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Karynne Munroe
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Dear Ms. Munroe:

M12768 – Nova Scotia Power Incorporated – Extra Large Industrial Active Demand Control Tariff – 2025 Annual Report

On March 26, 2026, Nova Scotia Power Incorporated filed its Annual Report on the performance of the Extra Large Industrial Active Demand Control Tariff (ELIADC) for 2025. NS Power responded to information requests (IRs) from Bates White, the Consumer Advocate, the Small Business Advocate, and the Industrial Group.

In a letter dated April 2, 2026, the Board stated:

> As the Information Request Responses may be relevant to matters under consideration in **Matter M12661 - Nova Scotia Power - Application for approval of an Above-the-Line Tariff applicable to Port Hawkesbury Paper**, the responses filed in this proceeding will be included in the record of Matter M12661 when they are filed.

The Board also received submissions from Bates White, the Consumer Advocate, the Small Business Advocate and the Industrial Group. Reply submissions were filed by Port Hawkesbury Paper LP and NS Power.

The Board panel considering this matter (M12768) is Stephen T. McGrath, K.C., Chair; Roland A. Deveau, K.C., Vice Chair; and Richard J. Melanson, LLB, Member.

The ELIADC tariff is an annually adjusted, below-the-line tariff, which came into effect on January 1, 2020, solely serving Port Hawkesbury Paper for an initial four-year term from 2020-2023. It was later approved to continue, with certain amendments, during 2024, 2025 and 2026.

The main feature of the tariff is the Active Demand Control (ADC) service, under which NS Power could direct Port Hawkesbury Paper to decrease or increase its load in response to system conditions and costs, to the benefit of all customers. Any savings achieved from ADC is shared through the ADC load shifting credit, with 25% of savings credited to Port Hawkesbury Paper, and the remaining 75% of savings credited to NS Power customers.

The ADC benefit, combined with a forecast price adder, was estimated by NS Power to provide customers a total value between $6 million and $13 million annually over the initial tariff period (2020-2023), averaging $10 million annually. However, since its inception, the ADC load shifting differential was positive in only two years; $6.6 million in 2020 and $1.5 million in 2025.

Submissions

In its submission, Bates White noted that Port Hawkesbury Paper's load in 2025 was 690,763 MWh, which was about 15% below the consumption forecast by Port Hawkesbury Paper. Bates White also noted the positive ADC differential in 2025, which resulted in $380,653 being accrued to Port Hawkesbury Paper. Under the ELIADC tariff, Port Hawkesbury Paper is responsible for system costs associated with unilateral deviations from its scheduled loading. During 2025, there were 95 hours of off-schedule (Cause Code 5) events, which imposed incremental system costs of $706,609. In its report, NS Power stated that it charges Port Hawkesbury Paper only a portion (75%) of the incremental cost. That portion, which equals $529,957, is netted against Port Hawkesbury Paper's share of the positive ADC differential, resulting in a billed amount of $149,304 to close out the 2025 ELIADC accounting.

Bates White stated that the ELIADC tariff continued to perform as it has since its inception. However, noting that NS Power is only refunding 75% of the incremental costs of the off-schedule deviations to its other customers, Bates White raised a concern that the 2025 Cause Code 5 hours increased from the 2024 level (though it noted that the instances of Cause Code 5 in 2025 were lower than in the first four years of the tariff).

Although NS Power's report included a summary of its efforts to comply with prior Fuel Adjustment Mechanism (FAM) Audit recommendations, Bates White stated that it will address that issue in its FAM Audit report.

Like Bates White, the Small Business Advocate's submissions noted that the ELIADC tariff provided a positive benefit from Port Hawkesbury Paper load shifting for only two of the six years between 2020 and 2025. It also noted that although NS Power said it met the three Bates White recommendations from the 2022-2023 FAM Audit, NS Power acknowledged it would not be able to address the requested hourly modeling enhancements but would provide an update on the modeling of actual load shifting benefits at the March 2026 FAM SWG meeting.

