarity, IESO Nova Scotia assumes that direction regarding the Net OM&A Deferral and Variance Mechanism provided by the NSEB in its Decision under M12412 would naturally extend to the DVM proposed in this Application, including the prudency review thresholds, by virtue of the fact that the DVM, as noted, is an extension of the Net OM&A Deferral and Variance Account before it. However, IESO Nova Scotia acknowledges that the decision to apply that direction to the new DVM, along with any other new direction, is ultimately at the discretion of the NSEB in this proceeding.
>
> IESO Nova Scotia submits that further details regarding the operation of the DVM proposed in this Application will be clarified in the guidelines directed by the Board, to be submitted no later than IESO Nova Scotia's next revenue requirement application. The issues raised during the hearing will help inform the details and clarity provided in those forthcoming guidelines.[14]

In light of the NSEB's direction in M12412, IESO Nova Scotia submits that the NSEB need not provide any additional direction that varies from its direction in that other matter, with the exception of confirming that its prior direction will also apply to the proposed DVM in this proceeding. As noted by IESO Nova Scotia, this is due to the DVM being an extension of the Board approved Net OM&A Deferral and Variance Account.

IESO Nova Scotia's interpretation of the NSEB's decision and direction in M12412 is that approval of variances through a deferral and variance mechanism was subject to IESO Nova Scotia

[14] IESO Nova Scotia Closing Submission (M12663), July 24, 2026, p.23-24.

complying with Board direction to develop and submit to the NSEB guidelines, accounting policies, and a description of financial controls. The basis of intervenors recommendations for interim approval of the DVM are clearly linked on condition of satisfying direction the Board has already provided in M12412.

The same applies to the intervenors' recommendation for a 10% cap – there appears to be no substantive difference between intervenors' comments and the NSEB direction in M12412. IESO Nova Scotia provided the following related comments in its Closing Submission:

> …IESO Nova Scotia's interpretation of the Board's direction in M12412 is that an automatic review is triggered in circumstances in which a cost category incurs a variance which exceeds +/- 10% of the Board approved revenue requirement. In that circumstance, the variance is subject to a further reasonableness review by the NSEB. IESO Nova Scotia submits that the threshold balances operational flexibility for IESO Nova Scotia while promoting fiscal responsibility and budget control where possible.[15]

IESO Nova Scotia submits that the forthcoming guidelines, accounting policies, financial controls, and the NSEB existing direction, adequately provide the documentation and protections recommended by intervenors, and, moreover, will necessarily include much of the detail requested by the intervenors. The Board directed that this documentation be provided no later than the submission of IESO Nova Scotia's 2027/28 revenue requirement application; IESO Nova Scotia has made progress developing the directed documentation, and has no concerns with meeting the Board's deadline at this time. As such, IESO Nova Scotia submits that no additional deadline to file is required of the Board.

[15] Ibid, p.32-33.

Intervenors also recommended the Board direct pre-approval of IESO Nova Scotia unforeseen costs as they may arise throughout the fiscal year. The IG recommended the NSEB "require IESO-NS to apply to the Board for approval when significant unforeseen costs arise during a fiscal year, rather than permitting recovery through an open-ended deferral mechanism",[16] the CA commented "the most prudent approach would be for the IESO to seek Board approval in advance, rather than seeking approval after the cost has already been incurred",[17] and PHP recommends "adoption of an approval to overspend (ATO) process, similar to what is in place for NS Power and other public utilities, to help ensure the Deferral Account retains proper monitoring and control for cost variances above a certain threshold."[18]

IESO Nova Scotia believes these recommendations are related to concerns regarding either large variances in Board approved costs or new categories of unexpected expenditures arising after NSEB approval. IESO Nova Scotia informally assesses this risk as low, in part due to the relatively low amounts of spend budgeted in its Application for any category, and in part due to new categories of spend being unlikely outside of what is already understood to be its mandate under the MAEA. With respect to large variances in Board-approved costs, the largest cost categories are related to staff compensation for both operational and administration employees. It is expected that variances in this budget area would be related mostly to operational variances in employee headcount.

[16] IG Closing Submission (M12633), July 24, 2026, p.19.
[17] CA Closing Submission (M12633), July 24, 2026, p.31.
[18] PHP Closing Submission (M12633), July 24, 2026, p.3.

Accordingly, IESO Nova Scotia does not believe it is necessary to implement mandatory NSEB approval of unexpected expenditures outside of its annual revenue requirement applications. Nevertheless, IESO Nova Scotia is live to the concern of intervenors, and submits that its quarterly reporting offers the least administratively burdensome and regulatorily efficient process through which to update the Board and stakeholders on any unexpected expenditures or variances. The NSEB provided the following in its Decision under M12412:

> …IESO Nova Scotia must provide quarterly reports starting on May 15, 2026, including updates about the status of Phases 1 and 2 of the transition of the system operator functions from NS Power to the IESO, as well as reporting about staffing, facilities and technology, regulatory compliance matters, and **material changes to the transition timeline or to forecast costs.**[19] [emphasis added]

In consideration of intervenor comments, IESO Nova Scotia proposes to update the NSEB and stakeholders of material changes to forecast and unexpected costs via its quarterly reporting. IESO Nova Scotia further proposes to provide "ad-hoc" reporting outside of the quarterly reporting on exceptional material change to costs as needed. Upon receipt of material changes to costs via quarterly or ad-hoc reporting, the NSEB may of course make a determination as to whether approval of those costs should be sought outside of the revenue requirement application legislative and regulatory framework.

Finally, the CA and the SBA provided recommendations for monthly reporting on the DVM. The SBA provided the following:

> 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;[20]

[19] NSEB Decision (M12412), February 25, 2026, p.36.
[20] SBA Closing Submission (M12633), July 24, 2026, p.13.

The SBA also provided that "Just as NS Power files monthly fuel adjustment mechanism reports, which has a similar requirement for NS Power ratepayers to pay for all prudently incurred FAM costs, IESO-NS should provide similar reports."[21]

For the reasons stated above, including the already Board-mandated quarterly reporting requirements, IESO Nova Scotia urges the Board to decline to direct further reporting. Monthly reporting for IESO Nova Scotia is especially inappropriate given the small quantum of costs compared to the significant regulatory and administrative burden that monthly reporting would place upon the organization.

Additionally, comparisons to NSPI's FAM and associated reporting, which were also made by the IG, are disproportionate in scale and nature. To the extent that any concerns regarding approval of the DVM are rooted in learnings from NSPI's FAM, those concerns must be placed in the context of the very different risk profiles between the two in both magnitude and nature of the costs. According to NSPI's latest annual FAM report, the 2026 budgeted net fuel and purchase power for NSPI is $841M.[22] IESO Nova Scotia's requested budget for its 2026/27 revenue requirement is less than $15M. Fuel costs are notoriously volatile. IESO Nova Scotia's 2026/27 revenue requirement application is exclusively related to its operational costs. The dollar value of operational cost variances is comparatively low, and variances are expected to stabilize over time with operational experience gained.