In that update, NS Power said it implemented additional reporting metrics and data but continues to investigate whether and how more detailed quantification of actual load shifting benefits and costs could be compiled, considering restoration timing of key data and platforms. The Small Business Advocate stated that a full update did not occur in March 2026 and submitted that "the Board should require NS Power to commit to when it will provide the promised update on its ability to provide detailed quantification of actual load shifting benefits and costs, as well as the status of its efforts to restore key data and platforms following the recent cyber event."

The Industrial Group submissions also expressed concern that the ELIADC has not delivered what was represented at the time of approval and suggested this should be kept in mind when evaluating expectations under a new tariff proposed for Port Hawkesbury Paper in Matter M12661. In addition, the Industrial Group viewed the $5/MWh minimum fixed cost contribution under the ELIADC tariff as providing insufficient protection for other ratepayers against continued under-performance.

Other issues raised for consideration in the design of the proposed new tariff for Port Hawkesbury Power included:

- The absence of any constraint on load forecast revisions. The Industrial Group stated, "[Port Hawkesbury Paper's] ability to revise its load downward without limit and to capture the dispatch optimization benefits that flow from running at lower-than-forecast levels is a structural advantage that is not shared by other ratepayers."
- Accounting for carrying costs for outstanding post-year-end balances and considering whether interest should apply to the outstanding post-year-end balances.

In addition, the Industrial Group requested changes in annual and monthly reporting to improve transparency and comparability. More specifically:

- Annual reports should include a table presenting annual benefits and costs reported under GAAP and on a "clean year" basis (excluding prior-year adjustments) so that performance can be assessed on a like-for-like basis across years;
- Regarding month-by-month charges and costs, the Industrial Group said Port Hawkesbury Paper's billed charge fell significantly short of the actual cost to serve Port Hawkesbury Paper in the months of highest energy cost (January $2.17 million, February $2.91 million, December $1.88 million), and that shortfall was borne by other ratepayers until the accruals were reversed after the annual netting of positive and negative months. The Industrial Group requested that the FAM M-8 reports include a "month-by-month comparison of the total billed charge and the actual incremental cost to serve, with a clear identification of months in which the billed charge was less than the cost to serve, with an explanation of accruals, and the quantum of the resulting monthly shortfall."

The Industrial Group also raised concerns related to NS Power's response to recommendation XV-1 from the 2022-2023 FAM Audit. The Industrial Group requested the Board to direct NS Power to propose a specific alternative methodology, with a firm timeline, in lieu of the hourly Cause Code analysis, and to note its concern about NS Power's practice of accepting regulatory recommendations without disclosing known implementation barriers.

Reply Submissions

Port Hawkesbury Paper, in its reply submissions, requested that the 2025 ELIADC tariff report be approved as filed. Port Hawkesbury Paper noted there is no cause for concern regarding the Cause Code 5 hours since the 95 hours in 2025 were only 1.1% of all hours in the year and were the second lowest of the six years of tariff operation. It also noted that issues about the absence of any constraint on load forecast revisions and consideration of whether interest should be applied to outstanding post-year-end balances are both issues for consideration in the proposed new tariff matter (M12661). In addition, Port Hawkesbury Paper noted the comment by Bates White that FAM recommendation issues will be addressed in the FAM Audit report and expressed support for provision of further relevant information to increase transparency in the operation of the ELIADC tariff. Port Hawkesbury

Paper also noted that the actual cost it incurred ($91/MWh) was significantly higher than the average forecast by NS Power in the original 2019 application ($62.72/MWh), which impacted the ability to achieve the $10 million/year benefit originally expected.

NS Power responded to issues raised in the submissions and requested the Board accept the 2025 ELIADC Annual Report. NS Power noted that although parties were critical that financial benefits were less than originally forecast in 2019, they did not dispute that the ELIADC tariff provides financial and system benefits to all customers. It also said that evolving market and operational conditions, not a deficiency in the design of the tariff, were primary contributors to the variance between forecast and actual results.