[21] Ibid, p.9-10.
[22] NSPI Annual FAM Report (M12742), March 13, 2026, p.A-3.

As has been oft repeated throughout this proceeding, variances are a normal function of any forecasting exercise, and the extent of them will naturally be a function of, in part, the newness of IESO Nova Scotia and its operations. Over time, experience and additional evidentiary standard establishment, as directed by the NSEB, should reduce volatility between forecast and actual spend. It is for these reasons that both the SBA and CA have acknowledged that IESO Nova Scotia be afforded some accommodation and latitude to allow the organization to grow and learn, while supporting its ability to fund and carry-out its important mandate. With this is mind, IESO Nova Scotia urges the NSEB to provide commensurate accommodation and latitude in consideration of recommendations related to the DVM, and, for that matter, all other issues raised in this proceeding including those addressed in this Reply to Closing.

3 REASONABLENESS, PRUDENCY, AND DISALLOWANCE

Reasonableness and Prudency

The IG provided the following regarding DGT's evidence and the prudency of IESO Nova Scotia's revenue requirement application:

> The Industrial Group therefore respectfully submits that DGT's evidence taken at its highest indicates no obvious unreasonableness and IESO-NS's math is correct. The absence of a finding of unreasonableness is not, without more, a finding of the lowest reasonable cost, the necessity of a cost or prudency.[23]

IESO Nova Scotia addressed this issue in its Closing Submission, distinguishing the difference between reasonableness and prudency, providing the following:

> In DGT (IG) IR-1(c), DGT states that these references to being satisfied "should be interpreted as confirmation that costs were assessed for reasonability", and that "Our industry expertise along with GUP principles were used as basis **to conclude that costs were reasonable**". [Emphasis added]. Ms. Brown confirmed on cross-examination that DGT conducted a reasonableness review of IESO Nova Scotia's revenue requirements, which was, of necessity, a prospective review of forecast costs.[24]

And:

> IESO Nova Scotia submits that the prudent investment standard described in Enbridge is a standard applicable to a retrospective review of utility investment decisions after they have been made.[25]

In other words, the appropriate test to be applied to forecast costs is reasonableness, and that, in any event, "there is no distinction between a prudent cost and a reasonable cost."[26]

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[23] IG Closing Submission (M12633), July 24, 2026, p.8.
[24] IESO Nova Scotia Closing Submission (M12633), July 24, 2026, p.6.
[25] Ibid, p.7.
[26] Ibid, p.8.

DGT found that this Application's costs are reasonable. DGT also found IESO Nova Scotia's 2025/2026 revenue requirement application was reasonable, which the NSEB approved in full with direction. Accordingly, IESO Nova Scotia submits that IG's request of the NSEB to "decline to accept unsupported assertions and, where the record is insufficient to assess reasonableness, require more complete disclosure before confirming recovery, whether through a compliance filing in this proceeding or the forthcoming cost-recovery application"[27] is unnecessary and should not be adopted by the Board.

Disallowance

Intervenor submissions provided comments and recommendations regarding issues related to NSEB determinations of prudency and disallowance of IESO Nova Scotia's proposed and actual expenditures. As discussed during the hearing and noted in IESO Nova Scotia's Closing Submission, the NSEB's power to disallow IESO Nova Scotia's costs under the MAEA and broader legislative framework was questioned. IESO Nova Scotia provided its position based on a legal analysis in its Closing Submission.

The CA was the only intervenor to provide a legal analysis on this issue, advancing the argument that section 29(4) of the MAEA "should be read as providing the Board with the authority to either approve or disapprove of the IESO's requests, either in whole or in part",[28] concluding as follows:

> …the CA submits that s. 29 grants the Board broad discretion with regards to the review and approval of a rate application filed by IESO NS, which can include adjustments to fees on the "front-end," as well as implementation of potential mechanisms to address disallowances on the "back-end."[29]

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[27] IG Closing Submission (M12633), July 24, 2026, p.19.
[28] CA Closing Submission (M12633), July 24, 2026, p.5.
[29] Ibid, p.13.

The CA relies heavily on the broad grant of powers contained in sections 5 and 6 of the Energy and Regulatory Boards Act ("ERBA"), and regulatory decisions related to investor-owned, for-profit utilities.

IESO Nova Scotia submits that the ERBA does broadly ground the Board's jurisdiction under other legislation, and confers incidental powers in the exercise of that jurisdiction. Section 5 expressly grants the Board the "functions, powers and duties" otherwise conferred on it under the ERBA, and other relevant legislation, including the MAEA. However, section 5 does not itself confer new jurisdiction; the express grant of jurisdiction must be found elsewhere. In this case, that express grant is found in subsection 29(4) of the MAEA, which, as noted in the Closing Submission of IESO Nova Scotia, has very specific language regarding the Board's authority.

In that context, IESO Nova Scotia submits the argument advanced by the CA does not account for the clear admonition of the Supreme Court in ATCO, 2006 that the "seemingly broad powers" of a statutory board, and the exercise of discretion under those powers, must be exercised "within the confines of the statutory regime".[30] Again, in this case, the most relevant "confines of the statutory regime" exist in the express and clear language of subsection 29(4) of the MAEA.

IESO Nova Scotia further submits that the reliance of the CA on regulatory decisions involving investor-owned, for-profit utilities is misplaced. Application of the traditional "regulatory compact" does not account for the unique implications of disallowing costs of a not-for-profit entity that lacks a shareholder to absorb such disallowances. Indeed, the submissions of the CA do

[30] Please refer to footnotes 50 and 51 of IESO Nova Scotia's Closing Submission, M12633, July 24, 2026.

not address these implications, and make only passing reference to the wording of subsection 29(4) of the MAEA at the end of its submissions on this issue. The CA does not address the meaning of the specific language of subsection 29(4).

IESO Nova Scotia does agree with the position of the CA that the Board possesses jurisdiction to approve portions of the revenue requirements of the IESO, without approving the entirety of the revenue requirements as submitted. Where IESO Nova Scotia disagrees is with respect to how the Board addresses those portions of the revenue requirements, if any, which it does not approve.

This raises the issue of the process that would follow in the event the Board did not approve some portion of the revenue requirements as submitted, and instead referred that portion back to IESO Nova Scotia with recommendations. In such a case, the IESO believes it has an obligation to respond to those recommendations, either by accepting them, or by outlining the rationale for not accepting them. IESO Nova Scotia accepts that any such rationale must be in alignment with the achievement of its statutory mandate.

IESO Nova Scotia also accepts that any NSEB recommendation made under section 29(4) of the MAEA must be considered in good faith by IESO Nova Scotia, and IESO Nova Scotia must make good faith efforts to adopt or address the Board's recommendations measured against carrying out its MAEA mandate.

IESO Nova Scotia submits that this regulatory framework is an appropriate balancing of the NSEB's review of the revenue requirements of a not-for-profit entity with a public interest statutory mandate. This framework provides full transparency of the operational decisions of IESO Nova Scotia, as well as full transparency where any recommendations of the Board are not adopted by IESO Nova Scotia. It also provides assurance that IESO Nova Scotia has the capability to meet its statutory mandate, and maintains IESO Nova Scotia's status as a going concern.

As such, IESO Nova Scotia submits that this fully addresses the related recommendations of the SBA and the IG regarding development of "plan, policy, or some type of approach"[31] and to "confirm the Board's authority to direct disallowances on recovery of any variance to the Deferral Account".[32]

Finally, in its closing submission on the issue of the Board's jurisdiction, the IG stated that it "intends to respond fully on this issue through its reply submissions once DOE and the IESO-NS's positions have been clearly articulated."[33]

In this proceeding, the Board has directed a process of Closing and Reply to Closing Submissions which are simultaneous for all parties. IESO Nova Scotia submits that, in this context, each party is required to address all relevant issues on which it intends to provide submissions in its initial submissions. To do otherwise raises the potential for parties to raise issues which the Applicant (or any party) has no opportunity to address.

[31] SBA Closing Submission (M12633), July 24, 2026, p.13.
[32] IG Closing Submission (M12633), July 24, 2026, p.19.
[33] Ibid, p.6.

Should the IG provide reply submissions on issues related to the jurisdiction of the Board which IESO Nova Scotia has not had the opportunity to address, IESO Nova Scotia requests that the Board provide IESO Nova Scotia an opportunity for further reply, limited to this issue.

4 STAFFING AND COMPENSATION

Intervenor closing submissions provide comments and recommendations with respect to IESO Nova Scotia's staffing and related compensation cost categories. General concerns with this category of spend are encapsulated in the following comments from the IG and CA, respectively:

> The total revenue requirement includes an "Employees (administration)" component of $4.44M and an "Operations (system planning)" component of $3.64M. The Industrial Group submits that this budget is overstated on three grounds: (1) no vacancy rate adjustment has been applied; (2) the salary benchmarking has not been independently supported in a manner that allows meaningful Board review; and (3) executive compensation likewise is not meaningfully benchmarked and cannot currently be reasonably assessed.[34]

And:

> Overall, the CA remains concerned about the processes followed by IESO NS to determine compensation at all levels within the organization, as the process appeared to lack rigour and decision-making was not well-documented. The Board should direct the IESO to take appropriate steps to avoid a similar situation in future proceedings.[35]

In general, consistent with IESO Nova Scotia's position stated at the outset of this Reply to Closing Submission, IESO Nova Scotia submits that the CA's recommended direction is the most appropriate, and aligns with previous NSEB direction in its Decision in M12412: a future-looking approach focused on continuous improvement in forthcoming applications. In the meantime, IESO Nova Scotia submits that its staffing compensation budgets should be approved in full, based on their reasonableness and clear necessity linked to the organization's ability to carry out its mandate. IESO Nova Scotia addresses the various issues regarding staffing and related compensation in the sub-sections that follow.

[34] IG Closing Submission (M12633), July 24, 2026, p.8.
[35] CA Closing Submission (M12633), July 24, 2026, p.26.

Vacancy Rate

The major focus of intervenors with respect to staffing and compensation is related to the corresponding budgets for Operational and Administration compensation assuming a complement of 44 employees, but IESO Nova Scotia's number of employees thus far in fiscal year 2026/2027 is below that number.

The SBA, IG, and CA make the following corresponding recommendations, respectively:

> ISEO-NS should provide an accounting of the impact due to employment vacancies that existed at of the end of Ql 2026/2027on the 2026/2027 budget;[36]

And:

> apply a vacancy rate adjustment, based on the current or forecasted expected vacancy rate to be confirmed by a compliance filing, to the labour component of the RR, or require IESO-NS to demonstrate with specific data that contractor or consulting costs are in fact offsetting salary savings from vacant positions;[37]

And:

> the CA would suggest the Board direct IESO NS to reassess its forecast Employees (Administration) costs (which should be less than the current forecast) for further review and approval by way of a compliance filing.[38]

IESO Nova Scotia submits a vacancy rate adjustment is unnecessary and would not be prudent at this time. IESO Nova Scotia's Closing Submission fully addressed this issue, which provided the following:

> IESO Nova Scotia submits that an adjustment to the Operational or Administration staff budgets is neither prudent nor necessary at this time, for two primary reasons: 1) the early state of IESO Nova Scotia's operations and 2) the relationship to external support costs.[39]

[36] SBA Closing Submission (M12633), July 24, 2026, p.12.
[37] IG Closing Submission (M12633), July 24, 2026, p.19.
[38] CA Closing Submission (M12633), July 24, 2026, p.22.
[39] IESO Nova Scotia Closing Submission (M12633), July 24, 2026, p.10.

The Closing Submission went on to provide the following:

> In carrying out its mandate as expeditiously as possible while building out its staffing requirements, IESO Nova Scotia has necessarily required additional external support from, for example, expert third-party consultants, project managers, and legal services. Mr. Johnston's testimony reflects this fact, and highlights the value in ensuring that IESO Nova Scotia has an overall revenue requirement budget that provides some measure of flexibility and assurance that it will have the funds to carry out its mandate irrespective of which "bucket" of spend that the associated costs might fall.
>
> IESO Nova Scotia acknowledges that this is a function of its current early state. As IESO Nova Scotia approaches and achieves a "full" staffing compliment as projected to serve its Phase 1 functions, and has a body of experience over a number of years under steady state operations, it expects that budgeting in its revenue requirement applications for staffing/salaries will become more predictable, reducing any potential variations from budget to actuals and stabilizing external support costs.[40]

And, finally:

> In light of the foregoing, it is reasonable under the circumstances that IESO Nova Scotia maintain a measure of flexibility in its budgeting and resulting actual spend to ensure that it has funding to carry out its mandate, irrespective of the category of proposed expenditures. IESO Nova Scotia therefore submits that an adjustment to the forecasted expenditures under the Employees (Administration) and Operations (System Planning) categories, based on the timing of filling vacant positions, is neither warranted nor appropriate at this time.[41]

IESO Nova Scotia continues to support its position stated in its Closing Submission, and does not believe that the closing submissions of intervenors introduce any new evidence or perspectives that diminish the validity of that position. Accordingly, IESO Nova Scotia respectfully requests that the NSEB not adopt the recommendations from intervenors regarding a vacancy rate noted above.

[40] IESO Nova Scotia Closing Submission (M12633), July 24, 2026, p.12-13.
[41] IESO Nova Scotia Closing Submission (M12633), July 24, 2026, p.15.

Benchmarking

Another focus of intervenors with respect to staffing and compensation is related to the general reasonableness of compensation based on the associated benchmarking information used to inform the Application.