Regarding concerns raised by the Industrial Group and the Small Business Advocate about NS Power's implementation of the 2022-2023 FAM Audit recommendations XV-1 and XV-3, NS Power referred to Bates White's comment that 2025 ELIADC tariff results will be addressed in the FAM Audit report. It also stated that enhanced quantification of load shifting benefits is dependent on the use of production simulation tools (PortOps) and underlying data systems, both of which were unavailable for a period of time in 2025 due to the cyber breach incident. However, it said work resumed as systems were restored and it will continue to work constructively with Bates White and stakeholders to provide updates on the implementation of FAM Audit recommendations.

In addressing the month-to-month variability between billed revenue and cost to serve Port Hawkesbury Paper, NS Power noted that such comparison does not reflect the economic outcome of the tariff and cannot be interpreted as evidence of a cross-subsidy. It stated that the ELIADC tariff was designed to operate as an annual settlement mechanism and therefore the net annual result is the "appropriate lens for assessing ELIADC Tariff performance." Furthermore, "Providing detailed monthly reporting of cost to serve relative to billed revenues may also introduce complexity and risk misinterpretation when viewed outside of the annual reconciliation context."

Regarding the Industrial Group's suggestion to consider applying interest to post-year-end balances, NS Power noted that those "balances are short-lived and relatively small in magnitude, and the current approach is consistent with established practice."

NS Power also agreed that issues raised relative to the proposed new tariff for Port Hawkesbury Paper should be addressed in that proceeding, which is currently before the Board (M12661).

Board Findings

In its decision in Matter M09420, the Board directed NS Power to file annual assessment results as required under the terms of the ELIADC tariff. Specifically, the approved tariff states:

> Annually, NS Power shall report to the Board to confirm the dollar value of system savings that have been achieved through Active Demand Control of [Port Hawkesbury Paper's] load under the Protocol, taking account of the impacts of any variances by [Port Hawkesbury Paper] from the dispatch schedules issued to it by NS Power and any adjustments arising from schedule variances if required. NS Power shall endeavor to submit this report no later than 60 days after the end of a tariff year.

Although NS Power did not submit the Annual Report within 60 days after the end of the 2025 tariff year, the report does provide performance results for the ELIADC tariff. It also responds to three recommendations made by Bates White in its 2022-2023 FAM Audit Report.

Despite NS Power's comments about the FAM audit recommendations, the Small Business Advocate and Industrial Group both raised concerns that the required enhanced quantification of actual load shifting benefits and costs has not been provided, even though NS Power previously agreed to do so and was directed in an earlier Board decision to proceed without further delay. NS Power stated that enhanced quantification is dependent on use of production simulation tools and underlying data systems which were not available during part of 2025 due to the cyber security breach. It noted that work has resumed as systems were restored and it will continue to advance the work using appropriate modeling tools. The Board reiterates its concern about continual delays and directs NS Power to provide a firm date, **no later than September 15, 2026**, for delivery of the analysis.

The Board notes the Industrial Group's statement that its comments are largely observational rather than for specific recommended changes or improvements to the ELIADC, and that they may be useful for consideration in the current matter addressing the proposed new tariff for Port Hawkesbury Paper. The Board anticipates that to be the case. However, NS Power is directed to comply with the Industrial Group's requested changes in annual and monthly reporting to improve transparency and comparability.

The Board also notes Bates White's statement that its current FAM Audit report will address 2025 ELIADC results and NS Power's efforts to comply with prior FAM Audit recommendations. The Board makes no further comment on that issue at this time.

Subject to the comments and findings above, the Board accepts the ELIADC results presented in NS Power's 2025 Annual Report.

Yours very truly,

Stephen T. McGrath, K.C.
Chair

Roland A. Deveau, K.C.
Vice Chair

Richard L. Melanson, LL.B.
Member

c. William L. Mahody, K.C., Board Counsel
Interested Parties
Parties (M12661)