The IG provided the following:

> What has been provided confirms, "*HUB's advisory work for the VP and GC roles was communicated through direct guidance rather than a standalone written report*" and HUB's benchmarking was reportedly anchored on organizational scale to a $1 billion revenue scope, described as "*reflecting the scale and complexity of the electricity system that IESO Nova Scotia plans and operates*." This approach appears to inflate the comparator group, given the limited scope of responsibilities, and the actual size and cost base of the operations anticipated. Additionally, the Timbar Consulting "spreadsheet" discussed during the hearing, is limited to bands of salaries for certain roles without any source data.
>
> Additionally, according to the 2025/2026 actuals reported in the unaudited financial statements in Undertaking U-5, Administration Salaries and Wages amounted to $1,047,767 as of March 31, 2026, compared to a 2025/26 budget of $1,572,751.33 This represents an underspend of 33%.
>
> Considering this historical overestimation, the vacancies that remain unfilled two months into the fiscal year, and the absence of actual benchmarking or other supporting evidence, it cannot be determined that the proposed labour and salary budget is reasonable.[42]

The CA provided similar comments:

> The information the IESO provided regarding HUB's work is not helpful in terms of allowing the Board to understand the rationale behind HUB's recommendations, or to compare those recommendations against the compensation packages that the IESO ultimately implemented for these roles. Moreover, the CA also questions HUB's methodology, and in particular its apparent decision to anchor benchmarks to a "revenue scope of $1 billion, reflecting the scale and complexity of the electricity system that IESO Nova Scotia plans and operates."[43]

[42] IG Closing Submission (M12633), July 24, 2026, p.9.
[43] CA Closing Submission (M12633), July 24, 2026, p.23.

And:

> Overall, the CA submits that the IESO has not provided sufficient information to justify the reasonableness of its costs in this category, or to convincingly demonstrate that the employees in this group (which does not include those who were transferred over from NS Power) are being paid competitive market rates. The information provided also raises questions about the IESO's own diligence in reviewing and ultimately adopting the recommendations of their consultants.[44]

IESO Nova Scotia submits that its compensation is reasonable based on the evidentiary record provided to date, which provided adequate information on which to base staffing compensation levels. The evidentiary record confirms that IESO Nova Scotia appropriately sought out expert advice on employee compensation in its formative period in order to inform a consistent compensation framework. IESO Nova Scotia's Closing Submission also addressed this issue, which provided the following:

> … the third-party consultant data and analysis on employee compensation served two functions: 1) to inform compensation targets for Administration employees, and 2) to inform staffing budgeting for the purpose of this Application. Administration employees' salaries are reasonable based on the best information and market research made available to IESO Nova Scotia through its compensation consultants.
>
> With respect to budgeting, IESO Nova Scotia included the 50th percentile salary at the top end of each salary banding group as noted, for the purpose of simplifying the budgeting process and to account for additional indirect employee costs — such as travel, training, and professional development — that are not specifically broken out in the Application, due to the absence of historical data. This approach reflects the practical reality of budgeting for a newly-established organization and ensures that the total employee cost forecast is reasonable on a per-employee basis.
>
> As such, IESO Nova Scotia submits that the compensation ranges and budgeting approach are prudent and reasonable.[45]

IESO Nova Scotia continues to support its position stated in its Closing Submission, and does not believe that the closing submissions of intervenors introduce any new evidence or perspectives

[44] Ibid.
[45] IESO Nova Scotia Closing Submission (M12633), July 24, 2026, p.17-18.

that diminish the validity of that position. Furthermore, as noted in its Closing Submission and as directed by the NSEB in M12412, IESO Nova Scotia has selected a third-party expert consultant to conduct a compensation benchmarking exercise, which will be provided in IESO Nova Scotia's 2027/2028 Revenue Requirement and Fees application.

Similar comments from intervenors were raised specifically with respect to CEO and Board of Directors compensation. With respect to CEO compensation, the IG provided the following:

> In any future revenue application, it should provide a more complete analysis and evidentiary record to support the proposed compensation amounts, including the CEO incentive pay structure, benchmarked as appropriate with the elements outlined in the Kaiser Associates review.[46]

The IG went on to request the NSEB "recommend IESO-NS consider the alignment of its corporate objectives on which incentives are based with ratepayer interests and, in future applications, provide a more complete analysis and evidentiary record supporting the proposed compensation amounts, including the executive incentives benchmarked appropriately as outlined in the Kaiser Associates Review;".[47] With respect to Board of Directors compensation, the CA provided the following:

> It is possible that the remuneration established for the Board is reasonable and justified. However, as it stands there is insufficient evidence provided to support or give the Board any real insight into the decision-making, or the outcomes. This has left the CA to speculate as to remuneration with no significant ability to assess the reasonableness of the remuneration provided.
>
> For these reasons, the Board may wish to direct IESO NS to provide further insight on this issue, either in a compliance filing or in its next application. In the meantime, the CA would note that there appears to be a practice with other independent system operators, namely Ontario's IESO and the AESO, of publicly identifying remuneration for Board members. This kind of transparent reporting should be endorsed and

[46] IG Closing Submission (M12633), July 24, 2026, p.11.
[47] Ibid, p.19.

> followed by IESO NS as well. Beyond being consistent with the sector, a transparent approach like this would also be consistent with the IESO's stated guiding principles.[48]

Although IESO Nova Scotia's Closing Submission did not deal directly with CEO and Board of Director compensation, IESO Nova Scotia submits that the same principles and positions discussed in the Closing Submission regarding compensation in general and previously in this Reply to Closing apply. While IESO Nova Scotia appreciates the IG's and CA's flexibility to address their concerns in future applications, it notes there is no evidence to suggest that CEO and Board of Director compensation is unreasonable – IESO Nova Scotia asserts that both are commensurate with the expert guidance and evidence provided to it and provided to intervenors and the NSEB as part of this proceeding. IESO Nova Scotia is amenable to further transparency and improving evidentiary support going forward, but requests that the Board consider any related direction against the cost of additional regulatory burden on a small organization, especially given the relatively small magnitude of the revenue requirement in question.

Recruitment Fees

The SBA provided the following regarding 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. 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.
>
> 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

[48] CA Closing Submission (M12633), July 24, 2026, p.25.

> their compensation is in line with industry standards and the geographic area in question.[49]

The SBA goes on to provide the following recommendation:

> The NSEB should determine whether IESO-NS can include signing bonuses or retainers in the 2026/2027 budget;[50]

IESO Nova Scotia response to NSEB IR-11 provided as follows:

> The $100k recruitment fee is intended to cover the costs of recruitment of 2-3 employees, if necessary, but could also be used to cover other fees associated with contract negotiations for prospective employees, which could potentially include costs such as pre-employment assessments, contract review, signing bonus, retainers etc.[51]

IESO Nova Scotia submits that the recruitment budget, which is intended to include expenditures such as potential signing bonuses and more as noted in NSEB IR-11, is reasonable for inclusion in the Application and for approval by the NSEB. At this stage of IESO Nova Scotia's operations, the recruitment budget provides it with additional flexibility to attract talent to the organization, and does not represent a material adjustment to overall total compensation, if at all – in the case of signing bonuses, they would be used as one-off incentives at the time of hiring only. The recruitment budget is especially relevant and useful at this stage of IESO Nova Scotia's operations, as the organization remains in active hiring for several positions to fully staff for its Phase 1 operations and for preparation for Phase 2 operations.

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[49] SBA Closing Submission (M12633), July 24, 2026, p.3.
[50] Ibid, p.13.
[51] NSEB IR-11 (M12633), March 10, 2026, p.4.

Fringe Rate

The CA provided the following with respect to fringe rate:

> At the hearing, the CA also asked about the development of the 15% fringe rate estimate. IESO NS advised that HUB was the external consultant they relied upon for this figure. However, no work product concerning this estimate was provided, and neither was the development of this figure addressed in the IESO's summary of HUB's work. This figure, and its use by IESO NS, remains impossible to verify. It is unclear whether such a "fringe rate" estimate is even needed, given that costs for WCB, health insurance, pension, and even professional development all appear readily ascertainable.[52]

IESO Nova Scotia's 2025/26 Revenue Requirement application (M12412) provided the following regarding fringe rate:

> This represents an estimate to cover the NSIESO's costs for Worker's Compensation Board, insurance for health, dental, life, long-term disability, accidental death and dismemberment, pension, Education Fund & apprentice, Taxable Parking, RRSP, and a 4% adder for vacation. The NSIESO understands that this fringe rate is consistent with that used by NSPI.[53]

Fringe rates are a necessary and normal practice in the budgeting of compensation for any organization. A percentage is added to salaries to estimate employer-paid employment costs, necessary to capture the true cost of labour. At the time the Application budget was created, benefit plans for IESO Nova Scotia employees were still in development. The fringe rate noted in the Application is based on the prior fringe rate approved in M12412, which was consistent with that used by NSPI, and updated in the Application. A standardized fringe rate is commonly used because it provides a more consistent budgeting approach than estimating each employee's actual

[52] CA Closing Submission (M12633), July 24, 2026, p.23.
[53] IESO Nova Scotia's 2025/26 Revenue Requirement Application (M12412), August 5, 2025, p.18.

benefit cost individually. Finally, IESO Nova Scotia noted in its Application that the "fringe load factor will be adjusted in future based on actual fringe costs."[54]

[54] IESO Nova Scotia's 2026/27 Revenue Requirement Application (M12663), January 20, 2026, p.14.

5 PROCUREMENT COSTS

Intervenor submissions provided comment on the inclusion of procurement related costs in the Application. The SBA provided the following:

> 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; [55]

The IG provided the following recommendations:

> direct IESO-NS to remove procurement-related operating costs from the s. 29 RR, as confirmed in a compliance filing, and confirm that all procurement-related operating costs be reviewed for prudency in the s. 30 proceeding, and that if no proponent is selected, recovery of those costs from ratepayers be addressed at that time;
>
> direct IESO-NS, in its next RR filing, to clearly delineate costs incurred for the administration of energy resource supply contracts and justify their inclusion as a s.29 cost;[56]

IESO Nova Scotia addressed this issue in its Closing Submission, providing the following:

> The operational procurement costs included in the Application are those costs incurred by IESO Nova Scotia in the run-up to entering into a formal energy resource supply contract with a third party, and are appropriately recovered in the revenue requirement under section 29 of the MAEA. In contrast, section 30 of the MAEA pertains to costs incurred under an energy resources supply contract once it has been executed and entered into — notably, payments to counterparties for energy resource services and for the ongoing administration of those executed contracts.
>
> Further, it is the intent of IESO Nova Scotia that applicable costs related to procurement included in this section 29 revenue requirement application will be reimbursed from successful energy resource procurement proponents, consistent with the Application.[57]

IESO Nova Scotia submits that the clarifications its panel provided during the hearing and in its Closing Submission provides sufficient delineation between those that fall under section 29 and

[55] SBA Closing Submission (M12633), July 24, 2026, p.13.
[56] IG Closing Submission (M12633), July 24, 2026, p.19.
[57] IESO Nova Scotia Closing Submission (M12633), July 24, 2026, p.20.

section 30 of the MAEA. IESO Nova Scotia further submits that procurement-related costs under a section 29 revenue requirement application remain reasonable and necessary to fund associated work that must be completed by IESO Nova Scotia under its mandate. This work must be undertaken, and therefore funded, in this fiscal year in order to secure needed energy resources that will be added to the system in future years.

The break-out of these costs in section 29 revenue applications is not only appropriate, but provides both transparency to the NSEB and stakeholders, as well as the ability to better track for reimbursement from successful procurement proponents at a future date. Procurement costs were previously approved by the NSEB in IESO Nova Scotia's 2025/2026 Revenue Requirement application (M12412). Accordingly, IESO Nova Scotia urges the NSEB to reject the IG's recommendation to remove these costs from the Application.

While removal of procurement costs from the Application is unjustified, IESO Nova Scotia is amenable to the SBA and IG's recommendations regarding providing additional clarity in future revenue requirement applications. As noted in IESO Nova Scotia's Closing Submission, "IESO Nova Scotia has committed to develop documentation regarding the distinction between section 29 and section 30 eligible costs…".[58]

[58] IESO Nova Scotia Closing Submission (M12633), July 24, 2026, p.21.

The IG makes the additional following recommendation regarding the development of a procurement policy:

> direct IESO-NS to file and obtain Board approval of a comprehensive procurement policy, including for its energy capacity procurements, no later than any application for approval of procurement costs;[59]

IESO Nova Scotia has undertaken an extensive and robust development and stakeholder engagement of its active procurement processes. In its quarterly report filed May 15, 2026, IESO Nova Scotia provided the following regarding its fast-acting generation procurement process:

> …IESO Nova Scotia is progressing procurement of 300+ MW of fast-acting generation, aligned to the most recent Integrated Resource Plan, as required by the MAEA. This activity has been informed by a 2025 Request for Expressions of Interest (REOI) completed by IESO Nova Scotia. Draft RFP materials were released for feedback in March 2026, with stakeholders providing over 300 comments now under review. Indigenous, community, and stakeholder engagement has been a central part of this project, with meetings and information-sharing sessions with Mi'kmaw communities and organizations, County municipal officials, local residents, area businesses, and other interested groups having started in September 2025 and continuing today. Nova Scotia's Department of Environment and Climate Change issued conditional approvals on IESO Nova Scotia's Environmental Assessments in February 2026, and the projects have been determined by the Impact Assessment Agency of Canada in May 2026 to require no further assessment.[60]

Participants in this process have included the regulatory intervenors in this proceeding, who provided comments on the draft RFP and Tolling Agreement for the fast-acting generation procurement process, which were considered, among the many other various stakeholder comments, in finalizing the RFP process and Draft Tolling Agreement which were launched on July 10, 2026.[61] Each of the more than 300 comments and suggestions submitted to IESO Nova Scotia was reviewed by its retained expert advisors with expertise in similar matters. This review

[59] IG Closing Submission (M12633), July 24, 2026, p.11.
[60] IESO Nova Scotia Quarterly Report (M12859), May 15, 2026, p.5.
[61] https://www.ieso-ns.ca/procurement/

resulted in changes to the RFP documentation, ensuring the final Tolling Agreement and the overall process achieved an appropriate balance between the interests of ratepayers and industry participants. IESO Nova Scotia's procurement of much-needed fast-acting generation capacity therefore incorporates all of the key elements that would be expected in a procurement process.

Finally, IESO Nova Scotia respectfully submits that there is nothing in the MAEA that implies or prescribes NSEB review or approval of energy procurement-related policies. As noted above and in IESO Nova Scotia’s Closing Submission, IESO Nova Scotia will develop its documentation regarding the distinction between section 29 and section 30 eligible costs and submits no further direction on this topic is required or appropriate.

6 MISCELLANEOUS TOPICS

Other Expense/Travel Costs

The SBA provided the following recommendation regarding Office Costs/Other Expense cost category:

> 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;[62]

IESO Nova Scotia notes that, as discussed during the hearing, the next revenue requirement application may be structured differently than the applications submitted to date, in order to improve the clarity of associated budgets. Accordingly, IESO Nova Scotia will take into consideration the comments of stakeholders like this one regarding travel expense as it develops its 2027/2028 Revenue Requirement application.

Procurement Guidelines and Flexibility Clause:

Intervenor closing submissions include comments regarding IESO Nova Scotia's procurement guideline and the flexibility clause. The SBA provided the following:

> 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 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", especially if the use of the Flexibility Clause is not conveyed to the NSEB and/or stakeholders.[63]

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[62] SBA Closing Submission (M12633), July 24, 2026, p.13.
[63] SBA Closing Submission (M12633), July 24, 2026, p.6-7.

The SBA goes on to make the following recommendation:

> 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[64]

Likewise, the IG provided the following recommendation:

> direct IESO-NS to report on any use of the Flexibility Clause, including the number, value, rationale, and approving authority for any non-competitive or alternative procurement approach, within its quarterly reporting;[65]

IESO Nova Scotia notes that, to the best of its knowledge, flexibility clauses in procurement policies for organizations are common, although the framing of them may be different. For example, where a competitive procurement process may not be feasible, a procurement policy may allow for the use of sole-source procurements, so long as the reason for the sole-source procurement is documented. Mr. Johnston provided testimony to this effect at the hearing, linking the flexibility clause to the use of a sole-source procurement:

> **Q.** And do you know if this Flexibility Clause has been utilized yet?
> **A**. (Johnston) Yes, it has.
> **Q**. In what circumstance?
> **A.** (Johnston) So we have had certain circumstances where we would have approved a single-source agreement.[66]

As noted during the hearing, IESO Nova Scotia's procurement policy is interim, and work will proceed this fiscal year to develop a more comprehensive policy. Mr. Johnston provided the following testimony:

> **Q.** And if we scroll down to page 6 of 109, under "Purpose" it talks about "These Interim Procurement Guidelines," and then later on, at the bottom of that paragraph it says:

[64] SBA Closing Submission (M12633), July 24, 2026, p.13.
[65] IG Closing Submission (M12633), July 24, 2026, p.12.
[66] Hearing Transcript (M12663), June 17, 2026 p.144.

> These guidelines will remain in effect until a more comprehensive procurement policy is developed and adopted.

Do you have a timeline on when that will occur?
A. (Johnston) It's on our to-do list for this financial year, so before, I guess, the end of March 2027.
Q. And if there is an update that's developed and adopted, will they be provided to either the Board or stakeholders?
A. (Johnston) There's no reason why they can't be.
Q. So would you be able to provide or commit to providing an update to the Board and stakeholders as to when they may be developed and adopted?
A. (Johnston) We've got quarterly reporting, so we can be absolutely add in that.[67]

Consistent with Mr. Johnston's testimony, IESO Nova Scotia commits to providing an update regarding the development of a final procurement policy to the NSEB via its quarterly reporting. Clarity regarding the flexibility clause, if applicable in the final version of the procurement policy, will be provided. IESO Nova Scotia submits that this approach provides the NSEB and stakeholders transparency into its approach to procurement practices.

Otherwise, reporting on the use of the flexibility clause in every instance represents unreasonable over-reach into the minutia of IESO Nova Scotia's internal decision-making process. Mr. Johnston provided the following related testimony during the hearing:

Q. And is there any sort of reporting that you'll provide with respect to the use of the Flexibility Clause?
A. (Johnston) 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 in time.
Q. Will you be doing it going forward?
A. (Johnston) I mean, at this point in time, there is no plan to do so. We're trying to balance the cost and the benefits to the organization and ultimately customers. And so there's a very small organization with 30 people. It starts to become potentially a significant burden if we have to report many different things, but of course we will listen to the Board's direction and report on things if we need to.[68]

[67] Ibid, p.142-143.
[68] Ibid, p.145-146.

Given the unreasonableness of the request, the potential regulatory burden on IESO Nova Scotia, and IESO Nova Scotia's commitment to updating the NSEB and stakeholders on the development of a final procurement policy, IESO Nova Scotia requests the Board decline to direct IESO Nova Scotia to report on the use of the flexibility clause.

HST

With respect to HST, the IG requested the NSEB:

> direct IESO-NS to file with its compliance filing confirmation as to how the 14% HST exposure will be managed, including how any input tax credit benefit will be flowed through;[69]

IESO Nova Scotia's response to NSEB IR-29 provided as follows:

> As the Board noted in its Information Request, it is reasonable to expect that amounts collected by NS Power from its customers on behalf of IESO Nova Scotia would themselves be subject to HST. Although IESO Nova Scotia cannot speak to NS Power's tax position, it is reasonable to assume that any HST paid by NS Power to IESO Nova Scotia would give rise to corresponding input tax credits for NS Power. In that circumstance, the economic effect on customers should foreseeably be neutral, because the HST collected from customers would be remitted through to IESO Nova Scotia for onward remittance, while NS Power would be entitled to recover the same amount through the input tax credit mechanism. The expected result is that customers would not bear any incremental tax burden arising from the temporary fee arrangement.[70]

Mr. McFeters confirmed in his testimony during the hearing that the effect on customers will be neutral.[71] Mr. Johnston elaborated on this point in his testimony as follows:

> And so in a world where a customer was paying -- I'm making numbers up to keep them simple -- $100 on their bill for cost from Nova Scotia Power and then there became a $1 cost that needed to get added to that from the IESO, there's two paths that it could go through, I think. So one could be that we pass the $1 on to Nova Scotia Power. Nova Scotia Power passes the $101 on to customers. HST would be applied to

[69] IG Closing Submission (M12633), July 24, 2026, p.19.
[70] NSEB IR-19 (M12663), March 10, 2026, p.2.
[71] Hearing Transcript (M12663), June 25, 2026 p.432.

> the $101 from Nova Scotia Power. What our advice has been is as we pass on the $1 to Nova Scotia Power, HST would be added to that, so it would be $1.14. But you wouldn't then double -- customers wouldn't then be paying double. They would still be paying the same amount had we just passed on the $1 without the HST, because Nova Scotia Power, as they passed on their cost the customers, would still be having HST on that.[72]

IESO Nova Scotia submits the issue has been addressed based on its understanding of the issue and expert advice provided. IG's concern appears to be related to NSPI's treatment of HST: "The difficulty is that there is no assurance that NSPI will fully pass through the ITC benefit to customers, nor that NSPI has confirmed its approach."[73] As such, IESO Nova Scotia respectfully submits that any inquiries related to the treatment of HST by NSPI be directed to NSPI.

Phase 2 Transition

Intervenor submissions provided comment on the Phase 2 transition, corresponding preliminary work being conducted, and associated Phase 2 Transition Costs included in the application. The IG provided the following comments:

> The absence of analysis or information on the progress of the transition raises questions about the proposed $1.77 million built into the RR and described as "Phase II Transition Costs". The application itself confirms that the projects budgeted within that amount had not yet been fully scoped or competitively bid, and that there remains considerable work to be done to build out a roadmap for Phase II….[74]

The CA provided the following comments and recommendation:

> Given the unknowns, the CA remains concerned about the potential for delays in implementing the Phase II transition, and the potential cost implications that may flow to ratepayers as a result. The IESO has already been directed by the Board to provide quarterly reports, which includes updates "about the status of Phase 1 and 2 of the transition of the system operator functions from NS Power to the IESO, as well as reporting about staffing, facilities and technology, regulatory compliance matters, and

[72] Ibid, p.434.
[73] IG Closing Submission (M12633), July 24, 2026, p.12.
[74] Ibid, p.15.

> on any material changes to the transition timeline or to forecast costs." To improve transparency, the CA suggests that such reports be provided on a monthly basis. These reports should also specifically address any impacts on the expected Phase II implementation date as things progress.[75]

IESO Nova Scotia notes that work on the Phase 2 transition continues at pace, and that IESO Nova Scotia has been transparent on its progress to date, providing relevant information available to date. IESO Nova Scotia provided the following in its quarterly report to the NSEB on May 15, 2026:

> Phase 2 involves the transfer of real-time dispatch operations, subject to the proclamation of certain provisions of the Act, which will require various technology and facility acquisitions by IESO Nova Scotia, including control centre operations.
>
> Due to the complexity of this transition and the direct impact on real-time electricity grid operations, IESO Nova Scotia has competitively procured expert consulting services and is currently undertaking work to assess the viable options associated with implementing Phase 2 of the transition of system operator functions, as required by the MAEA. IBM has been engaged as the primary consultant for this work.
>
> Transition planning for Phase 2 is underway, guided by the ongoing work being completed by IBM. The exact timing of the transition will depend on a number of factors, including proclamation, technology requirements, reliability and compliance readiness, and facility needs. This work is expected to define the physical, technical, and people-related changes required to implement Phase 2, along with associated cost estimates and timelines. Subject to the completion of this detailed assessment work, initial steps towards implementation of the Phase 2 transition are targeted to commence in Q2 2026/2027.
>
> IESO Nova Scotia intends to engage the NSEB at the appropriate time, as required by the MAEA, in relation to Phase 2, as indicated above.[76]

Phase 2 Transition costs in the Application are related to the preparatory work to plan for the transition and are reasonable for inclusion and approval by the NSEB. These are necessary costs to develop a thorough approach to the Phase 2 transition, including the development of mature

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[75] CA Closing Submission (M12633), July 24, 2026, p.27.
[76] IESO Nova Scotia Quarterly Report (M12859), May 15, 2026, p.3-4.

project plans and cost estimates, and to progress the transition in a timely manner, which is aligned with intervenor feedback received in this proceeding.

Outside of this category of costs, while IESO Nova Scotia appreciates the interest of stakeholders in Phase 2 transition work, it equally submits that related information is outside the scope of this proceeding. IESO Nova Scotia's quarterly reports are directed to include Phase 2 progress updates, and are the appropriate vehicle through which to continue to provide updates to the Board and stakeholders. IESO Nova Scotia therefore requests that the NSEB not adopt CA's corresponding recommendation regarding monthly reporting.

While IESO Nova Scotia appreciates the concerns raised by intervenors on the progress related to Phase 2, IESO Nova Scotia continues to work diligently toward the Phase 2 transition, will keep stakeholders including, notably, the Province, informed of that progress as noted, and notes that the transition to Phase 2 operations will occur once it is reasonably feasible to do so. Finally, it is ultimately the purview of the Province, as the authors of the MAEA, in consultation with IESO Nova Scotia, to determine the timing of the proclamation of the relevant sections of the MAEA, officially marking IESO Nova Scotia's transition to Phase 2 operations.

NSPI Collaboration/Duplicate Costs

The IG provided the following recommendations regarding duplication of costs between NSPI and IESO Nova Scotia:

> direct IESO-NS and NSPI to file, with IESO-NS's next RR application, a joint certification confirming that no duplicate costs have been charged to ratepayers for transferred, shared, or sequential functions during the 2026/2027 fiscal year;[77]

[77] IG Closing Submission (M12633), July 24, 2026, p.19.

And:

> direct IESO-NS to develop and file a written cost duplication prevention framework identifying the functions where duplication risk is elevated, the controls in place to prevent duplicate recovery, and the process for identifying and reversing any duplicate charges;[78]

With respect to the certification recommendation, the IG appears to rely in part on the certification ordered under M12588 and comparisons to NSPI's Affiliate Code of Conduct requirements. IESO Nova Scotia submits that this is not an apt comparison.

Under M12588 the Board noted that "Renewall submitted that NS Power should be required to file an annual certification confirming that assets funded through this application are used solely for renewable to retail purposes and that no costs have been allocated or shifted between renewable to retail and non-renewable to retail revenue requirements."[79] It would appear in this case that the only party responsible for verification that the project assets are only used for their intended purpose is NSPI, who has full control over the use of the project asset. With respect to NSPI's Affiliate Code of Conduct, its purpose is in part to provide control over subsidization of affiliate activities through NSPI and its ratepayers – the purpose is misaligned with the relationship between NSPI and IESO Nova Scotia, and coordination between NSPI and its affiliates is facilitated through its common parent company ownership.

IESO Nova Scotia is independent from NSPI. IESO Nova Scotia is in control of and only has information related to its own operations, which now stand apart and separate from those of NSPI. To IESO Nova Scotia's knowledge, there is no duplication of costs by simple virtue of the fact

[78] Ibid, p.19-20
[79] NSEB Decision (M12588), June 26, 2026, p.34.

that functions once belonging to NSPI are no longer with NSPI, with corresponding operational staff having transferred to IESO Nova Scotia in December 2025. Accordingly, IESO Nova Scotia submits that a joint certification from NSPI and IESO Nova Scotia would not provide additional value, and is, in any event, not aligned with the purpose it serves in the context in which it has been previously used.

Likewise, a “written cost duplication prevention framework” developed by IESO Nova Scotia would have little value in the specific context of IESO Nova Scotia’s independence from NSPI as described above. Such a document would ultimately have no force or effect on NSPI, which is in turn responsible for its own costs, and whether it is incurring costs for functions for which it is no longer responsible. Further, in order to accomplish this IG recommendation, IESO Nova Scotia would have to divert subject matter expert resources to the development, execution, and maintenance of such a framework, necessitating in turn the deferral of other tasks currently being pursued in furtherance of IESO Nova Scotia’s critical mandate and creating new costs not budgeted for in this revenue requirement application.

Accordingly, IESO Nova Scotia requests that the NSEB not adopt the IG’s corresponding recommendations.

IESO Nova Scotia and NS Power established a Joint Transition Committee to facilitate coordination between the two organizations. The Joint Transition Committee continues to meet regularly and will continue to facilitate the coordinated transfer of responsibilities as required under the MAEA. IESO Nova Scotia believes that this forum between the two organizations continues to be effective in enabling an appropriate transfer of these responsibilities.

Annual Reporting

The IG provided the following recommendation regarding Annual Reporting:

> direct IESO-NS to prepare the Annual Report due to the Board on September 30, 2026, using the reporting framework and approach adopted by Ontario's IESO.[80]

IESO Nova Scotia notes that the MAEA mandates annual reporting for IESO Nova Scotia, as follows:

> **32 (1)** Within six months after the end of every fiscal year, the IESO shall submit an annual report to the Energy Board on its affairs during that fiscal year and shall provide a copy of the report to the Minister.
> **(2)** The audited financial statements of the IESO must be included in the annual report and the annual report must contain any further particulars the Governor in Council may prescribe by the regulations.
> **(3)** The annual report must be laid before the House of Assembly by the Minister or, where it is not sitting, within 15 sitting days after it next sits.
> **(4)** The IESO shall submit such other reports and information to the Minister as the Minister may require.[81]

IESO Nova Scotia has clear legislative direction regarding the content of the annual report, according to s.32 of the MAEA, which must include IESO Nova Scotia's audited financial statements. IESO Nova Scotia's annual report will be produced in compliance with the MAEA. IESO Nova Scotia appreciates the recommendation from the IG, and will take it into consideration in discussion with the Province to explore the potential for additional content that would be of value to a variety of interested parties.

[80] IG Closing Submission (M12633), July 24, 2026, p.20.
[81] MAEA s.32.

7 CONCLUSION

For the reasons set out in this Reply to Closing Submission, IESO Nova Scotia respectfully submits that the Application should be approved as submitted.

The intervenor closing submissions raise a number of issues regarding forecasting, evidentiary support, internal processes, reporting, and future transparency. IESO Nova Scotia has addressed those issues in this Reply to Closing and does not dismiss their importance. To the contrary, IESO Nova Scotia accepts that future applications will benefit from additional operating experience, more detailed supporting documentation, and continued development of internal policies, guidelines, controls, and reporting practices.

However, the Board's determination in this proceeding must be made on the record before it and in the context of IESO Nova Scotia's statutory mandate and present stage of development. IESO Nova Scotia is a newly-established, not-for-profit statutory body carrying out its mandate, including a complex transition of system operator functions, in accordance with the MAEA. The Application reflects the funding required for IESO Nova Scotia to continue that work during the 2026/2027 fiscal year. The evidentiary record supports the reasonableness and necessity of the proposed revenue requirement, and there is no appropriate basis to reduce the Application in the manner proposed by some intervenors.

In particular, IESO Nova Scotia submits that the Board should not adopt the proposed vacancy adjustment to staffing-related costs. The staffing budget reflects the organization's planned complement and the operational need to build capacity to perform its statutory functions. At this early stage, vacancies and external support costs must be understood together, as IESO Nova Scotia requires flexibility to carry out its mandate while continuing to recruit and work toward steady-state operations.

IESO Nova Scotia further submits that certain procurement-related costs were properly included in the Application. These development and operational costs incurred in advance of executed energy resource supply contracts and are appropriately addressed under section 29 of the MAEA. IESO Nova Scotia has also committed to improving future delineation between section 29 and section 30 costs, which will provide additional clarity in future applications.

With respect to the DVM, IESO Nova Scotia submits that the mechanism should be approved as proposed. The DVM is an extension of the Board-approved Net OM&A Deferral and Variance Account and is responsive to the practical need for a mechanism that captures variances across the full revenue requirement. The Board's prior direction in M12412 regarding guidelines, accounting policies, financial controls, reporting, and prudency review thresholds provides an appropriate framework for the DVM. No further or duplicative direction is required, other than confirmation that the prior direction applies to the DVM.

IESO Nova Scotia also respectfully submits that additional monthly reporting, mandatory pre-approval of unforeseen costs, reporting on each use of the procurement flexibility clause, joint cost-duplication certifications with NS Power, or other proposed compliance requirements would be disproportionate in light of the scale of IESO Nova Scotia's operations, the magnitude and nature of the costs at issue, the size and capacity of the organization, and the quarterly reporting obligations already imposed by the Board. IESO Nova Scotia remains committed to keeping the Board and stakeholders informed through those quarterly reports, including with respect to material changes to forecast costs, transition timelines, and other matters within the scope of the Board's existing direction.

Finally, IESO Nova Scotia reiterates its request that the Board provide clarity on the scope of its jurisdiction under subsection 29(4) of the MAEA.

IESO Nova Scotia recognizes the importance of regulatory transparency, fiscal discipline, and continuous improvement. It is committed to applying the lessons from its early-stage operations, this proceeding, the Board's prior direction, and stakeholder feedback in future applications. At the same time, IESO Nova Scotia requests and requires approval of its 2026/2027 revenue requirement and the DVM in order to continue carrying out its statutory mandate in the public interest.

Accordingly, IESO Nova Scotia respectfully requests that the Board:

a) approve IESO Nova Scotia's 2026/2027 revenue requirement as submitted;
b) approve the proposed Net Revenue Requirement Deferral and Variance Mechanism;
c) decline to adopt the intervenor recommendations to reduce staffing-related costs, remove procurement-related costs, impose monthly reporting, require mandatory pre-approval of unforeseen costs, or impose additional compliance obligations beyond those already required or appropriately addressed through future applications and quarterly reporting; and

d) provide such further direction as the Board considers appropriate with respect to the scope and application of subsection 29(4) of the MAEA.